

About Art-Derivatives.com and its mission

Art-Derivatives.com aims to subvert financial speculation on works of art. Auction houses are rigged by manipulation and secrecy, therefore everyone should pirate them and exploit their inflated prices.

The artist Paolo Cirio appropriated from Sotheby's over 100,000 auctions records of the past 10 years. Now Sotheby's images and data taken by the artist are republished on Art-Derivatives.com as a provocation to the unregulated secondary art market. The artworks composed by Cirio overlay the auction prices onto the images of the original artworks and they are sold as financial derivatives for a fraction of the values set at the auctions to bet against their future prices.

Everyone can buy the inexpensive derivative artworks on Art-Derivatives.com in the form of digital images which can be freely shared online, printed, and stored as investment. These derivative artworks can increase in value and be resold at higher price through Cirio's sales contract that has been designed specifically for these works. The contract is attached to the artwork and it certifies the ownership and future financial value of the digital images created on Art-Derivatives.com.

By selling derivative works for a small fraction of the original price, financial speculation in the art market is democratized and the values of the artworks are distributed to everyday investors. In doing so the project aims to subvert the art market using its own logic. As a form of financial activism, the art auction market is shorted by borrowing its assets and selling them as future derivatives for a lower amount. If, in the future, the original works fail to sell at auctions for higher prices, then the derivative artworks double their financial appreciation.

This betting against the weakness of the art auction market seeks to raise funds for Cirio's regulation campaign. Ultimately the project promotes market neutrality, regulation, and transparency in order to boost the art market by bringing greater consumer protection and fairness to the contemporary art industry.

On the art auction houses

Art-Derivatives.com aims to expand to other major auction houses beyond Sotheby's by offering more art derivatives to provoke regulation. In the meanwhile, Sotheby's stands as a symbol of all art auction houses. It is the largest and oldest auction house, also the first one embracing financialization as a business strategy. Sotheby's became a UK public company in 1977 and in 1988 the company's shares began to be listed on the New York Stock Exchange. In the same year, Sotheby's established its Financial Services department to offer loans with items as collateral. Recently, in 2019, Sotheby's became a private company and exited the stock market and, in so doing, it became even less regulated than before. Now Sotheby's enjoys the same privileges as other unconstrained auction houses, like profiting from Third-Party Guarantee arrangements while not being accountable to their shareholders and financial authorities.

The art market grew 21 times larger between 2001 and 2008, and it reached \$67.4 billion globally in 2018. Sotheby's alone reached \$5.3 billion worldwide in 2018. In the 1980s there was more art sold during the decade than in all previous centuries combined. The boom collapsed in early 1990 and it boomed again in 1998, far surpassing the turnover of the 1980s. A key factor at the end of '90 was the decision of international auction houses to include young artists in their programs.

It is only since early 2000 that price estimates and auction results became available online. However, most of the information about sales of artworks at auction is still poorly recorded or kept secret. Paolo Cirio started to collect this data in 2016; four years later he has managed to assemble ten years of Sotheby's auction records.

Why the focus on the art auction houses

Beyond the unregulated auction houses the art market includes private art dealers, collectors, and galleries. However the auction houses are central to the market for their role in determining prices and validating artists. Auctions estimates, sales records, and marketing plans are at the core of our current system of art evaluation; they set values and standards throughout the secondary market and build prospects in the primary market. Thus auction houses need to be held accountable because of the repercussions that their manipulative and secretive practices have on the entire industry.

It is often argued that malfeasance in the art market only harms the wealthy collectors and patrons who are willing to pay extravagant prices in order to obtain prestige. However, the case is not that simple. In point of fact, the unregulated art market is rife with shady practices that directly and indirectly impact the entire industry, from small to midsize galleries, honest independent dealers, experienced and emerging collectors, institutions, and curators.

Opacity serves the art auction well with secrecy, collusion, money laundering, and the evasion of international controls on tariffs, taxes, and even cultural heritage cause cascading damages throughout the industry. What is more, the lack of regulation has allowed major art auctions to gain unprecedented control of art prices, market practices, and even the careers of emerging artists along with their potential success.

About the sale of artworks on Art-Derivatives.com

The artworks for sale on Art-Derivatives.com are financial goods in the form of digital files. These files can be thought of as physical pieces of art composed of digital objects and their certifications by the artist. The digital objects and financial goods sold on this site are artworks made by the artist Paolo Cirio using visual compositions of numerical values overlaid on photos of artifacts sold at art auctions. The digital artworks for sale have higher resolution (on average 2000px) than the thumbnails and they can be freely printed or shared online once they are bought on this site. The signed document of the certificate of authenticity and agreement must remain private. All artworks are unique editions and their value increases based on the terms of the sale agreement.

Follow these simple steps for the artwork you would like to buy:

1) *Read and sign the agreement for buying the artwork.*

The agreement is a simple contract with terms that designate your ownership and future value increases of the artwork you buy. The agreement is signed online before purchasing but it will be valid only after the payment is completed. The purchase is private; your name and data will not be published or disclosed.

2) *Make the payment for the artwork you want to buy.*

Artworks are purchased via PayPal individually. After payment you will be redirected back to the site for the delivery of your artwork. PayPal is secure and the payment will be made toward the company Paolo Cirio LTD. After the payment you will be redirected to Art-Derivatives.com for delivery of the artwork.

3) *Receive the artwork via email and verify it.*

Once payment is completed you will receive the artwork via email with the certificate of authenticity and agreement document signed by the artist. Authenticity and property of the artwork can be verified simply by comparing encrypted signature ids on the page of the artwork bought on Art-Derivatives.com.

How the price of the artworks is calculated

The prices of individual artworks on sale on Art-Derivatives are the 0.00001 percent of the price or estimate publically reported by the auction house. Such price records are indicated as *Price Point Value* and they are determined by the hammer price at auction or the maximum amount estimated for the artifact in case it failed to sell. Estimates are also considered value points since they dictate the way people perceive the value of an artist and their work. For each time the same artifact went to auction there is a unique artwork on Art-Derivatives.com and a related *Price Point Value*. The final sale prices and *Price Point Values* are always indicated in USD dollars and they were converted from other currencies on March 1st 2020.

Eventual prints of the artworks are considered mere physical reproductions of digital objects. The financial value is detached from the material and form of the artwork whether reproduced digitally or physically and it is only determined by the signed certificate of authenticity and agreement document.

How the value increase of artworks is calculated

The artworks can be resold only 5 years after purchase and their value increases to 5 times the price paid on Art-Derivatives.com. However, the value of the artwork increases 10 times if the original artifact is auctioned for less or failed to sell at auctions within the 5 year period. The incremental value is proportional every 5 years, thus the work can be sold after 10 or multiples of 5 years with appreciation of 5 or 10 times for each cycle. These terms are defined in the agreement, which works as a “future” financial contract to bet against art auction houses while working also as investment for the buyers of artworks on Art-Derivatives.com

These terms of financial appreciation of the artworks must be claimed during the resale negotiation of the digital artworks between individual collectors or in any marketplace such as online platforms, blockchain networks, and including physical galleries and art fairs.

How the ownership of artworks is defined

Buyers on Art-Derivatives.com are the owners of the artworks they buy until eventual future resale. Ownership of the artworks is defined through the signed certificate of authenticity and the sales agreement document sent at the time of purchase. This document defining ownership is private and contains unique cryptographic signatures to verify the ownership, authorship, and authenticity of the artwork, and also the integrity of the document itself.

The artworks sold on Art-Derivatives.com can be freely shared and reproduced digitally or physically. Even if all the digital artworks are single editions they can be copied and distributed publicly, since the ownership and authenticity are defined only by the private document which integrates the sales agreement and certificate of authenticity. The display and sharing of the artworks have no limitations except that they must be attributed to the artist Paolo Cirio. The artworks are not a fractionalization of the original images and works sold at auctions, instead they are actual unique artworks created by the artist Paolo Cirio. Only their financial value is attached to the fluctuation of the original artifact's prices at auction. The copyright holder is, and remains, the artist Paolo Cirio and his artworks sold on Art-Derivatives.com are licensed under Attribution-ShareAlike Creative Commons.

How the authenticity of artworks is verified

After the purchase of the artwork and the registration process is completed, the certificate of authenticity and sales agreement document is sent via email. This document contains digitally coded signatures, time stamps, and file certifications using MD5 cryptography, which work as unique and irreproducible verification ids of signatures, documents, artworks, and transactions. The signature ids of the owner and transaction need to be kept private and stored safely, while the signature ids by the artist and of the document will be public. For each artwork a new signatures set is created from the transaction data. The property may be compromised if the private signatures are made public, however the ownership can always be verified manually since the owner contact information is indicated in the private document.

The verification of the authenticity and ownership of artwork is done by comparing the coded private signatures in the document with the public signatures indicated on the page of the artwork Art-Derivatives.com. After purchase the work will be indicated as unavailable and the public signatures of the sale will be published. Further authenticity can be verified by comparing an integrity checksum public id, which compiles all the coded ids of the sale together: private signatures of the collector and transaction, public signatures of the artist, the artwork, and of the sale agreement.

Certificate of Authenticity & Sale Agreement & Future Value Contract

Sale:

Artist: Paolo Cirio
Collector: John Doe
Amount value for the artwork: \$1.5 USD
Date: April 30, 2020

Artwork:

Title: *Andy Warhol, Dollar Sign - L.598 at Contemporary Art Day Auction in New York on 2014 November 12*
Artist: Paolo Cirio
Series: Art Derivatives
Year: 2020
Edition: One-off 1/1
Medium: Digital file
Material: PNG file
Size: 2000x1556px
MD5 file: 969044ea4df948fbaa92308cfff9cdce

Signatures:

Artwork: (title + md5_file of high res image artwork)
Artist: (artist name + email + passcode always the same)
Collector: (collector name + email + personal passcode)
Contract: (text document with sale + artwork data without signatures)
Transaction: (financial transaction id + timestamp)
Checksum: (all five signatures together)
Signed on: (date of the order)

Premise

The Artist has created an Artwork consisting of a digital file. Attached to the Artwork, this digital Document integrates the Certificate of Authenticity of the Artwork, the Sale Agreement of the purchase, and the Future Value Contract for the resale of the Artwork. The ownership, value, and authenticity of the Artwork is null without this Document signed and verified. The Artwork is public while this Document must be kept private.

Sale Agreement with Future Value and Resale Contract

The Artist is willing to sell the Artwork to the Collector and the Collector is willing to purchase the Artwork from Artist.

The Parties expect the value of the Artwork to increase under the future value conditions of this contract; and the parties wish the integrity and clarity of the Artist's ideas, statements, and conditions in the Artwork to be maintained. This Agreement shall not be subject to amendment, modification, or expiration.

In consideration of the foregoing premises Parties are subjects to mutual obligations, covenants, and conditions herein and therefore they agree as follow:

1) PURCHASE AND SALE

The Artist hereby sells to Collector and Collector hereby purchases the Artwork from Artist, subject to all the covenants herein set forth for the price indicated in this Document as the same amount for the agreed valuation for the purposes of this agreement.

2) FUTURE TRANSFERS

Collector shall make every reasonable effort to transfer this Document containing the information set forth to procure such transferee's ratification and affirmation of all the terms of this Document. An ancillary new Document must be issued with the signature of the new Collector.

Collector covenants that in the event Collector shall hereafter sell the Artwork, any transfer or sale of the Artwork will occur only after a period of 5 years from the date of this signed Document.

3) FUTURE PRICE/VALUE

The "Appreciated Value" of the Artwork for the purpose of this agreement must increase only under the terms set forth in this Document.

The financial appreciation value increases 5 times every 5 years from the price stated in this Document. However, the appreciation value of the Artwork increases 10 times every 5 years if the original artifact fails to achieve the estimate, is bought in-house, or does not sell at all at art auctions within the 5 years. The Collector is allowed to sell the Artwork at the appreciated price only after a period of 5 years, or multiples thereof, from the date of this signed Document.

The resale royalties of 15% are owed to the Artist when the resale is over a thousand dollars. The Artist is not responsible for the resale outcome of the Artwork. The value of physical reproductions of the digital object is considered only as production cost. The financial value of the Artwork is detached from the form and material of the Artwork whether it is reproduced digitally or physically and it is only determined and guaranteed by this Document.

4) REPRODUCTION

The Artist is strictly prohibited from issuing any multiples or editions of the Artwork. Collector is prohibited from reproducing and publishing this Document and its signatures. The Artwork can be reproduced digitally or physically with copies in any form, size, and material on any space, platform, and context so long as this Document is not reproduced, modified, or published.

The Artist retains copyright and is allowed to publish and display the Artwork for public exhibitions and publicity. The Artist is strictly prohibited from publishing this Document and the identity of the Collector. The Collector has non-exclusive publishing rights and is under obligation to clearly attribute Artist authorship in every instance wherein the Artwork is displayed publicly, reproduced, or used for publicity. The copyright of the Artwork belongs exclusively to the Artist and the Artwork is licensed under Attribution-ShareAlike Creative Commons.

5) AUTHENTICITY

This Document's integrity and the Artwork's authenticity can be verified by comparing public and private unique IDs compiled with the algorithm MD5 for cryptography. After both Parties sign this Document and the purchase is completed the Artist undertakes to publish the IDs for verifying the authenticity and integrity of the Artwork and Document. The Collector shall not publish or alter the original digital files of this Document and the Artwork. Failure to comply with these terms will result in termination of this contract, effectively revoking ownership. Future Collectors shall verify the integrity and authenticity of this Document and Artwork before agreeing to purchase. In the case that the MD5 signatures are compromised the identity of Collector can be verified with personal contacts such as email or name of the Collector and the Artwork can also be authenticated with records of the transactions if documented otherwise.

6) LIABILITY

The Collector of the Artwork is not liable for the initial creation, sale, and distribution of the Artwork. Only the Artist business firm is legally liable for the creation of the Artwork and its first sale. The Collector is liable for future use and sale of the Artwork. Any attorney's fee due to eventual litigation will be recovered by the first litigant.

7) NON-DESTRUCTION

Collector covenants that the Collector will not intentionally destroy, damage, alter, modify or change the Artwork and the Document in any way whatsoever.

8) REVOKING OWNERSHIP

The Artist may revoke the ownership of the Artwork if the Collector uses the Artwork unethically or if the terms of this agreement and contract are breached. If ownership is revoked the Artwork goes back for sale and the digital signatures are deleted and annulled.

Art-Derivatives.com legal disclaimer. The copyright of the original works of art belong to the respective owners, artists, and their estate. The copyright of the derivative artworks belong to the artist Paolo Cirio. For any complaint or to remove images of works of art please send your inquiry to info@paolo-cirio.com. Art-Derivatives.com is published by Paolo Cirio Ltd registered in England, number 8188080, office: Suite 36, 88-90 Hatton Garden, City of London, EC1 N8PG, United Kingdom. Art-Derivatives.com's clients are advised and served by Paolo Cirio Ltd and not by its members, directors, or employees. Paolo Cirio Ltd alone is responsible and liable for advice, services, and goods provided to its clients through Art-Derivatives.com