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HOW RISK IS RESHAPING THE LUXURY WORLD

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For a long time, the luxury sector behaved as if exclusivity, craftsmanship, and discretion were not just values but shields, capable of insulating it from the regulatory pressures reshaping other industries. Art dealers saw themselves as stewards, not compliance actors. Yacht brokers viewed their work as service, not facilitation. Fashion houses imagined they operated in a cultural rather than geopolitical space. Private banks, wealth managers, and family offices operated on the assumption that their greatest exposures were reputational, not legal.

That era is over. Today, luxury is treated as a high-risk ecosystem, not because governments have developed an interest in expensive paintings, handbags, or yachts, but because these assets move through jurisdictions, structures, and intermediaries that attract geopolitical scrutiny. Whether intentionally or not, the luxury world

has become one of the most efficient conduits for global wealth mobility. And in a global environment defined by sanctions, export controls, anti-money laundering regimes, beneficial ownership transparency, and narrative warfare, conduits are pressure points.

The quiet assumption that luxury was peripheral to enforcement has dissolved. The ultra-wealthy are under unprecedented attention. But those who serve them — galleries, advisers, banks, stylists, family offices, jewelers, brokers, auction houses — carry a distinct and growing exposure. The greatest vulnerability today is often not the client at all, but the institution that failed to anticipate how even indirect proximity can trigger cascading scrutiny.

When luxury becomes exposure

The last three years have produced a series of cases that fundamentally altered the regulatory posture

surrounding the luxury sector. In London, prosecutors charged the U.K. branch of Hauser & Wirth and an art logistics company with violating Russian sanctions by making a George Condo painting available to a person “connected with Russia.” Although the court ultimately dismissed the charge after concluding the prosecution had not established that the purchaser was ordinarily resident in Russia, the case nonetheless illustrated how regulators were prepared to pursue criminal enforcement based on access to luxury assets rather than traditional financial misconduct.¹

Around the same time, the Italian house Brunello Cucinelli faced market turbulence after a short seller alleged that the company continued to sell luxury goods in Russia despite EU export controls. The company denied the claim. But the episode revealed how even an unproven accusation can shift regulatory expectations and market behavior overnight.²

In the U.S., the 106-meter \$300 million superyacht *Amadea* became the centerpiece of a transnational forfeiture fight after a federal judge concluded the purported owner acted as a “straw” for a sanctioned oligarch. By the time the judgment arrived, the yacht had already absorbed tens of millions of dollars in government-mandated maintenance expenses, while shipyards, crews, vendors, and insurers found themselves entangled in a dispute they neither caused nor anticipated.³

Even the most sophisticated luxury houses struggle to insulate themselves from risk. Early 2025 reporting revealed that LVMH entities themselves acknowledged the near impossibility of controlling the ultimate destination of products

once they entered third-party distribution channels.⁴

That same structural vulnerability is visible at the boutique level. Dutch prosecutors named Louis Vuitton in a money-laundering investigation after an employee allegedly helped a client structure cash purchases below the 10,000-euro threshold, a single retail transaction that escalated into a national probe. Together, these cases expose a single truth: distribution chains, whether wholesale, duty-free, or in-store retail, now function as critical compliance fault lines, where the loss of visibility over who buys, who receives, and where goods ultimately travel can escalate from an operational inconvenience into a regulatory crisis.⁵

What once appeared to be ordinary commercial activity is increasingly viewed through the lens of national security, sanctions evasion, beneficial ownership opacity, and cross-border financial integrity. The pattern is hard to miss; luxury assets are no longer perceived as lifestyle items or cultural commodities, but as strategic asset classes whose movement, storage, financing, and ownership sit squarely within the enforcement priorities of governments in Washington, Brussels, London, and beyond.

In this environment, exposure is structural rather than situational, baked into the operating model itself. It attaches not to the asset’s rarity or the client’s prominence, but to the architecture of the luxury ecosystem itself: opaque ownership structures, cross-border movement, intermediaries whose due diligence capabilities lag behind regulatory expectations, and service models built around discretion rather than documentation. If

you operate anywhere along this chain, whether in creation, retail, logistics, storage, maintenance, banking, management, or advisory, there is a strong chance you already fall within the scope of modern enforcement, whether you realize it or not.

For those who advise, serve, or enable wealthy clients, the message is clear: compliance checklists are no longer sufficient. The same principles that govern high-finance transactions, controlled goods, and national-security-sensitive sectors now apply, often quietly but unequivocally, to the world of luxury. The question is no longer whether regulators will see these assets as strategically relevant. They already do. The industry is now playing on a different field, with different rules. The only uncertainty is how quickly the industry will adapt to that new reality.

These are not isolated developments; they point to structural vulnerabilities embedded in the way the luxury world has always operated. To understand why exposure has multiplied so rapidly, one must examine the industry’s foundational assumptions, the very practices that once defined its allure.

Legacy practices, modern liabilities

For decades, the luxury world operated according to its own set of informal rules, a parallel system defined not by regulation but by relationships. Transactions flowed through private previews, dealer-to-dealer arrangements, single-client showrooms, invitation-only events, word-of-mouth referrals, and bespoke concierge services that blurred the line between hospitality and financial facilitation. Those conventions built an economy of trust. They

also built an infrastructure of risk. In today's environment, that same culture creates blind spots that regulators now treat as structural vulnerabilities.

The vulnerabilities are not hypothetical. They sit inside the operating model itself. Private sales, for example, often obscure beneficial ownership in ways that now echo the techniques sanctioned actors use to move assets through complex structures. The movement and storage of art, short-term loans, cross-border transfers, and temporary freeport holdings can replicate the same logistical patterns found in sanctions-evasion schemes.

Cash-heavy purchase models create exposures that resemble classic anti-money laundering red flags. Personal shopping services, whether through boutiques or private stylists, can — deliberately or inadvertently — redirect goods into restricted markets or onward to proxies acting on behalf of sanctioned clients. And cross-border concierge offerings, built around solving problems rather than documenting transactions, increasingly resemble brokering activities, yet operate without any of the controls, disclosures, or licensing regimes that actual brokers are expected to maintain.

Auction houses such as Sotheby's and Christie's have already spent years under the scrutiny of U.S. and European regulators for deficiencies in customer identification, reliance on shell-company bidding structures, and the circulation of high-value works without sufficient documentation of provenance or purchasers. These cases were not about criminal intent; they were about a systemic gap between an industry built on anonymity and a

regulatory world that has declared anonymity a risk category.

Ultraluxury jewelers face similar exposure as authorities in Switzerland, and the EU is tightening monitoring around portable luxury assets frequently used as alternative liquidity stores. Transactions involving rare stones, vintage pieces, or bespoke watches now trigger many of the same obligations as high-value financial transactions, bringing jewelers into a compliance posture they were never designed to navigate.

Even Monaco brokers, who have long operated in a culture of absolute discretion in the sale and charter of yachts, aircraft, and exceptional collectible assets, now face expectations that mirror those imposed on private banks. Understanding the client is no longer enough. They must understand the structure behind the client, the jurisdictional footprint of that structure, the political exposure of the ultimate beneficiaries, and the potential for even an indirect relationship to intersect with restricted persons or geographies.

The problem is not malice; it is momentum. Luxury institutions built their operational DNA around discretion and speed, not documentation and verification. They optimized for fluidity, not auditability. They built reputations on problem-solving, not recordkeeping. Now they confront enforcement regimes that demand the opposite: transparency, justification, and an evidentiary chain that can survive scrutiny in multiple jurisdictions.

What once made the industry attractive — its frictionless ability to move assets, accommodate clients, and transcend borders — is now precisely what makes it fragile.

The luxury world did not change; the regulatory world did. And the gap between the two has become a liability in itself.

When scrutiny begins before anyone notices

By the time a luxury institution realizes it is under scrutiny, the scrutiny has usually been underway for months. Modern enforcement does not begin with a raid, subpoena, or headline; it begins with pattern recognition. Regulators, financial intelligence units, customs authorities, and sanctions investigators increasingly operate using analytic methods more akin to national security work: mapping networks, tracing asset movements, comparing filings across jurisdictions, and identifying inconsistencies that institutions themselves never considered relevant. This scrutiny is modeled less on accounting than on intelligence practice: slow, silent, pattern-based, and cumulative.

The luxury industry, built on relationships rather than reporting, is particularly exposed to this shift. A gallery may believe it is conducting a private sale; investigators may see the same transaction as part of a broader pattern of cross-border transfers linked to a restricted individual. A family office may treat a client's offshore structure as routine; analysts may view the same structure as a layering mechanism designed to obscure politically exposed ownership. A yacht charter broker may assume it is arranging logistics; enforcement agencies may see jurisdiction-hopping patterns that mimic those used to evade arrest warrants or sanctions designations.

The dissonance is not about intent; it is about perspective,

and that difference is decisive. Institutions inside the luxury world see isolated events. Regulators see ecosystems. A single piece of artwork shipped through a freeport becomes part of a sequence. Who shipped it, who insured it, who paid storage fees, who provided valuation, which entity signed the transfer paperwork, which trust stood behind that entity, and which jurisdiction oversees that trust. What feels like a self-contained service becomes a node in a map.

Often, the first sign of exposure arrives disguised as something minor: a clarification request from a private bank; a routine query from a shipping company; a customs hold at an airport; an insurer asking for additional documentation; a family office noticing irregularities in a client's structure. These signals rarely appear urgent in isolation. But collectively, they reflect a broader shift in how information travels. In the luxury world, the early warnings often come not from regulators, but from the edges, from the service providers who, knowingly or not, become the first sensors in a global compliance ecosystem.

Luxury institutions must assume scrutiny begins before they ever notice it. The question is not when regulators will look; the question is whether the institution will detect the warning signs early enough to avoid becoming the next case study.

Family offices, wealth managers, and private banks

If the art world, jewelry makers, fashion houses, and yacht brokers represent the visible face of luxury, family offices and private banks represent its architecture. They sit at the intersection of wealth, jurisdiction, and discretion. The precise space where regulatory

expectations have risen fastest and where traditional practices now collide with modern enforcement.

For years, these institutions calibrated their risk models around the client: source of wealth, political exposure, transactional history, and reputational footprint. The assumption was that once a client cleared onboarding, the primary vulnerabilities were contained and manageable. But sanctions, export controls, and beneficial ownership mandates have shifted the center of gravity. The greatest risks no longer arise from who the client is, but from what the client owns, and how those assets move through structures the institution may not fully understand.

This is particularly acute for family offices, which often inherit complex architectures built over decades: layered entities, offshore trusts, legacy vehicles, dormant companies, and cross-border holding structures designed for tax efficiency rather than transparency. What once seemed efficient now appears opaque. A family office may manage an aircraft or art collection without realizing that the underlying ownership vehicle has intersected with a restricted jurisdiction. A private bank may hold securities on behalf of a trust without knowing that a new beneficiary triggers an entirely different compliance posture. A wealth manager may oversee a concierge program that, unbeknownst to them, facilitates the movement of goods subject to export control regimes.

None of this requires wrongdoing. It requires only a mismatch between the institution's operating model and the regulatory world that governs it. That vulnerability sharpens dramatically

during moments of geopolitical shift. When sanctions designations are updated, when export controls broaden, and when beneficial ownership registries expand, family offices and private banks often bear the brunt of implementation. They must disentangle structures they did not build, document assets they did not acquire, and justify transactions they did not directly facilitate. In some cases, they must explain why they failed to detect risks that did not exist when the relationship began, but now place the institution on the path of enforcement.

Luxury institutions must assume scrutiny begins before they ever notice it. The question is not when regulators will look; the question is whether the institution will detect the warning signs early enough to avoid becoming the next case study.

This is why modern risk in the luxury ecosystem is increasingly defined by adjacency rather than action. A private bank may extend a standard line of credit secured by a high-value asset (a yacht, a painting, a piece of real estate) without recognizing that the asset itself is the exposure. A family office may pay storage fees for a collection held in a freeport without realizing the jurisdictional implications of that location. A wealth manager

may help coordinate international travel or shipping on behalf of a client without knowing that the logistics provider is on a watchlist or operating through a high-risk corridor.

In this environment, the institutions that once prided themselves on discretion now face a paradox: the more invisible their work, the more visible their exposure. The luxury world was built on the idea that the best service leaves no trace. The regulatory world is now built on the opposite premise.

Family offices and private banks are the first place where this tension becomes operational. They must reconcile a service model designed around privacy with a compliance model designed around traceability. Those that fail to bridge this divide do not merely inherit their clients' risks; they become the risk.

From compliance to intelligence

The luxury world has spent the last decade trying to retrofit compliance onto systems that were never designed for it. The instinct is understandable: when regulators harden expectations, institutions respond with checklists, forms, attestations, and updated policies. But compliance alone cannot solve the problem that now defines the luxury ecosystem. Because the problem is not documentation; it is blindness.

Modern enforcement is not transactional; it is analytical. It does not focus on whether a form was completed, but on whether an institution understood the landscape in which it operates. Things like the geopolitical context, the jurisdictional pathways, the network surrounding the client, the structures behind the asset, and the pressures that may be acting on

intermediaries that the institution has never met. That is the shift: Regulators are no longer asking whether institutions followed the rules; they are asking whether they saw the world clearly.

The institutions that thrive in this environment will not be the ones with the thickest compliance manuals. They will be the ones that operate like intelligence services: detecting patterns, anticipating risks, and identifying anomalies before they manifest as inquiries, holds, or investigations. The goal is not to predict enforcement outcomes; it is to see what enforcement will see, early, soberly, and without the distortions of internal assumptions.

For luxury institutions, adaptation requires more than updating compliance manuals. It means building the internal capacity to understand the geopolitical and regulatory context in which assets move. Firms must map the structures behind their clients, examine the jurisdictional pathways through which assets travel, and develop the ability to detect anomalies before they attract regulatory attention. This does not require turning galleries, fashion houses, or yacht brokers into intelligence agencies. But it does require embedding investigative thinking into everyday decision-making by asking not only whether a transaction is permissible, but how it might appear when viewed through the lens of sanctions enforcement, beneficial ownership transparency, or national security scrutiny.

In practical terms, this means strengthening due diligence beyond the initial client onboarding. Luxury institutions need visibility across the full lifecycle of an asset: who ultimately owns it,

which intermediaries facilitate its movement, how it is financed, and which jurisdictions govern its transfer, storage, or display. Many firms are beginning to rely on independent investigative and geopolitical risk analysis to better understand these networks. In a regulatory environment where authorities analyze patterns rather than isolated transactions, institutions that invest in this visibility are far more likely to detect risk early and avoid becoming part of the next enforcement narrative.

This shift requires new habits. It requires looking beyond the transaction to the surrounding ecosystem. It requires recognizing when a structure is outdated or jurisdictionally misaligned. It requires asking why an asset moves the way it does, who benefits from that movement, and what the movement signals to regulators, mapping global flows of wealth with increasing precision.

It also requires cultural change. Discretion has long been the industry's identity, its currency, its pride, its promise to the client. But discretion must no longer mean opacity. The future belongs to institutions that can maintain client confidentiality while cultivating internal clarity. Those who fail to make this distinction will find that protecting a client's privacy without understanding their exposure is not service; it is a liability.

The luxury world is entering an era in which intelligence is not a competitive advantage but a safeguard. The institutions that recognize this will adapt. The institutions that do not will discover that compliance programs built for a previous regulatory era cannot withstand the pressures of the next one.

The terms of the new era

The trajectory is no longer speculative. Enforcement is moving upstream, past the point of transaction and deep into the architecture of wealth itself. Regulators are mapping networks, not events; structures, not invoices; movement, not intent. Luxury institutions that once believed their world was peripheral to geopolitics now face a reality in which paintings, yachts, aircraft, jewelry, bespoke fashion, and even concierge services function as data points in a much larger intelligence picture.

The pressure points of this new era are already visible. Information asymmetry will challenge institutions that know less about their own clients and asset pathways than regulators do. Structural vulnerability will expose legacy practices built on relationships rather than documentation. Narrative risk will redefine how assets are perceived, where they can travel, and which institutions are willing to touch them. A single misaligned structure, a single opaque jurisdiction, a single unexplained transfer can carry consequences

disproportionate to the underlying transaction.

In this environment, luxury institutions must confront a new premise: risk is no longer determined by what they do, but by what they enable. A gallery is judged not by the art it sells but by the pathways it opens. A family office is judged not by the wealth it manages but by the structures it inherits. A private bank is judged not by the sophistication of its clients but by the clarity of its oversight. And the entire ecosystem is judged by its ability to detect vulnerabilities before regulators, journalists, or counterparties expose them.

The sector must now adopt the same strategic posture that defines industries operating under national security scrutiny: proactive, intelligence-driven, and capable of articulating not only

what it does, but why it does it. In a world where beauty, couture, high jewelry, collectible assets, culture, and luxury real estate now intersect with geopolitics, the most valuable assets are no longer the objects themselves; they are foresight, clarity, and control.

The bottom line is difficult to ignore: the luxury world is no longer insulated by glamour, craftsmanship, or discretion. It is defined by movement, structure, and visibility. The question is not whether the sector will adapt; it is whether it understands that adaptation is now the price of entry. In a regulatory landscape governed by geopolitics rather than tradition, the institutions that fail to see the terms of the new era will not merely fall behind; they will become the story others tell about what went wrong. 

Endnotes

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Takeaways

- ◆ Luxury assets are now treated as high-risk conduits for sanctions, anti-money laundering, and national-security scrutiny.
- ◆ Exposure is structural, embedded in opaque ownership, cross-border movement, intermediaries, and discretionary service models.
- ◆ Access, distribution, and lifecycle visibility—not payment—can trigger enforcement for galleries, retailers, and brokers.
- ◆ Compliance checklists are insufficient; institutions must adopt intelligence-driven risk detection mapping networks, jurisdictions, and asset pathways.
- ◆ Family offices and private banks face adjacency risk as assets, structures, and logistics create liability regardless of intent.