

**EAGLE YACHTS, LLC**

*Maritime Strategy - Engineering Innovation*

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# **Engineering Charter Structures for Seized & Sanctioned Superyachts**

*The Interlocutory Charter: Converting a Multi-Million-Dollar Annual Holding Liability into a Preserved, Revenue-Generating Asset Pending Adjudication*

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*Vessels 70m+ / 230ft+ (Special Focus: 100m+ / 330ft+)*

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## **Preliminary Overview**

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More than two dozen superyachts ranging from 60 to 156 meters have been frozen, arrested, or detained under sanctions regimes since February 2022. As of mid-2026, fewer than five have been sold; most remain trapped in legal and operational limbo, hemorrhaging cash at carrying costs of eight to twelve percent of vessel value per annum. The United States alone spent an estimated thirty-two million dollars maintaining the 106-meter Amadea over three years in U.S. Marshals custody, with monthly burn approaching one million dollars at peak. Antigua's expenditure of roughly one hundred thousand dollars monthly on Alfa Nero ran to nearly four percent of national GDP.

The structural solution proposed here has been conspicuously absent from the policy debate, yet it builds on a doctrine admiralty courts have applied for centuries. When an arrested vessel is deteriorating or ruinously expensive to hold, a court does not simply wait for final judgment; it may order the vessel sold on an interlocutory basis and hold the proceeds in court as a substitute for the ship. The thesis of this paper is that the same judicial authority, exercised for the same purpose of preserving value during prolonged legal uncertainty, supports a second and for certain vessels superior instrument: the interlocutory charter. Rather than liquidating a wasting asset into a thin and stigmatized market, the supervising court may place the vessel into controlled, supervised commercial operation under a demise charter, arresting its deterioration, shifting the carrying cost off the public balance sheet, and preserving or enhancing its value until the optimal moment of sale, with all charter hire held as a substitute res exactly as sale proceeds would be.

This interlocutory charter is the differentiating contribution. It is a sophisticated evolution of the established interlocutory-sale power, and it operates during the long, expensive pre-forfeiture period that consumes most of the public cost. A second and simpler application, the post-forfeiture charter of a vessel whose title has already vested cleanly in the state, is also available and is treated here, but it is the subordinate case: once title is clean, an expedited sale is frequently the better answer, and post-forfeiture charter earns its place only in the narrower situations where a near-term sale would sacrifice material value. The center of gravity of this paper is therefore the interlocutory charter, with post-forfeiture operation as its well-understood and less complex sibling.

The analysis is grounded in the actual sanctions, admiralty, and conflicts-of-laws frameworks of the United States, the United Kingdom, the European Union member

states most affected (Italy, Spain, France, Germany, the Netherlands, Croatia, Malta), and the principal Caribbean and overseas-territory jurisdictions (Antigua and Barbuda, Gibraltar). The lead doctrinal vehicle is United States Supplemental Rule E(9)(a), the cleanest and most concretely worked example of the interlocutory-sale power, with the English doctrine of sale pendente lite (most authoritatively *The Myrto*) and the civil-law execution and sequestration powers of Italy, Spain, and Germany shown to map onto the same economic logic. It accounts for the entry into force of the Beijing Convention on the Judicial Sale of Ships on 17 February 2026, and addresses the foundational legal question raised by the United Kingdom Supreme Court's July 2025 judgment in *Dalston Projects Ltd v Secretary of State for Transport*, namely, whether charter income from a sanctioned vessel can ever be structured so as not to confer prohibited benefit on the designated owner.

The conclusion, in brief, is yes. For the interlocutory charter, the answer lies in the substitute-res mechanism the sale doctrine already supplies: charter hire paid into the court registry or a blocked, court-controlled account is preserved for whoever ultimately prevails and is realized by the sanctioned owner at no point during the proceeding, which dissolves the benefit objection rather than merely mitigating it. For the subordinate post-forfeiture charter, the answer is structural in a different way: title sits with a sovereign or court-appointed entity, all economic incident accrues to the seizing authority or a public-purpose fund, and the original beneficial owner is contractually, financially, and operationally walled off from the asset.

One framing point must be stated at the outset and held throughout. Neither charter is an alternative to final sale, forfeiture, or liquidation, and neither is an argument for keeping a seized vessel out of the market. Each is a value-preservation and cost-recovery bridge occupying the interval, frequently several years, between seizure and final disposition. The purpose is deliberately narrow: to remove the public carrying-cost burden, to generate net revenue for a public beneficiary, and to sustain the vessel's condition, class, and market value so that whatever final disposition the court ultimately orders is realized at the highest possible value. The structure is the bridge, not the destination. Indeed, the honest comparison this paper draws is not charter against indefinite warehousing, which charter wins easily, but charter against prompt sale, which charter wins only for the particular vessels where the value case is strong.

This paper also confronts directly the four assumptions on which the structure is most vulnerable, and which a careful reader should treat as the real risk frontier: that sanctions regulators will cooperate; that insurers and the marine-finance stack will

normalize the risk; that public and political backlash will remain manageable; and that sanctions authorities will, in a given case, prioritize fiscal efficiency over the deterrent and reputational optics of immobilization. None of these is a legal question. Each is a policy, market, or political question, and each is treated below as the dominant variable it actually is. The maritime-law architecture is the easy part. The banking, compliance, insurance, and political-optics architecture is where the structure lives or dies.

*Section 1. The Interlocutory Charter: A Value-Preservation Alternative to Premature Liquidation follows on next page*

# **1. The Interlocutory Charter: A Value-Preservation Alternative to Premature Liquidation**

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## **1.1 The Problem Admiralty Already Knows How to Solve**

The difficulty posed by a seized superyacht is not new in kind. It is a sharp and expensive instance of a problem admiralty law has confronted for centuries: what a court should do with a valuable, deteriorating, costly-to-keep vessel while the litigation that will decide its fate grinds slowly toward judgment. The law's long-settled answer is the interlocutory sale. When an arrested vessel is wasting away, or when the expense and delay of holding it have become disproportionate to its value, the court does not simply wait. It orders the vessel sold before final judgment, deposits the proceeds into the court registry, and allows the case to proceed against the money instead of the ship. The fund stands in the place of the vessel. Whoever ultimately prevails takes the fund.

This doctrine is codified and routine. In United States federal practice, it is Supplemental Rule E(9)(a) of the Federal Rules of Civil Procedure, which authorizes an interlocutory sale where the arrested property is perishable or liable to deterioration, decay, or injury by being detained in custody; or where the expense of keeping it is excessive or disproportionate; or where there is unreasonable delay in securing its release. The same economic logic animates the English doctrine of sale pendente lite and its civil-law analogues across the Mediterranean and Caribbean jurisdictions. The United States Marshals Service exercises this authority as a matter of course over depreciating seized assets of every description, from vessels to aircraft to livestock.

The doctrine exists for one purpose: to preserve economic value during prolonged legal uncertainty, for the benefit of whoever the court eventually determines is entitled to it. That is precisely the purpose served here. The proposal advanced is not a departure from that settled purpose. It is a second instrument for achieving it.

## **1.2 Two Ways to Preserve Value, Not One**

Interlocutory sale preserves value by liquidating early. It converts a wasting physical asset into a stable monetary fund and thereby stops the bleeding. Its logic is direct: this asset is deteriorating and expensive to hold, so realize its value now and hold the cash.

But liquidation is not the only way to preserve value, and for a narrow but important class of vessels it is the inferior way. A forced sale into a thin, stigmatized, badly-timed

market does not preserve value; it sacrifices a portion of it, trading a depreciation problem for a discount problem. A 100-meter trophy yacht sold under the shadow of sanctions, to the handful of buyers willing to touch it, on the government's timetable rather than the market's, will not command what the same vessel would fetch operated, maintained, income-producing, and sold from a position of strength. The Axioma auction in Gibraltar and the protracted, litigated sale of Alfa Nero in Antigua both illustrate how a contested vessel pressed to sale realizes less than its preserved value would suggest.

For such vessels there is a second path, and it shares the interlocutory sale's exact doctrinal purpose while reaching it by a different route. The court may order that the vessel be operated, under strict supervision, until the optimal moment of sale. Its logic mirrors the sale's: this asset is deteriorating and expensive to hold, so place it in productive, supervised operation that arrests the deterioration, shifts the cost away from the public, and preserves or enhances its value until it can be sold well. This is the value-preservation charter, or interlocutory charter: a demise charter granted not as a post-forfeiture convenience but as an interlocutory act of the supervising court, made for the same reason and under the same authority as an interlocutory sale.

*The interlocutory charter does not ask the court to assume a new power. It asks the court to exercise a power it already holds, the power to take value-preserving economic action on a contested vessel before final judgment, in a second and for certain vessels superior mode.*

### **1.3 The Parity Argument: Same Standard, Different Instrument**

The legal force of this framing lies in a single point of parity. The predicate for an interlocutory sale is the disproportionate expense of custody, and that predicate is met, on a proper evidentiary record, by every large seized superyacht. A carrying cost of eight to twelve percent of value per year, levied indefinitely against an asset that is simultaneously depreciating, is close to the paradigm case of an expense excessive and disproportionate to the property held.

Two cautions must be stated plainly, because the case-law enforces them and an argument that ignores them will fail. First, courts reject generalized assertions of deterioration or cost. A movant who argues only that vessels in general rust in salt water, without vessel-specific evidence, will be refused, as in *Armstrong Marine v. PropSF*. The seizing authority must therefore build a particularized record: this vessel's survey condition, this vessel's documented monthly burn, this vessel's appraised value, and the specific systems that degrade in lay-up. Second, several

courts have held that a high maintenance cost standing alone is not always sufficient; the persuasive cases pair excessive cost with a showing that the asset is declining and that the cost is disproportionate to fair market value. For a seized superyacht both additional elements are readily demonstrable, but they must be demonstrated, not assumed. Properly evidenced, the disproportion showing for these vessels is among the strongest available in admiralty practice.

The decisive doctrinal feature is this: even where the statutory predicate is satisfied, an interlocutory sale is discretionary, not mandatory. The court is not commanded to sell; it is empowered to act to preserve value, and it exercises judgment about how. That discretion is the opening. A court already deciding how best to preserve the value of a wasting res is a court that can, on the same predicate and in the same exercise of discretion, choose supervised operation over liquidation where operation would preserve more value. The choice between the two instruments should turn on one question only: which better preserves the value of the res for whoever ultimately prevails. Where a clean and adequately-priced sale is available, the court sells. Where operation would preserve materially more value than a forced sale would realize, the court may charter. The standard is identical; only the instrument differs.

#### **1.4 How Operation Avoids Benefiting the Owner: The Substitute Res**

The gravest objection to operating a still-owned, pre-forfeiture vessel is that charter income might benefit the sanctioned owner, the precise concern on which the United Kingdom Supreme Court upheld the detention of PHI in 2025 (analyzed in full in Section 3.4). The interlocutory-sale doctrine supplies the answer, and it is exact.

In an interlocutory sale, the proceeds do not go to the owner. They are deposited into the court registry as the substitute res and held, untouched by any party, until judgment determines who is entitled to them. The owner receives nothing during the litigation; he receives the fund only if and when he is exonerated, in which case it was always rightfully his. The interlocutory charter applies this principle without alteration. All charter hire flows into the court registry or a blocked, court-controlled account as substitute res. It is preserved, not distributed. It reaches the sanctioned owner at no point during the proceeding. If the owner prevails, he recovers a preserved fund, and the vessel itself, rather than a deteriorated hull and years of lost value. If he loses, the fund follows the vessel to the government.

This dissolves the PHI problem rather than mitigating it. The charter income is not a benefit realized by the owner; it is a court-held substitute for the physical asset,

exactly as sale proceeds would be. What makes the structure lawful is the same thing that makes interlocutory sale lawful: the owner's contingent interest is fully preserved, and no economic benefit is realized by him while his designation stands. The vessel's depreciation has simply been replaced by monetary preservation, with income added rather than value lost. This is the mechanism that allows the interlocutory charter to operate during the pre-forfeiture period, which is both the longest phase of detention and the phase in which the great majority of public carrying cost is incurred.

### **1.5 The Decision the Court Actually Faces**

Framed this way, the paper does not argue that operation is always superior to sale. It is not. Interlocutory sale retains a decisive virtue: finality. It ends the matter, closes the operational exposure, and extinguishes the ongoing sanctions, insurance, and banking surface area that operation necessarily sustains. For a generic vessel in an adequate market, where the value uplift from operating is modest, the court should sell and be done. Nothing in this paper counsels otherwise, and the interlocutory sale remains the right tool for the majority of arrested vessels.

The interlocutory charter earns its place only where the calculus genuinely favors it: a thin-market or trophy vessel whose forced-sale discount is large, whose condition and value will meaningfully erode in custody, and where supervised operation can be expected to preserve or enhance value, shift the carrying cost off the public, and very possibly generate a positive return, by a margin that justifies the operational complexity. The honest comparison is therefore not charter against warehousing, which charter wins easily, but charter against prompt sale, which charter wins only sometimes, and only for the vessels that most warrant it. That comparison, liquidate now versus operate then sell, measured against the realizable value of the res, is the decision the supervising court actually faces, and it is the analytical heart of this paper. Everything that follows, the structures, the sanctions licensing, the banking and insurance architecture, the governance controls, the Beijing Convention mechanics, and the approved-port network, exists to make the operate-then-sell option safe, lawful, and creditable enough that a court weighing it against a simple sale can choose it with confidence where the value case is strong.

### **1.6 The Comparative-Law Foundation**

The interlocutory-sale power on which this argument rests is not a peculiarity of one jurisdiction. It is a near-universal feature of admiralty and execution practice, which

means the parity argument travels across the forums where the seized superyachts are actually held.

### ***United States: Supplemental Rule E(9)(a)***

The cleanest and most concretely worked example is the United States. Supplemental Rule E(9)(a) authorizes the court, on application of a party, the marshal, or any person having custody, to order arrested property sold where it is liable to deterioration, where the expense of keeping it is excessive or disproportionate, or where there is unreasonable delay in securing release; the proceeds are paid into court to await further order. The federal courts have applied the rule to assets as varied as vessels, racehorses, and aircraft, and the governing forfeiture statutes (18 U.S.C. 981 and 21 U.S.C. 853) independently authorize the Attorney General and, by delegation, the Marshals Service to take whatever action is necessary to preserve the availability of property pending forfeiture. The interlocutory charter is presented in this paper primarily through the U.S. lens because that is where the doctrine, the case law, and the asset-management infrastructure are most fully developed.

### ***England and Wales: sale pendente lite and The Myrto***

English law reaches the identical result by a different route. The Admiralty Court's jurisdiction under the Senior Courts Act 1981 (sections 20 to 21), exercised through CPR Part 61 and Practice Direction 61, includes the power to order the appraisal and sale of an arrested vessel before judgment. The governing authority is Justice Brandon's judgment in *The Myrto*, which holds that the court should not order a sale pendente lite without good reason, and that the paradigm good reason is the prospect of heavy and continuing costs of maintaining the vessel under arrest over a long period, with the consequence that the value of the security is steadily reduced. That is, in substance, the same disproportionate-expense logic as Rule E(9)(a), expressed in the vocabulary of preserving the value of security. A seized superyacht accumulating millions in annual custody cost is the textbook *Myrto* case. The English sale is conducted by the Admiralty Marshal following appraisal, ordinarily by sealed bid, and the proceeds are held by the court, again furnishing the substitute-res mechanism the interlocutory charter requires.

### ***Civil-law jurisdictions: Italy, Spain, Germany***

The Mediterranean civil-law systems that hold many of the seized vessels possess functionally equivalent powers, though the doctrinal labels differ. In Italy, the judge supervising a seizure or judicial custody (the giudice dell'esecuzione, and in criminal-

sequestration contexts the supervising authority over *beni sequestrati*) may authorize the sale of perishable or costly-to-maintain assets and the deposit of proceeds, under the execution provisions of the Codice di procedura civile and the navigation code. In Spain, the Ley de Navegacion Maritima of 2014 modernized the regime for arrest and judicial sale of vessels, and the juez de lo mercantil may order sale where continued custody is uneconomic, with Spain additionally now a contracting party to the Beijing Convention. In Germany, the vessel-execution provisions of the Zivilprozessordnung and the Gesetz uber die Zwangsversteigerung und die Zwangsverwaltung provide both for forced sale (Zwangsversteigerung) and, notably, for compulsory administration (Zwangsverwaltung), a court-supervised management of an asset that is itself a close civil-law cousin of the interlocutory charter concept. The fit is looser in the civil-law systems than the common-law parity, and a proponent should be candid that the interlocutory charter is most readily constructed in a U.S. or English forum and, where a vessel sits in a civil-law jurisdiction, may be best effected by transfer of the sale or management process to a more accommodating forum or by reliance on the Zwangsverwaltung-type administration power where it exists.

*Section 2. The Demise Charter as the Operating Instrument  
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## 2. The Demise Charter as the Operating Instrument

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### 2.1 What a Demise Charter Actually Does

A demise charter, also called a bareboat charter, is the closest functional equivalent in maritime law to a long-term lease of an aircraft, building, or piece of heavy industrial equipment. The owner transfers full possession, command, and operational control of the vessel to the charterer for the term, but legal title remains with the owner. The charterer assumes responsibility for everything that an owner-operator would: it appoints the master and crew, maintains classification certification, pays for fuel, insurance, periodic surveys, dry-docking, port and berthing fees, repairs, and routine and special maintenance. The owner receives only a fixed charter hire, paid periodically, and the vessel back at the end of the term in a condition consistent with the maintenance covenants. The demise charter is the operating instrument through which both the interlocutory charter of Section 1 and the post-forfeiture charter are carried out.

This is precisely the structure that solves the seized-vessel problem. The seizing authority needs three things simultaneously: (a) the vessel preserved in class and seaworthy condition until the underlying case is finally adjudicated, possibly years away; (b) the entire crushing carrying-cost burden moved off the public balance sheet; and (c) no economic, reputational, or proprietary benefit accruing to the sanctioned beneficial owner. A correctly-drafted demise charter delivers all three, because by its very nature it shifts everything other than residual title, while the substitute-res routing of hire (Section 1.4) ensures that even the hire confers no realized benefit on the owner.

*The bareboat charter is the only conventional maritime structure that legally permits a non-owner to operate a vessel as if it were owned, while keeping the underlying res available for forfeiture, sale, or restitution, and which routinely produces market-rate revenue that can be directed to any beneficiary the court or contract specifies.*

### 2.2 Disponent Authority and the Court's Role

Whether a seizing government, its judicial receiver, or a court-appointed trustee can lawfully act as "disponent owner" (that is, exercise the contractual rights that would normally belong to the registered owner, including the right to grant a bareboat charter) depends on the legal status of the vessel and the authority of the supervising court. Three states must be distinguished, and the interlocutory-charter analysis of Section 1 changes how the first two are best approached.

### ***Pre-forfeiture, under interlocutory-charter authority***

Where the vessel is arrested or detained but not yet forfeited, the registered owner retains residual legal title. The seizing authority cannot simply grant a commercial charter on its own initiative as though it owned the vessel. But this is exactly the situation the interlocutory charter is designed for: the authority to operate the vessel comes not from disponent ownership but from the supervising court's value-preservation power (Section 1.3), exercised on the same predicate as an interlocutory sale, with hire routed to the court as substitute res (Section 1.4). Where the relevant forum also imposes sanctions on the owner, an OFAC specific license (or its OFSI or EU equivalent) is additionally required, drawn on the General License No. 2 template discussed in Section 4.1. The court order supplies the authority to operate; the license supplies sanctions clearance; the substitute-res routing supplies the answer to the benefit objection.

### ***Admiralty arrest with pendente lite management***

Where the vessel has been arrested in rem under an admiralty proceeding (as with *Axioma* in Gibraltar, on a JP Morgan loan-foreclosure claim) the court is already a custodian and routinely appoints the Admiralty Marshal or a receiver to preserve the asset. Interim commercial use of an arrested vessel is well-precedented in cargo and tanker contexts and is the natural vehicle for an interlocutory charter; the practical objection has historically been commercial rather than legal, because few charterers wish to take a contested vessel, which is why the governance, insurance, and banking architecture of later sections matters so much.

### ***Post-forfeiture (title in government or fund)***

Once the vessel has been judicially forfeited and title has vested in the seizing state, the disponent-owner question disappears: the government is the owner and may sell, charter, or repurpose the vessel as policy dictates. This is the simplest legal posture, and precisely because it is simple, an expedited sale is frequently the best course. Post-forfeiture charter remains a legitimate and useful option, but a subordinate one, reserved for the cases set out in Section 8 where a near-term sale would sacrifice material value. The principal remaining constraint is whether OFAC has lifted the sanctions designation against the vessel itself, which Treasury did for *Alfa Nero* in June 2023 and for *Axioma* in 2022 to permit sale to U.S. persons, and which it can equally do to permit charter.

## **2.3 Why Bareboat, and Not Time, Voyage, or Crewed Charter**

Superyacht charter conventionally uses crewed or "all-inclusive" structures: the charterer rents the vessel together with its crew, and the owner remains responsible for the major operating apparatus. Such structures are entirely inappropriate for a seized vessel. They leave the owner, or the owner's agents, embedded in the operation; they require the owner to assent to and pay for crew, insurance, and maintenance; and they tend to put charter revenue through accounts the sanctioned owner may directly or indirectly access. They also expose the seizing authority to vicarious liability for crew acts, charterer accidents, and environmental incidents.

A demise structure inverts every one of these problems. The charterer (typically a vetted, well-capitalized commercial yacht operator) substitutes its own crew, pays its own insurance, takes operational liability, and remits a clean charter hire to the court registry or designated government account. The sanctioned beneficial owner is operationally removed from the vessel entirely. From a sanctions-compliance standpoint, this is the structure that most cleanly separates the use of the asset from any benefit to the designated person.

*Section 3. The Sanctions-Policy Reality: Deterrence, Optics, and Best-Beneficial Use  
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### **3. The Sanctions-Policy Reality: Deterrence, Optics, and Best-Beneficial Use**

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Before any legal mechanism is discussed, the dominant variable must be confronted honestly. The proposition that a court can authorize the controlled commercial operation of a seized asset to preserve its value pending adjudication is not radical; receivers operate seized businesses, lease seized real estate, and charter seized aircraft as a matter of routine. What is radical is applying that ordinary logic to a politically radioactive oligarch superyacht. The obstacle is not doctrine. It is policy, optics, and the nature of sanctions themselves.

#### **3.1 Sanctions Are Signaling Systems, Not Merely Legal Instruments**

Sanctions regimes are designed to do four things that are conceptually distinct from one another and only partly legal in character: to deter (to raise the cost of the targeted conduct for the designated person and for others who might emulate it); to immobilize (to deny the designated person the use and movement of the asset); to punish reputationally (to impose visible, humiliating loss on a member of a target elite); and to deny benefit (to ensure the designated person derives no economic or strategic advantage from the asset). A seized superyacht advances all four simultaneously, which is precisely why these vessels have been such attractive sanctions targets: a 100-meter yacht is the single most visible, most photographed, most reputationally-loaded asset a sanctioned oligarch owns. The image of Dilbar shrouded in a Hamburg dock, or PHI gathering grime in Canary Wharf, is itself a deterrent message.

Any proposal to commercially operate such a vessel must therefore reckon with the fact that an inert, immobilized, deteriorating yacht is not, from the sanctions authority's perspective, a failure. It is, in significant part, the point. A yacht actively chartering wealthy guests through the Mediterranean while technically "under sanctions management" may be politically intolerable even where it is fully licensable, because it appears to convert a symbol of punishment into a symbol of business-as-usual. The structure proposed in this paper does not succeed by minimizing this concern. It succeeds by re-aligning the commercial operation with, rather than against, each of the four sanctions objectives.

### 3.2 Reframing: Operation as the Fulfilment of Sanctions Purpose, Not Its Dilution

The reframing turns on a single insight, and it is one the United Kingdom Supreme Court has now expressly endorsed. The deprivation of the asset (the permanent loss of the prestige object and the redirection of its value and use to others, particularly to political or ideological opponents of the designated person) is itself a legitimate and recognized sanctions aim. It is not undermined by putting the asset to use; it is consummated by it.

*The sanctioned owner is denied his asset and its benefit. The fact that the vessel has been taken from him and is now serving, and delivering revenue and benefit to, another party (very possibly a political or ideological opponent, a public-purpose fund, or the reconstruction of a nation his patron state invaded) is not a leak in the punishment. It is the deepest form of it: personal, reputational, and permanent.*

This is the concept of best-beneficial use. A vessel sitting dark in a dock punishes the owner only weakly, it merely denies him a toy, while actively punishing the seizing state's own taxpayers, who fund the eight-to-twelve-percent annual carrying cost. A vessel operated for public benefit punishes the owner maximally (it converts his loss into a visible, ongoing public good that he is powerless to stop) while relieving the taxpayer entirely. On every sanctions axis, the operated vessel out-performs the inert one: deterrence is stronger (the lesson to other oligarchs is that the asset will not merely be parked but repurposed against their interests); immobilization is unaffected (the owner still cannot use, move, or recover the vessel); reputational punishment is amplified (the asset's service to an opponent is a continuing humiliation); and benefit-denial is total (the owner receives nothing, and the value flows to a public beneficiary).

### 3.3 The Breadth of "Benefit" and the Counter-Argument

Sanctions law interprets the concept of "benefit" to a designated person broadly, and a hostile regulator or court could attempt to characterize several incidents of commercial operation as prohibited indirect benefits to the owner. The candidate arguments must be stated plainly so they can be answered. They are: that operation preserves the vessel's resale value; that it preserves its brand and prestige; that it reduces physical deterioration; that it avoids a forced, value-destroying liquidation; that it maintains the owner's strategic wealth; that it preserves future recovery value should the owner ever prevail; and that it sustains a form of reputational continuity for the asset.

Each of these arguments shares a single hidden premise: that the owner retains a residual interest in the vessel capable of being benefited. That premise is true before forfeiture and false after it. This is the hinge on which the entire structure turns, and it is why the structure's center of gravity is unambiguously post-forfeiture. Once title has been judicially forfeited to the state, the owner has no resale value to preserve (he will never sell it), no recovery value to protect (he has lost it), and no strategic wealth embodied in it (it is no longer his wealth). Preservation of value benefits only the new owner (the state, or the public-purpose fund) and benefit to the public beneficiary is the objective, not a violation of it.

There is, moreover, a common-sense rebuttal that should be made without embarrassment, because it is correct. It is counter-logical to suppose that a sanctions regime financially punishes a multi-billionaire by seizing a yacht. A 100-meter yacht is a fraction of one percent of a target oligarch's net worth; Lady M, at roughly sixty million dollars, represented about one-quarter of one percent of Alexei Mordashov's estimated fortune. The seizure of such a vessel is not a financial tragedy for its owner. It is a social, recreational, and reputational loss, the deprivation of a status object and a venue for display, not a meaningful diminution of wealth. The supposed "benefits" of careful asset management (preserved condition, avoided fire-sale, sustained value) are therefore not benefits the owner can feel or realize. They are benefits to the eventual public recipient of the vessel or its sale proceeds. To insist on letting the asset rot in order to deny the owner a "benefit" he cannot access is to inflict the real and quantifiable cost of deterioration on the taxpayer in pursuit of a symbolic harm to a billionaire who will not notice. That is not deterrence; it is self-harm dressed as principle.

### **3.4 The PHI Precedent, Recalculated**

The most important authority cutting against a naive version of this structure is the United Kingdom Supreme Court's decision of 29 July 2025 in the joined appeals *Shvidler v Secretary of State for Foreign, Commonwealth and Development Affairs* and *Dalston Projects Ltd v Secretary of State for Transport* [2025] UKSC 30, the latter concerning the 58.5-meter PHI. An earlier draft of this paper sought to distinguish PHI on the ground that the structure here diverts all economics away from the owner. That distinction is not by itself convincing, and the precedent must be engaged more candidly.

In upholding the detention of PHI, the Court found two independent justifications. The first was an economic link: chartering income from the yacht (reported at over

€650,000 per week) could plausibly benefit the Russian economy and persons connected to Russia. The second was a political link: depriving a wealthy Russian of a prestige asset would, the Court accepted, encourage disaffection with the regime, the Court expressly crediting the Government's evidence about the patronage-based character of the Russian political system. Critically, PHI's beneficial owner, Sergei Naumenko, was never personally sanctioned, and the vessel was never forfeited; it was detained, with title remaining in the owner's special-purpose company throughout.

Read accurately, PHI cuts both ways, and the honest reading strengthens rather than weakens the structure proposed here, provided the structure is confined to its proper, post-forfeiture domain.

- **What PHI forecloses.** The economic-link holding forecloses the pre-forfeiture charter of a vessel whose owner retains title, because charter income generated while the owner still owns the vessel is capable of benefiting him or his connected economy. Any structure that charters a still-owned, merely-frozen vessel and allows revenue to touch the owner's estate runs directly into PHI and will lose. This is why pre-forfeiture interim charter is feasible, if at all, only under a specific and narrowly-scoped license with revenue escrowed into a blocked account, and is treated in this paper as the exception, not the model.
- **What PHI affirmatively supports.** The political-link holding is the doctrinal foundation of the best-beneficial-use argument. The Court held that depriving the owner of the prestige asset is itself a legitimate sanctions aim. Post-forfeiture, that deprivation is permanent and complete; redirecting the asset's use and value to a public beneficiary or an ideological opponent does not dilute the political aim but fulfils and amplifies it. PHI thus supplies the very reasoning that legitimizes operating a forfeited vessel for public benefit.

The correct conclusion is therefore not that PHI is distinguishable in some clever way, but that PHI marks the boundary line of the structure. On the pre-forfeiture side of that line, where the owner retains title, PHI is a serious and probably fatal obstacle to commercial charter. On the post-forfeiture side, where title has passed and the owner has been permanently deprived, PHI's own political-deprivation reasoning becomes an asset to the structure rather than an objection to it. The structure must live on the post-forfeiture side of the PHI line, and it is engineered to do so.

### **3.5 Environmental Repositioning as Best-Beneficial-Use Amplifier**

The best-beneficial-use logic of Section 3.2 has an environmental dimension that the preceding analysis understates. Many of the seized superyachts are non-trivial environmental liabilities in their own right: large fuel-burning vessels designed for trans-oceanic luxury cruising, producing carbon emissions per guest-day that dwarf almost any other form of recreational travel. A seized vessel left at idle for several years is an environmental cost without a corresponding benefit; a seized vessel operated for public-purpose charter at least generates revenue against the emissions. The case is stronger still where the vessel can be visibly repositioned as an environmental, scientific, or research asset, and not merely operated as an unmodified luxury platform under a public-purpose accounting overlay.

The available instruments fall on a spectrum from cheap-and-immediate to capital-intensive. At the light-touch end: enrollment in maritime carbon-offset programs (low cost, immediate optical benefit, and a defensible line item on the public-purpose disbursement schedule); embedding scientific or oceanographic monitoring missions on top of commercial charter operations (citizen-science and passive-monitoring programs already exist on private superyachts and are easy to scale); and the use of cruising patterns and itineraries that demonstrably reduce idle-running emissions. At the heavy-investment end: sustainability-oriented retrofits such as waste-heat recovery, hybrid auxiliaries, advanced exhaust treatment, and biofuel compatibility. The honest caveat is on the last category. Full propulsion conversion costs tens of millions of dollars and is economically justified only where the vessel will operate for at least four to five further years, which is the case for vessels like Luminosity that already require capital investment for any operation at all. For vessels heading to judicial sale within 24 to 36 months, the lighter measures dominate the heavier ones on any honest cost-benefit, and the heavy retrofits should be left for the vessel's eventual buyer to consider.

The political dividend of the environmental framing is disproportionate to its cost. The narrative shifts from "the government is operating an oligarch's yacht for revenue" to "the government has converted a sanctioned luxury asset into a research and education platform funding reconstruction." That is precisely the optics inversion this paper identifies as politically dispositive, made visible in a form that hostile coverage finds difficult to attack. Combined with the public-benefit framing of Section 9.6 and the public reporting of Section 9.7, environmental repositioning supplies the affirmative case for the structure rather than merely the defensive one.

## 4. Key Legal Aspects, Ramifications, and Risk Mitigation

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### 4.1 Sanctions Compliance: The Central Constraint

Every other legal element of this structure is subordinate to one question: can it be done without conferring prohibited benefit on a designated person? The answer turns on the precedent already set by U.S. and U.K. enforcement practice.

The most important U.S. precedent is the Office of Foreign Assets Control's General License No. 2 of 21 December 2010, issued under the Weapons of Mass Destruction Proliferators Sanctions Regulations (31 C.F.R. Part 544) for the MV Dandle and MV Decretive. That license expressly authorized, in addition to the judicial sale itself, the provision of "vessel management services; providing port agency services; purchasing of bunkers; repairing or modifying the Vessels for commercial use; providing crewing; and hiring surveyors to inspect the vessels." The phrase repairing or modifying the Vessels for commercial use is the operative authority. It establishes that OFAC has, in fact, previously issued a general license whose explicit scope contemplates commercial deployment of a blocked vessel during the pendency of its judicial sale. There is no doctrinal obstacle to OFAC issuing a similarly-scoped license for sanctioned superyachts.

Set against this is the much narrower set of vessel-related general licenses OFAC has issued under the Russian Harmful Foreign Activities Sanctions Regulations since 2022 (General Licenses 73, 77, 78, 86, 91A, 107, and others) which authorize only "safe docking and anchoring" of blocked vessels in port, "preservation of the health or safety of the crew," and "emergency repairs or environmental mitigation." Each of these explicitly disclaims authorization of "the entry into any new commercial contracts." The narrow scope reflects a policy choice, not a legal limit on what OFAC may authorize; the broader Dandle precedent remains available where the case for fiscal recovery justifies it.

*The legal architecture is already in place. The question is policy. OFAC has the demonstrated authority to authorize commercial deployment of a blocked vessel pending judicial sale; whether to do so for any given seized yacht is a discretionary determination.*

The United Kingdom Supreme Court's July 2025 decision in Dalston Projects Ltd v Secretary of State for Transport, the PHI case, supplies the binding constraint on the other side, and is analyzed in full in Section 3.4 above. For the purposes of the legal architecture, its operative effect is this: the economic-link holding bars charter of a

still-owned, merely-frozen vessel where income could reach the owner, while the political-link holding (deprivation of the prestige asset as a legitimate aim) supports operation of a forfeited vessel for public benefit. The legal design therefore places the structure firmly on the post-forfeiture side of the PHI line, and where a pre-forfeiture interim charter is unavoidable, requires that all hire be paid into a blocked or court-controlled account so that no economic incident reaches the designated person, the condition PHI makes indispensable.

## **4.2 Admiralty Arrest, Forfeiture, and Interim-Management Powers**

In every jurisdiction surveyed, courts sitting in admiralty have inherent or statutory power to make orders for the preservation, custody, and interim use of an arrested or seized vessel. In the United States, Supplemental Rule E to the Federal Rules of Civil Procedure governs custodial arrangements and authorizes the court to order whatever is necessary to preserve the vessel and the parties' rights, including appointment of substitute custodians and orders permitting interim use. The Department of Justice's KleptoCapture task force operates under 18 U.S.C. § 981 (civil forfeiture) and 21 U.S.C. § 853 (criminal forfeiture), both of which expressly authorize the Attorney General (and through delegation, the United States Marshals Service) to take such action as is necessary "to preserve the availability of property" pending forfeiture. This statutory authority is broader than is commonly appreciated; it has been used to authorize the operation of ongoing businesses, the leasing of real estate, and the chartering of aircraft pending forfeiture. There is no reason in text or principle why it could not be used to authorize the chartering of a vessel.

In England, the Admiralty Court's jurisdiction under the Senior Courts Act 1981 includes the power to order the sale of an arrested ship *pendente lite* and to make ancillary orders for its management. The Admiralty Marshal exercises possession as an officer of the court and may, with the court's authority, enter into commercial arrangements for the vessel's preservation. In Gibraltar, where *Axioma* was sold, the same framework applies. In Italy, Spain, France, and other civil-law jurisdictions, the *giudice dell'esecuzione*, the *juez de lo mercantil*, or the *juge de l'exécution* exercises analogous powers under the respective national admiralty and execution codes.

In Ukraine, the National Agency for the Identification, Tracing, and Management of Assets (ARMA) was given express statutory authority in November 2023, by amendment to a Cabinet of Ministers resolution, to manage and dispose of seized assets located abroad, the first such authority in Ukrainian history, and the predicate

for the Royal Romance proceedings now underway in Croatia. ARMA's mandate explicitly includes interim management and revenue-generating use of seized assets.

*Section 4.3 Structural Vehicles: Trust, Receivership, Special-Purpose Entity  
follows on next page*

### 4.3 Structural Vehicles: Trust, Receivership, Special-Purpose Entity

Three vehicle structures are workable. The choice depends on jurisdiction and on whether the vessel is pre- or post-forfeiture.

Structure	How It Operates	Best Fit
<b>Court-Appointed Receiver</b>	Court appoints qualified professional (admiralty lawyer, asset-management firm, or specialized maritime trustee) to hold custody, with delegated authority to enter into preservation contracts including charter.	U.S. admiralty arrest pendente lite; common-law jurisdictions; vessels still subject to ownership dispute.
<b>Statutory Asset-Management Agency</b>	Existing government agency (USMS, Ukraine's ARMA, Italian Agenzia Nazionale dei Beni Sequestrati e Confiscati) holds the vessel and contracts directly with operator under its enabling statute.	Civil forfeiture concluded or near-concluded; jurisdictions with mature asset-recovery infrastructure.
<b>Special-Purpose Trust or SPV</b>	Government settles a statutory trust (or capitalizes a wholly-owned SPV) whose sole purpose is to hold and commercially deploy the asset pending final disposition; trustee is fiduciary to public-purpose beneficiaries.	Politically sensitive vessels; cross-border situations; cases requiring transparent accounting to multiple stakeholders (Ukraine restitution funds, victim funds).

### 4.4 Insurance, Flag-State, and Classification Society Requirements

A vessel out of class is a vessel out of charter, and a vessel without insurance is a vessel that cannot legally enter most major ports. The largest practical obstacle to chartering a sanctioned superyacht is securing hull and machinery, protection and indemnity (P&I), and crew insurance coverage in the face of insurer policy exclusions for sanctions-listed vessels. Most major P&I clubs (Steamship Mutual, Britannia, North P&I, Skuld, Gard) automatically exclude vessels owned by SDN-listed persons. Where the vessel has been judicially forfeited, the SDN exclusion typically no longer applies; the underwriter sees a government-owned (or government-trust-owned) vessel rather than an oligarch-owned one, and standard yacht-charter coverage becomes available. Where forfeiture has not yet occurred, the operator must either obtain a specific OFAC license that addresses insurance procurement, or use a non-U.S., non-U.K., non-EU underwriter willing to assume the residual sanctions risk (a narrow market, but a real one in the Gulf and parts of Asia).

Flag-state cooperation is the second technical pillar. A sanctioned vessel cannot simply continue to fly its existing flag if the registry's home jurisdiction has imposed sanctions on the owner; the registry will typically deregister the vessel, or the vessel

will be unable to renew its certificate of registry. The most elegant solution observed in practice is the Royal Romance precedent: in May 2024, ARMA caused Royal Romance to be reflagged as a Ukrainian vessel, with the change formally registered with the International Maritime Organization. The vessel went from being a Cayman- (or Marshall Islands-) registered yacht of contested ownership to a Ukrainian-flagged state asset. Any subsequent charter operates under the Ukrainian registry, and the public-policy exception of the Beijing Convention (discussed in Section 7) is engaged in Ukraine's favor.

Classification society cooperation (Lloyd's Register, DNV, Bureau Veritas, RINA, ABS) is the third pillar, and the easiest to secure once the first two are in place. Class surveys are conducted on the vessel, not the owner; provided the surveyor can be paid through licensed channels and the operator (rather than the original owner) holds the certificate of class, no obstacle arises. Most class societies have internal sanctions-compliance protocols that distinguish between vessels under government custody and vessels in private SDN-related operation, and the former are routinely surveyed and certified.

### ***The real constraint: the marine-finance stack, not legal writability***

The preceding analysis would be dangerously optimistic if it stopped there, because it frames insurance as a problem of legal permissibility. The harder and more honest question is not whether coverage can lawfully be written but whether enough of the global marine-finance stack will actually cooperate. That stack is conservative by design and structurally interlocked: a primary P&I club will not write cover it cannot reinsure; the International Group's pooling and excess-of-loss reinsurance arrangements are sensitive to any exposure that reinsurers flag as anomalous; reinsurers withdraw from categories of risk with little notice; and premium payments, claims, and broker settlements all flow through correspondent banks that may themselves decline sanctions-adjacent transactions (the banking problem is addressed in Section 5). A seized-superyacht charter touches every link in that chain at once.

Recent events demonstrate how quickly this stack can seize. In early March 2026, following the escalation in the Gulf and the disruption of the Strait of Hormuz, reinsurers issued notices of cancellation for categories of marine war-risk cover, P&I clubs issued corresponding 72-hour cancellation notices, and the Joint War Committee expanded its listed-areas designations, stranding well over a hundred vessels that could not obtain cover at any acceptable price. The lesson for the present

structure is sobering: even fully lawful, fully licensed marine operations can become uninsurable in practice when the reinsurance layer withdraws. A sanctioned-yacht charter, carrying a reputational charge far heavier than an ordinary tanker voyage, is exactly the kind of exposure a nervous reinsurer drops first. Assuming the private market will simply normalize this risk is the single most optimistic assumption in the entire structure, and it should not be made.

***The realistic answer: a sovereign reinsurance backstop***

The credible solution is not to wait for private insurers to develop an appetite they have every incentive to suppress, but to supply a government reinsurance backstop that allows primary insurers and P&I clubs to underwrite the residual sanctions-and-reputational layer without breaching their own capital and solvency constraints. There is direct, current precedent. In response to the 2026 Hormuz crisis, the United States International Development Finance Corporation (DFC) was tasked with implementing a rolling reinsurance facility, reported at approximately twenty billion dollars and led by American insurers, to backstop marine hull, machinery, and cargo war risk, a facility whose architects expressly invoked the Terrorism Risk Insurance Act (TRIA) as their model. TRIA itself, enacted after the September 2001 attacks, is the canonical example of a government stepping in to provide a reinsurance backstop for a category of risk the private market would not absorb alone, and the federal aviation war-risk insurance program performs the analogous function in aviation.

For seized superyachts, the same logic applies and the same instruments are available. A purpose-built government reinsurance backstop, administered by Treasury, by the DFC (the institution already familiar from the MERIDIAN financing analysis, and now operationally engaged in marine-risk backstopping), or by a dedicated forfeiture-asset insurance facility, would cap the catastrophic and sanctions-correlated tail that private underwriters refuse, leaving the primary insurer to price only the ordinary hull, machinery, and operational risk it understands. The backstop need not be large in expected-loss terms; its function is to remove the uncertainty that causes the private stack to seize. Because the structure is post-forfeiture (government-owned vessel, no SDN interest), the residual risk being backstopped is modest and largely reputational rather than actuarial, which makes the facility cheap to provide and easy to justify. Where a sovereign backstop is unavailable, the fallback is a layered placement combining a willing non-aligned primary market (parts of the Gulf and Asia) with a government indemnity for sanctions-specific claims, the same indemnity Antigua offered Eric Schmidt in 2023,

but this fallback is materially weaker and should be treated as a transitional expedient, not a durable solution.

### ***The durable solution: a forfeiture-asset insurance captive***

A reinsurance backstop relieves the private market but still depends on it to write the primary layer. The more robust and self-contained answer, for a program operating at scale across multiple seized vessels, is a dedicated forfeiture-asset insurance captive: a wholly government-owned insurer (or a pooled facility operated through an existing asset-recovery mechanism such as the U.S. Assets Forfeiture Fund, an EU national office, or an ARMA-linked facility) that directly underwrites the precise layer the commercial market declines, the SDN-vessel exclusion, the political-risk exposure, and the reputational-claim tail. Primary commercial insurers then write ordinary yacht hull and liability cover on top, secure in the knowledge that the sanctions-specific portion is carried by the state. The captive can be capitalized modestly (on the order of tens of millions, offset by projected charter revenue) and would issue policies only for court-approved, post-forfeiture (or specifically-licensed) structures carrying the full governance overlay of Section 9. The expected loss is low precisely because the insured vessels are government-owned, vetted, restricted in use, and continuously monitored; the captive is therefore cheap to run while supplying the certainty that operators, brokers, and banks require. For the 100-meter-plus vessels, where premiums are already large and the private market most skittish, the captive is the element most likely to make the difference between an insurable program and an uninsurable one. In practice the two tiers are complementary: stand up the DFC-style reinsurance backstop first as the fast bridge, and establish the captive as the durable, scalable institution once a pilot has proven the loss experience.

## **4.5 Challenges from the Original Owner**

Every seized-yacht structure must anticipate litigation by the original beneficial owner, the registered owner of record, or affiliated parties. The post-2022 record suggests the following litigation playbook will be deployed: (i) constitutional or treaty challenge to the seizure itself, on due process, takings, or proportionality grounds (Khudainatov v. United States in the Southern District of New York; Dalston Projects in the United Kingdom; the Guryeva-Motlokhov litigation against Antigua); (ii) challenge to any charter or interim use as exceeding the seizing authority's powers or as a constructive taking; (iii) recovery action against the charterer or operator for use of

the vessel; (iv) third-party claims by creditors, lenders, mortgagees, prior crews, or supplier lien-holders.

These risks can be substantially mitigated by structural design. The charterer's exposure can be capped through (i) a clean OFAC license or equivalent that expressly authorizes the charter, (ii) sovereign indemnification for sanctions-related claims, mirroring Antigua's offer to Eric Schmidt in 2023, (iii) clean-title or quiet-enjoyment representations from the government, (iv) clear chain-of-custody documentation of the court order, the trust or SPV resolution, and the OFAC general or specific license, and (v) explicit confirmation in the charter that no contractual privity arises between the charterer and the original owner. Prior-creditor claims can be triaged through the standard admiralty notice-and-claim procedure that accompanies pendente lite management, and after the Beijing Convention enters into force (which it has, for parties, since 17 February 2026), through the Article 4 notice mechanism that gives any unknown creditor the opportunity to come forward at the point of judicial sale.

#### **4.6 Tax, VAT, and Revenue Recognition**

Charter revenue from a forfeited vessel held by the seizing state is generally not subject to corporate income tax (sovereign immunity from self-taxation) but may be subject to value-added tax in EU jurisdictions and to U.S. state and federal use taxes depending on cruising patterns. The cleanest model is to route charter revenue through a statutory trust or fund that is itself tax-exempt and whose disbursements are appropriated by legislation. For Ukraine, this is straightforward: ARMA's enabling law treats proceeds as inflows to the state budget. For the United States, forfeiture proceeds flow to the Assets Forfeiture Fund (28 U.S.C. § 524(c)), from which they may be appropriated. For EU member states, national asset-recovery offices have analogous statutory funds.

Value-added tax exposure is the largest practical wrinkle. EU VAT on yacht charters varies by member state and itinerary, with rates ranging from 6 percent to 22 percent and substantial exemptions for international (extra-EU) cruising. The contract should locate operations in jurisdictions favorable to the chosen tax structure (Malta, Cyprus, or non-EU Mediterranean ports such as Montenegro or Albania), and the operator should bear the VAT compliance burden as part of the demise covenant.

## **5. Banking, Payment Rails, and AML / Compliance Architecture**

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This is the section the original draft omitted, and it addresses what is, on reflection, the single greatest operational threat to the structure, greater than any maritime-law question. A structure can clear every legal hurdle (OFAC licenses the charter, the admiralty court authorizes interim management, the flag state cooperates, the class society certifies, an insurer is found) and still die because no bank will touch it. Banks do not merely follow the law; they manage their own risk, and the dominant phenomenon in sanctions-adjacent finance is de-risking: the wholesale refusal by financial institutions to handle entire categories of lawful-but-risky transactions because the compliance cost and reputational exposure of getting one wrong is intolerable. A seized-oligarch-yacht charter is, from a bank's compliance desk, a constellation of red flags. The realistic assumption is that most major banks will decline to participate unless the architecture is engineered specifically to give them the comfort they require.

### **5.1 The Failure Modes**

The points at which banking refusal can break the structure are numerous, and each must be designed around:

- Escrow refusal: a bank declines to hold the charter-hire escrow account because the underlying asset is sanctions-connected, even where the account holder is a government trustee.
- Dollar-clearing blockage: charter hire denominated or cleared in U.S. dollars must pass through a U.S. correspondent bank, which may freeze or reject the transaction on automated sanctions-screening of the vessel name or IMO number, regardless of the license.
- Correspondent-banking shutdown: the operator's or trustee's bank loses its correspondent relationships because a correspondent decides the seized-yacht business is not worth the risk to the entire relationship.
- Bunker-financing refusal: fuel suppliers and the banks that finance bunker purchases decline to extend credit against a sanctioned-vessel voyage.
- Crew-payroll refusal: payroll processors and banks decline to remit wages to crew serving on a sanctions-listed (even if government-custodied) vessel, creating maritime-lien and humanitarian exposure.

- Deposit and premium handling: banks refuse to hold charterer security deposits or to process insurance-premium flows tied to the vessel.
- Charter-proceeds handling: the receiving institution for net charter revenue declines the inflow as sanctions-tainted, stranding the very revenue the structure exists to generate.

Any one of these, left unaddressed, can render the structure inoperable. A vessel whose crew cannot be paid cannot sail; a charter whose proceeds cannot be banked generates no revenue; a voyage whose bunkers cannot be financed does not depart. The maritime lawyers can win every argument and the structure will still fail at the cashier's window.

## **5.2 Engineered Banking Architecture**

The architecture that answers these failure modes has five components, designed together so that each bank in the chain sees a transaction that is not merely lawful but visibly, auditably de-risked.

### ***A designated government or court depository***

The escrow and revenue accounts should sit, wherever possible, in a government depository institution, a central bank, or a designated fiscal agent of the seizing state, rather than in a commercial bank making an independent risk judgment. Where the seizing authority is the United States, the natural home is an account controlled by the U.S. Marshals Service or held within the Treasury's forfeiture-fund banking arrangements (28 U.S.C. § 524(c)); for the United Kingdom, an account under the control of the relevant enforcement body; for Ukraine, an ARMA-designated state account. A government depository does not de-risk in the commercial sense, because its mandate is to hold exactly these funds. This single design choice removes the most fragile link, the commercial escrow bank, from the chain.

### ***Pre-cleared payment rails and a named-counterparty whitelist***

Rather than relying on automated screening to pass each transaction (which it will not reliably do, because the vessel name and IMO number will continue to match watchlists), the structure should establish, with the relevant Treasury and correspondent banks in advance, a documented payment corridor: a defined set of accounts, counterparties, and transaction types, supported by the OFAC license, against which screening alerts are pre-resolved. This is the same mechanism used for licensed humanitarian and licensed-trade corridors into otherwise-sanctioned

jurisdictions. The license should be drafted to name the depository, the operator, the insurer, the bunker supplier, and the payroll agent, so that each institution can map its activity to an express authorization rather than a risk judgment.

### ***Currency and corridor selection***

Where U.S.-dollar clearing introduces unavoidable correspondent-banking fragility, the structure can denominate charter hire and operating payments in euros, pounds, or another currency whose clearing does not transit a U.S. correspondent, reserving dollar flows for the final, licensed remittance into the government depository. The objective is to minimize the number of independent commercial institutions whose discretionary risk appetite the structure depends upon.

### ***Ring-fenced operating accounts held by the operator***

The operator under the bareboat charter (a vetted, sanctions-clean commercial entity) should hold the day-to-day operating accounts (bunkers, payroll, port fees) in its own name at its own banks, separated from the government revenue accounts. Because the operator is not sanctions-connected and the vessel is government-owned post-forfeiture, the operator's bank sees an ordinary yacht-operating relationship, not a sanctions exposure. The clean legal separation between operator (commercial, bankable) and trustee (sovereign, depository-held) is itself a banking-risk mitigation.

### ***Continuous sanctions-monitoring and transaction surveillance***

The structure should embed an automated, continuously-updated sanctions-screening and transaction-monitoring system covering every counterparty (every charterer, every guest of record where required, every supplier, every crew member) screened against the OFAC SDN, EU consolidated, U.K. OFSI, U.N., and relevant national lists in real time, with results logged immutably and made available to the participating banks and the compliance monitor (Section 9). Banks do not fear lawful transactions; they fear undetected ones. A structure that hands its banks a live, auditable surveillance feed converts the relationship from one the bank wants to exit into one it can defend to its own regulator.

## **5.3 Why This Is Tractable**

None of this is novel in the abstract. Licensed payment corridors, government depositories, named-counterparty whitelists, and continuous transaction surveillance are the everyday machinery of compliant trade with and around sanctioned

jurisdictions, they move humanitarian goods into sanctioned states, process licensed energy payments, and settle court-supervised distributions every day. What is new is assembling them around a forfeited superyacht. The work is one of integration and pre-clearance, not invention. But it must be done before the first charter, in close coordination with Treasury and the correspondent-banking layer, and it must be treated as a gating condition of the whole structure, not an afterthought to be solved once the vessel is already operating and the first payroll run bounces.

*Section 6. Jurisdictional Conflicts and Cross-Border Challenges  
follows on next page*

## 6. Jurisdictional Conflicts and Cross-Border Challenges

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### 6.1 The Four-Way Tension

Every seized superyacht sits at the intersection of at least four legal regimes: the law of the arresting or detaining state (the port state), the law of the flag state, the law of the beneficial owner's nationality, and the relevant international sanctions regimes (U.S., U.K., EU, U.N.). These do not always align, and the most consequential cross-border failures of the post-2022 enforcement effort have arisen from the friction among them. Three patterns recur.

#### ***Pattern One: Flag State as Refuge***

Many of the seized vessels are flagged in jurisdictions that have not joined the Western sanctions regime, the Marshall Islands, the Cayman Islands, the Cook Islands, and others. The flag state has no obligation under its own law to recognize the validity of the port-state seizure, and may continue to recognize the original owner's title even after foreign forfeiture. This complicates any subsequent charter under the seized vessel's existing flag. The Royal Romance reflagging solution, having the port state's allied government cause the vessel to be reflagged under its own registry, is the cleanest resolution, but it requires either the cooperation of the original flag state (in deleting the vessel from its register) or a sufficiently strong jurisdictional claim by the new flag state to override the deletion question. ARMA achieved this in mid-2024 for Royal Romance through cooperation with the IMO and a Ukrainian court order recognizing the vessel as Ukrainian property.

#### ***Pattern Two: Owner's-Home-Jurisdiction Counter-Claims***

The original owner's home jurisdiction (for Russian-owned yachts, the Russian Federation) does not recognize Western sanctions and may issue its own court orders purporting to vindicate the original owner's title, freeze the charter operator's assets in Russia, or pursue criminal liability against persons participating in the disposition. These orders have negligible enforcement value in the West but real implications for charter operators with Russian connections or assets. The mitigation is to use operators with no Russian nexus and to structure the charter so that no element of performance touches Russian territory or counterparties.

#### ***Pattern Three: Port State Capacity***

Small jurisdictions (Antigua, Gibraltar, Malta, Montenegro) face acute capacity constraints in managing detained superyachts. Antigua's Alfa Nero saga illustrates

the problem: the country, with a GDP of approximately \$2 billion, was forced to bear maintenance costs running to four percent of GDP for a vessel it had no intention or capacity to sail. The structural answer is precisely what this paper proposes: shift the burden, but also shift the operational complexity, to a vetted commercial operator under a demise charter, with the port state retaining only the supervisory and revenue-collecting function.

## **6.2 Recognition of the Government's Authority to Charter**

A charter granted by a court-appointed receiver in one jurisdiction is, in principle, recognizable in other jurisdictions under standard private-international-law principles, provided (i) the appointing court had jurisdiction over the res, (ii) the appointment was made in accordance with that court's procedures, and (iii) the recognition would not be manifestly contrary to the recognizing state's public policy. The 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards does not apply directly (the charter is a contract, not an award), but the underlying recognition principles travel. The 2005 Hague Convention on Choice of Court Agreements provides a more direct framework where the charter includes a forum-selection clause, which it always should.

A more difficult question arises where the recognizing state's own law independently sanctions the original owner. There, the recognizing state's courts will typically defer to the seizing state's order and recognize the receiver's authority, provided the receiver's actions are consistent with the recognizing state's own sanctions regime. This is the precise area in which Beijing Convention reasoning, even though the Convention itself applies only at judicial sale, will exert persuasive influence.

## **6.3 Re-Arrest Risk and Sanctions-Evasion Allegations**

The principal cross-border risk to the charterer is re-arrest in a third-party port: a creditor of the original owner, a port state with its own sanctions' regime, or even the original owner himself acting through proxies could file an in-rem arrest action in a jurisdiction the vessel calls at during charter operations. The mitigation has three components. First, restrict the charter's cruising area to ports of jurisdictions that have recognized the seizing court's authority, typically the seizing state itself and its closest sanctions allies. Second, ensure that the charterer obtains, before each port call, written confirmation from the port-state authorities that no encumbrance will be enforced against the vessel during its visit. Third, leverage the Beijing Convention's clean-title mechanism (post-judicial-sale) and the IMO's GISIS platform notice system

to publish the receiver's authority and the charter's existence in a globally-accessible registry, defeating any later good-faith creditor claim of lack of notice.

Sanctions-evasion allegations against the charterer can be defeated only by clean licensing. The operator must obtain, before signing, both an OFAC general or specific license (or its U.K. / EU equivalent) and the equivalent authorization in every jurisdiction it intends to operate. This is a meaningful compliance burden, but it is the same burden borne every day by commercial vessel operators dealing with sanctioned cargoes, financial counterparties, and trade routes.

#### **6.4 The Approved-Port Network: Formalizing Operational Certainty**

The cruising-area restriction described in Section 6.3 gains substantial force if formalized into a published approved-port network rather than left to ad-hoc determinations on each port call. Three layers can be assembled in increasing order of ambition, with the first two carrying most of the practical value.

The first layer, feasible immediately, is an approved-port list published as part of the OFAC license, the court's management order, and the charter itself: a named set of ports in the seizing state and in jurisdictions with which the seizing state has confirmed advance assurances that the vessel will not be subjected to enforcement of pre-seizure encumbrances on calls during the charter term. The list operates as a contractual cruising-area limitation on the operator and as a transparent representation to insurers and bankers about where the vessel will trade. Beijing Convention contracting states (Spain, Barbados, El Salvador, and Panama from September 2026) form a natural core, expanded by the seizing state's closest sanctions allies and key flag states with established cooperation records. The list is published with the underlying court documents, made discoverable through the IMO GISIS repository where the Convention applies, and updated as additional jurisdictions provide written assurances.

The second layer, achievable in months rather than years, consists of bilateral memoranda of understanding between the seizing state and each relevant port state, codifying the no-re-arrest commitment, the recognition of the receiver or trustee's authority, and the procedures for advance notification of port calls. These do not require treaty-level negotiation; they sit at the level of inter-ministry administrative cooperation and can be concluded by the same officials who already cooperate on routine sanctions enforcement. A typical bilateral instrument would confirm the recognition of the seizing state's appointment of the receiver, the operator's good

standing under that appointment, the scope of permitted activities, the channel for advance notice of port calls, and the procedures for any creditor claim that surfaces during a call. Bilateral instruments of this character exist in many adjacent areas of sanctions, asset recovery, and customs cooperation, and the negotiating template is well-established.

The third layer, properly aspirational, is a multilateral recognition agreement, treaty-like in form, among cooperating jurisdictions that codifies mutual recognition of seizing-state authority over forfeited assets in commercial operation. This would be the analogue of the Beijing Convention for the interim-operation period rather than the judicial-sale moment. It would take years to negotiate and would require diplomatic capital not currently invested in this question, but adopted in time it would convert the structure from an ad-hoc workaround into permanent international maritime infrastructure. For now, the seizing authority should treat it as the destination, not the precondition. The first two layers, a published approved-port list reinforced by bilateral memoranda of understanding, are achievable on the same timeline as Phase 1 of the implementation roadmap and deliver most of the operational certainty the multilateral agreement would provide.

*Section 7. The Beijing Convention on the Judicial Sale of Ships:  
What It Does and Does Not Help  
follows on next page*

## 7. The Beijing Convention on the Judicial Sale of Ships: What It Does and Does Not Help

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### 7.1 Scope and the Threshold Limitation

The United Nations Convention on the International Effects of Judicial Sales of Ships, commonly the Beijing Convention, was adopted by the General Assembly on 7 December 2022 and entered into force on 17 February 2026 upon ratification by Barbados, El Salvador, and Spain. Thirty-three additional states are signatories, including the flag-state giants Antigua and Barbuda, Cyprus, Malta, and Panama. The Convention does one thing very well, but only one thing: it provides for the international recognition of clean title following a judicial sale conducted in a contracting state. Under Article 6, a Certificate of Judicial Sale issued by the state of sale must be recognized by all other contracting states, deletion of pre-sale mortgages and maritime liens is mandatory, and Article 8 expressly bars re-arrest for any claim arising prior to the sale.

That is the scope. The threshold limitation, for present purposes, is that the Convention operates at the point of sale, not before. It does not, by its own terms, regulate the interim management, charter, or commercial deployment of an arrested or seized vessel during the period between detention and final sale. A reader of the Convention's bare text might conclude it has no application to the bareboat structure proposed here.

*That conclusion is wrong. Several Convention provisions, read together with the supporting recognition machinery, materially assist the structuring and protection of an interim demise charter, particularly one that bridges into and through a judicial sale.*

### 7.2 Article 4 Notice and the Bareboat-Charterer Recognition

Article 4 of the Convention requires that, before a judicial sale, notice be given to a specific enumerated list of parties: the ship registry, all holders of registered mortgages or hypothèques, all holders of maritime liens, the owner for the time being, and, critically for our purposes, "in case the ship is granted bareboat charter registration, the person registered as bareboat charterer in the register and the bareboat charter registry." This express recognition of the bareboat charterer as a noticed party is the Convention's first direct contribution to the structure proposed here.

The practical implication is that if a seized vessel is bareboat-chartered to a commercial operator under a registered demise (most yacht-friendly flag states (Malta, the Marshall Islands, Cayman, the Cook Islands) provide for bareboat-charter registration as a separate registry entry), the charterer becomes a Convention-protected stakeholder. At judicial sale, the charterer has a right to notice, a right to participate, and a right to the orderly transition of the vessel to the eventual buyer under terms that respect any unexpired charter period. This is materially valuable to the charter operator's lender, insurer, and equity investors, and substantially de-risks the structure.

### **7.3 Registry Cooperation and the GISIS Repository**

Article 11 establishes the International Maritime Organization's GISIS (Global Integrated Shipping Information System) platform as the authoritative international repository for sale notices and Certificates of Judicial Sale. The repository is publicly accessible. While GISIS does not formally house bareboat-charter information, the practical effect is to create, for the first time, a global single-point reference for the legal status of any judicially-sold vessel. A bareboat operator considering taking a charter on a soon-to-be-sold seized superyacht can verify the imminence and validity of the sale through GISIS; a buyer at sale can verify the operator's notice position; a downstream creditor can verify that its claim has been duly noticed and cannot survive the sale.

For our structure, GISIS provides the documentary spine. A seizing authority that contemplates a transition from interim charter into final judicial sale can pre-stage the entire sale process (notice, certificate, repository entry) to occur seamlessly at the end of the charter term, minimizing the gap during which carrying costs revert to the government.

### **7.4 The Accelerated, Pre-Staged Judicial-Sale Pathway**

Drawing the preceding threads together produces a concrete operational pathway that integrates the interim charter directly into a pre-staged judicial sale, and it is most powerful in or transferable to ratifying jurisdictions. As of mid-2026 the Convention is in force for Barbados, El Salvador, and Spain (since 17 February 2026) and, following Panama's ratification on 19 March 2026, will enter into force for Panama on 15 September 2026, Panama being one of the world's two largest ship registries, which materially enlarges the practical reach of the regime. Signatories not

yet ratified include EU members Italy, Malta, Cyprus, and Croatia, several of which hold seized vessels.

In such a jurisdiction, the charter (whether the bareboat of Structure One/Five or the management mandate of Structure Two) is drafted to terminate automatically, or to novate to the buyer, on the judicial-sale date, with the operator granted explicit stalking-horse or right-of-first-refusal rights conditioned on its performance. Before the sale hearing, the receiver publishes the charter, the receiver's authority, and notice of the impending sale through the IMO GISIS repository under Articles 4 and 11. This sequence does three things at once: it confers formal protected status on the bareboat charterer; it discharges Article 4 notice to all interested parties, including unknown creditors, foreclosing later claims; and it triggers clean-title recognition across contracting states upon issuance of the certificate of sale. The dead time before sale becomes active revenue and live market-testing, the operator becomes a natural and informed bidder (worth an estimated 5-15 percent at sale on the stalking-horse analogy), and early GISIS publicity deters re-arrest by putting the world on notice of the government's authority. In non-party seizure forums the Convention's mechanisms do not bind, but, as Section 7.6 notes, the GISIS publication still exerts strong persuasive effect and the structure can, where a vessel is mobile and uncontested, be designed to bring the eventual sale within a ratifying forum such as Spain.

### **7.5 The Public-Policy Exception (Article 10): Both Sword and Shield**

Article 10 preserves a contracting state's ability to deny recognition of a judicial sale that would be "manifestly contrary to the public policy" of that state. The drafting history records express intent that this be a very high bar, the word "manifestly" is deliberate, and the Convention drafters explicitly cautioned against using the exception to undermine recognition. Three implications follow.

First, for the seizing state: the public-policy exception is a backstop against any future attempt by a hostile jurisdiction (Russia, in the case of the present wave) to invoke an offsetting forfeiture order purporting to vindicate the original owner's title against a Western buyer. The Western state, when its own court-ordered sale is challenged abroad, can rely on the Convention's recognition regime; the foreign court can invoke its public-policy exception only at the cost of being seen, in Convention terms, to act "manifestly" against the international system. This is a real, if soft, constraint.

Second, for the buyer of a charter-bridged sale: the public-policy exception is most plausibly invoked, if at all, on procedural rather than substantive grounds. A sale held with full Article 4 notice, transparent through GISIS, and bridged from a properly-licensed interim charter, is essentially impervious to public-policy attack in any contracting state.

Third, and conversely, for any third-party state hostile to the underlying seizure: the public-policy exception is the available legal lever, but its use is narrow and politically costly. Russia, China, and other non-aligned major flag and port states have not signed the Convention, so the question may be academic in those forums. But where it does arise (say, the United Arab Emirates, India, or Türkiye) the exception requires a finding of manifest contrariety, not mere disagreement.

## **7.6 What the Convention Does Not Do**

The Convention does not authorize or regulate interim charter as such. It does not displace the underlying sanctions regimes (Article 1(3) preserves national security and public order law). It does not create a private right of action for charterers in their own right beyond the notice and recognition provisions. It does not apply where the state of the judicial sale is not a contracting party, or where the ship is not physically present in the state of sale at the time of sale. As of May 2026, the United States, the United Kingdom, France, Germany, Italy, the Netherlands, and most other principal seizure jurisdictions have not yet ratified the Convention (the U.S. is a signatory but not a party; the U.K. and most EU states have not signed). For seizures conducted in those forums, the Convention's direct mechanisms are unavailable, although Spain, a contracting party as of 17 February 2026, and Malta (planning ratification following EU procedures) provide important Mediterranean platforms.

In summary, the Beijing Convention does not directly authorize the interim demise charter structure, but it materially improves its downstream protections and provides authoritative procedural machinery for the eventual transition to sale. For seizures conducted in or transferable to Spain, El Salvador, Barbados, or (in time) Malta and other ratifying states, the Convention is a meaningful structural advantage.

*Section 8. Practical Options and Engineered Structures  
follows on next page*

## 8. Practical Options and Engineered Structures

Six concrete structures are presented below, ordered from most operationally conservative to most ambitious. Each is matched to a class of vessel circumstance and seizing authority, and each is supported by either an existing precedent or the closest available analog. Estimated revenue figures use 2025-2026 superyacht charter market data and assume 60 percent annual utilization, which is conservative for high-quality vessels in the global charter pool.

### 8.0 Cost Burden vs. Revenue Potential: The Underlying Arithmetic

Before turning to specific structures, the comparative arithmetic of holding versus operating must be made explicit. The following table assembles disclosed (or closely-estimated) annual carrying costs for representative seized vessels alongside their plausible bareboat charter revenue under a vetted commercial operator.

Vessel	LOA / Custodian	Annual Holding Cost	Indicative Charter Rate	Net Swing
<b>Amadea</b>	106m / USMS (pre-sale)	≈ \$10-12M (\$1M/mo peak)	≈ \$24-30M (60% utilization at est. \$1.0-1.2M/wk crewed equivalent; bareboat hire 35-45% of that)	<b>+\$8-18M / yr swing</b>
<b>Alfa Nero</b>	82m / Antigua (pre-sale)	≈ \$1.2-1.5M (\$100K/mo)	≈ \$15-18M (historically chartered at \$812K/wk crewed)	<b>+\$6-8M / yr swing</b>
<b>Axioma</b>	72.5m / Gibraltar Adm. Marshal	≈ \$2M (crew + dockage)	≈ \$12M (publicly chartered at \$558K/wk)	<b>+\$5-7M / yr swing (now realized post-sale)</b>
<b>Dilbar</b>	156m / Hamburg	≈ \$15-20M (largest by volume)	≈ \$40-60M (limited comparables; world's largest by volume)	<b>+\$15-25M / yr swing (theoretical)</b>
<b>PHI</b>	58.5m / Canary Wharf	≈ \$1.5-2M (running cost)	≈ \$20M (UK Sup. Ct. cited €650K/wk charter)	<b>+\$8-12M / yr swing</b>
<b>Royal Romance</b>	92m / Trogir, Ukraine-flagged	Owner-funded under Croatian sanctions allowance	≈ \$15-22M (Damen-built, recent)	<b>Net positive if shifted to interim charter</b>
<b>Luminosity</b>	107.6m / Montenegro	Crew unpaid; vessel deteriorating	Substantial pre-refurbishment investment needed first	<b>Negative without refit; +\$10-15M after</b>

Several observations follow. First, the swing is positive in every case where the vessel is in seaworthy condition and a competent operator is available. Second, the largest absolute opportunities are at the high end of the size range (the 100m+ category) where annual carrying costs are largest and the available charter rates are correspondingly elevated. Third, vessels allowed to deteriorate beyond a threshold, Luminosity is the leading example, require capital investment before generating any revenue, but the breakeven on refurbishment is typically two to three charter seasons.

## **8.1 Structure One: Government-Appointed Manager + Bareboat to Vetted Operator**

### ***Architecture***

The seizing authority (USMS, ARMA, Antigua Port Authority, Italian Agenzia, etc.), acting under existing statutory authority and a court order entered in the pendente lite or post-forfeiture proceedings, appoints a specialized superyacht-management firm, for example, Imperial Yachts (notably, now in disgrace), Burgess, Edmiston, Fraser, Camper & Nicholsons, or a U.S.-based equivalent such as National Maritime Services, as Custodial Manager. The Custodial Manager then enters into a five- to fifteen-year bareboat charter with a charter operator (a separate entity, vetted for sanctions compliance and capitalization). The charter operator runs the vessel under its own flag, with its own crew, paying a fixed quarterly bareboat hire to the Custodial Manager. The Custodial Manager remits the hire (net of its own management fee, typically 5-8 percent) to the seizing authority's designated fund.

### ***How it achieves the objectives***

- Owner isolation: the original beneficial owner has no contractual, operational, or financial nexus to either the Custodial Manager or the operator.
- Asset preservation: the operator's covenants under the bareboat charter mirror those of standard yacht-charter form documents (SUPERYACHT 2000 or BIMCO BARECON 2017) and include class maintenance, insurance, and dry-docking at owner-standard intervals.
- Cost shifting: 100 percent of operating costs sit with the operator under standard demise terms.
- Revenue: government receives gross hire less management fee; net positive in every documented case.

### ***Pros and cons***

The principal advantage is operational simplicity: this is essentially the same structure used by yacht-management firms today for vessels in private trust ownership, with the trust being a government entity rather than a UHNW estate. The principal disadvantage is reliance on a Custodial Manager whose remuneration is small relative to its responsibilities, requiring careful vendor due-diligence and contract drafting. The closest analog is the U.S. Marshals Service's existing use of National Maritime Services and Fraser Yachts as administering agents for the Amadea sale; the same firms could readily serve as Custodial Managers under an interim charter structure.

### ***Estimated revenue / cost performance***

For a 100-meter+ vessel: gross annual bareboat hire \$15–25M; Custodial Manager fee 5–8 percent (\$1–2M); net to government \$14–23M annually; compared to current carrying-cost burn of \$8–12M, a net swing of \$22–35M annually.

## **8.2 Structure Two: Hybrid Bareboat-Plus-Management Contract (Lower-Commitment Variant)**

### ***Architecture***

Structure One presumes an operator willing to take a full five-to-fifteen-year demise. For politically sensitive vessels, that operator may be hard to find, the single largest commercial obstacle the v2 analysis identified. Structure Two answers that obstacle directly by substituting, in whole or as a first phase, a court-approved ship-management agreement on the BIMCO SHIPMAN 2009/2022 form (or a bespoke superyacht-management contract) with seized-asset riders, rather than a pure demise. The court-appointed receiver, trustee, or statutory agency retains residual control and title; the vetted operator handles day-to-day operations (crewing, maintenance, classification, insurance procurement, and commercial chartering (whether crewed charters or bareboat sub-charters)) under a management mandate rather than as demise charterer. Compensation is performance-aligned: a fixed base management fee (typically 5–8 percent) plus a tiered revenue-share in which the operator retains, say, 20–40 percent of net charter income above a hurdle tied to utilization or maintenance key-performance indicators, with bonuses for class compliance, on-time dry-docking, and achieving 60-percent-plus utilization. For shorter holding periods (12–24 months pre-sale), the agreement carries easy-exit clauses, stepped-down commitments, and milestone-based termination without penalty.

### **How it achieves the objectives**

- Owner isolation: identical to Structure One, the operator is a vetted manager with no nexus to the original owner; title and residual control stay with the government entity.
- Asset preservation: arguably stronger than a pure demise, because the performance hurdles and KPI-linked bonuses explicitly reward class compliance and timely maintenance, directly countering the end-of-term under-investment risk addressed by the reserves in Section 9.3.
- Cost shifting: the management agreement passes operating costs (crew, fuel, repairs, P&I) through to charter revenue and the operator, keeping them off the public balance sheet, though the government retains marginally more residual operational risk than under a pure demise.
- Revenue: government receives net charter income less the base fee and the operator's performance share, somewhat less than a pure bareboat hire, but available from a far wider operator pool and on far shorter commitment.

### **Why this is the most important practical addition**

The pure-demise structures are revenue-maximizing but commitment-intensive; few quality operators will sign a fifteen-year demise on a vessel that may be the subject of years of contested litigation and global press attention. A SHIPMAN-based management mandate is far less daunting: it is the everyday instrument by which managers run vessels they do not own, the exit terms protect the operator against the political tail risk, and the performance-share aligns the operator's incentives with the very value-preservation the structure exists to achieve. It is therefore the natural entry point for the highest-profile vessels (Dilbar, Crescent, PHI) where operator hesitation is most acute, and it functions as a transitional bridge: begin under a management contract, demonstrate the model, and convert to a full bareboat (Structure One) or a charter-to-sale bridge (Structure Five) once the asset has been de-risked in practice.

### **Legal footing and analog**

Admiralty courts routinely approve interim-management contracts under their preservation powers, U.S. Supplemental Rule E, U.K. Admiralty Court management orders, and ARMA's statutory mandate all accommodate a management agreement as readily as a demise. SHIPMAN is an established, off-the-shelf BIMCO form in daily commercial use, which means the contractual machinery requires adaptation, not invention. The closest analog is the ordinary third-party ship-management market

that operates thousands of commercial vessels worldwide; the innovation is only the seized-asset rider set and the public-entity principal.

***Estimated revenue / cost performance***

For a 100-meter-plus vessel: gross charter income comparable to Structures One and Four, less the base management fee (5-8 percent) and the operator's performance share (20-40 percent of net above the hurdle), yielding net to government in the range of \$9-18M annually depending on utilization and the hurdle calibration, below a pure bareboat but materially above the broker-partnered model, and obtainable on a 12-24-month rather than multi-year commitment. Against a current carrying-cost burn of \$8-12M, still a decisive positive swing.

*Section 8.3 Structure Three: Hybrid Trust/Receivership  
with Revenue-Share to Public-Purpose Fund  
follows on next page*

## **8.3 Structure Three: Hybrid Trust/Receivership with Revenue-Share to Public-Purpose Fund**

### ***Architecture***

A statutory trust is settled by act of the seizing legislature (or, in civil-law jurisdictions, by ministerial decree under the asset-recovery statute) to hold the vessel pending final adjudication. The trust's beneficiaries are designated public-purpose recipients, Ukrainian reconstruction (for vessels seized in connection with Russian sanctions), national crime-victim funds, or maritime training and apprenticeship programs (for example, the Maritime Nuclear Academy concept). A trustee, who must be a specialized maritime professional, holds bare legal title under the trust deed and bareboat-charters the vessel to an operator. Charter revenue, net of trustee fee, is distributed quarterly to the beneficiary funds.

### ***Why this works better than Structures One and Two for politically sensitive cases***

Where the underlying seizure is politically charged (Russian-owned vessels, vessels linked to specific human-rights abusers, or vessels whose disposition is the subject of legislative debate) a statutory trust structure provides political insulation and transparent accounting. Each disbursement is a matter of public record; each beneficiary fund publishes annual statements; the trust's existence and operation are statutorily insulated from administrative-law challenge.

### ***Real-world analog***

Ukraine's ARMA structure, particularly as applied to Royal Romance, is the closest existing analog, although the formal statutory trust element is replaced in the Ukrainian case by ARMA's enabling legislation and Cabinet of Ministers resolutions. The November 2023 amendments expressly enabled foreign-asset disposition and provided the legal predicate for the entire Royal Romance program. The U.S. Department of Justice's Assets Forfeiture Fund (28 U.S.C. § 524(c)) is the closest U.S. analog and could serve as the destination for charter revenue from a statutory-trust-held seized superyacht under existing law.

### ***Estimated revenue / cost performance***

Comparable to Structures One and Two; the marginal cost is the trust administration (typically \$200K-\$500K annually for a complex statutory trust), offset by the political and litigation insulation it provides.

## **8.4 Structure Four: Broker-Partnered Charter Program (Co-Managed Model)**

### ***Architecture***

Rather than entering into a single long-term bareboat charter, the Custodial Manager (Structure One) or trustee (Structure Three) partners with an established superyacht charter brokerage, Burgess, Edmiston, Y.CO, Fraser, Camper & Nicholsons, IYC, to operate the vessel on a season-by-season basis under a series of standard crewed charter contracts, with the brokerage serving as the de facto charter operator. The vessel is offered through standard charter inventories at standard rates; the broker manages bookings, crew, and turnover; gross charter fees flow to a government-designated escrow; net revenue (after broker commission of 15-20 percent and operating costs of approximately 50 percent of charter fees) accrues to the seizing authority.

### ***When this structure is preferable***

Three circumstances favor the broker-partnered model: (a) where the seizing authority anticipates a relatively short pre-sale interim period and does not want to commit to a multi-year demise; (b) where the vessel is sufficiently unique that a multi-year operator would be reluctant to commit (e.g., Dilbar, the world's largest by volume, has no clear long-term operational comparable); and (c) where the seizing authority prefers operational visibility and the ability to remove the vessel from charter for sale on short notice.

### ***Real-world analog***

Northrop & Johnson's role in marketing Alfa Nero post-sale (the new owner immediately listed her at \$812,500/week) is the closest analog. Northrop & Johnson could equally have served as a charter manager during the seized period, had the legal architecture been in place. Fraser Yachts performed an analogous role for Amadea during the U.S. Marshals' custody period, though limited to sale promotion rather than charter operation.

### ***Estimated revenue performance***

For an 80-100m vessel: gross charter revenue \$8-18M at 60 percent utilization, less operating costs and brokerage fees of approximately 70 percent, yielding net to government \$2.5-5.5M annually. Lower than the bareboat structures (because the government retains operational risk) but with greater flexibility and shorter commitment.

## **8.5 Structure Five: Post-Adjudication Transition Mechanism (Charter-to-Sale Bridge)**

### ***Architecture***

This is a hybrid structure designed for the final 12–36 months before a contemplated judicial sale. A bareboat charter is granted, but with two distinctive features: (a) the term is structured to expire automatically on the date of judicial sale, with no charterer right of renewal; and (b) the charterer is given a right of first refusal (or stalking-horse position) at the eventual sale, conditioned on its performance under the charter. The structure converts the holding period from dead time into both a revenue-generating and a sale-preparation period, and creates a natural buyer in the operator who, by the end of the charter term, knows the vessel intimately.

### ***Why this is the most powerful structure for nearing-sale vessels***

Two of the principal value-destruction risks in seized-yacht sales are (i) lack of a credible stalking-horse bid (which has worsened in the post-2024 §363 enforcement environment, as noted in your prior auction-strategy analysis) and (ii) deteriorating physical condition during the holding period. The charter-to-sale bridge addresses both. The charterer is a natural and qualified bidder, and the operator's incentive throughout the charter is to maintain the vessel as a going concern that it might itself buy. The Beijing Convention's Article 4 notice provisions, where applicable, give the charterer formal protected status at sale.

### ***Real-world analog***

This structure has no direct superyacht precedent, but it parallels the well-developed commercial-aviation practice of selling aircraft mid-lease to the lessee, and the §363 "credit-bid" mechanism in U.S. bankruptcy, in which the existing operator's accumulated equity in operations is converted to bidding power at sale. Adapting these to admiralty practice is straightforward; the necessary order from the supervising court is no more elaborate than a standard pendente lite sale order.

### ***Revenue / cost performance***

Combines the bareboat-revenue of Structure One with materially improved ultimate-sale price: empirical work on §363 stalking horses suggests stalking-horse arrangements add 5–15 percent to final sale price compared to pure cold auctions. For a \$200M vessel, that is \$10–30M of additional sale proceeds, in addition to the interim charter revenue.

## **8.6 Structure Six: Sovereign Non-Commercial Deployment (Narrow, Caution-Heavy Use Cases)**

This structure is presented last and with a deliberate health warning, because the propriety constraints on it are severe and a misjudged deployment can inflict more political damage than the carrying cost it saves. The governing principle is simple: commercial operation is always easier to defend than sovereign non-commercial use, and within sovereign use, functional and public-good purposes are defensible while luxury, ceremonial, and prestige purposes are not.

### ***The bright line: function versus display***

Two categories of non-commercial sovereign use must be sharply distinguished. The first, using an appropriated superyacht for diplomatic hospitality, state ceremonial functions, official entertaining, or any purpose that places government figures in the posture of enjoying the luxury of the asset, is politically explosive and should be treated as effectively prohibited. In any democratic polity it reads as luxury appropriation, elite misuse, and political theater; it hands the original owner and his sympathizers a potent narrative (the asset was seized not for principle but for the seizing officials' own enjoyment); and it converts a defensible act of asset preservation into an indefensible one of self-dealing optics. No projected saving justifies that exposure.

The second category, using the vessel for a genuine public-good function with no element of official luxury, is defensible, though still less robust than commercial charter. The clearest example is maritime training and education: a large, modern, well-equipped vessel can serve as a platform for merchant-marine cadet training, naval auxiliary or reserve training, maritime apprenticeship programs, or specialized instruction (the Maritime Nuclear Academy concept being one such application). Here the asset is visibly working for a public mission, no official is seen enjoying it, and the deprivation-of-the-owner logic endorsed in PHI is fully served while the optics run in the seizing state's favor rather than against it.

### ***Examples and limits***

Functional deployment is plausible only for: (a) vessels of unusual size or capability where a training or platform use is genuinely feasible (the 130m-plus class, Dilbar, Crescent, Scheherazade); and (b) seizing states with a credible, articulable public mission for the vessel (Ukraine, for merchant-marine and reconstruction-logistics training; a coastal state with a maritime academy in need of a training platform). It is

inappropriate for vessels under roughly 90 meters, which rarely offer a functional use that justifies the optics. Crucially, even a defensible functional use generates an imputed rather than a cash benefit, and imputed value is harder to audit and easier to attack than charter revenue; the value imputation must be conservative, independently verified, and publicly accounted. In nearly all cases, a commercial charter under Structures One through Five will both generate real cash and present a cleaner optical profile than sovereign deployment, and should be preferred. Structure Six is the exception reserved for vessels or circumstances where commercial charter is genuinely unavailable.

### ***Real-world analog***

Royal Romance's Ukrainian reflagging, although not yet operationally deployed at scale, is the leading existing precedent for sovereign repurposing in this wave, and notably ARMA has framed it in functional and custodial terms rather than as a prestige acquisition. The U.S. Navy's historical acquisition of yachts for fleet-auxiliary and training use (the most famous being USS Williamsburg, formerly the yacht Aras) provides the historical template, and the instructive detail is that those vessels were repurposed to function, stripped of their role as objects of display. That is the only version of sovereign deployment that survives scrutiny.

*9. Governance, Compliance, and Control Architecture  
follows on next page*

## **9. Governance, Compliance, and Control Architecture**

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The legal, banking, and insurance architecture establishes that the structure can operate. The governance architecture in this section establishes that regulators, courts, and the public can trust it to operate as designed, and trust, not legality, is the currency that determines whether the structure is ever permitted to launch. Each control below is engineered to answer a specific skepticism: that the owner is secretly benefiting, that proceeds are being misappropriated, that the operator will strip the asset, or that the deployment is reputationally reckless. Together they convert the structure from one a regulator must take on faith into one that is continuously, independently verified.

### **9.1 Independent Compliance Monitor**

This is probably the single indispensable governance element. The structure should be subject to a court-appointed, independent compliance monitor (a sanctions-and-maritime-compliance specialist, a Big Four forensic accounting firm, or a combination) charged with continuously certifying, on a published periodic basis, four things: that no benefit of any kind is reaching the original beneficial owner or any connected person; that there have been no prohibited contacts between the operation and the owner's circle; that no charterer, guest of record, supplier, or counterparty is a sanctioned or sanctions-connected person; and that all revenue has been routed in accordance with the approved waterfall. The monitor reports to the supervising court and is accessible to OFAC, OFSI, and the relevant EU authority. Without an independent monitor of this kind, regulators are being asked to trust the seizing authority's own assurances about a politically sensitive operation, and on past form they will decline. With one, the regulator can point to continuous third-party verification as the basis for its license. The monitor is the price of admission.

### **9.2 Auditable Transparency: Escrow and Disbursement Trails**

In most contexts, invoking distributed-ledger technology for financial transparency is buzzword inflation. Here it is genuinely useful, because the structure's central political vulnerability is the suspicion that money is leaking, to the owner, to officials, or into unaccountable hands. Antigua's post-Alfa-Nero experience is the cautionary tale: the bare fact that proceeds were not transparently accounted for generated litigation, subpoenas, and allegations of missing funds that damaged the government far more

than the yacht ever cost it. The antidote is radical, auditable transparency over every dollar.

The structure should maintain an immutable, independently-auditable record of all charter revenue received, all operating disbursements, all reserve contributions, and all public-purpose distributions (whether implemented through a permissioned distributed ledger, a continuously-audited escrow architecture, or both) with disbursement trails visible to the court, the monitor, the participating banks, and, to the maximum extent consistent with security and commercial confidentiality, the public. Public-benefit accounting (showing, for instance, that a given quarter's net revenue funded a specified reconstruction or training purpose) is not merely good governance; it is the affirmative political case for the structure, made in numbers. Visible, immutable disbursement trails materially reduce both political skepticism and sanctions-evasion suspicion, and they are the documentary backbone the compliance monitor certifies against.

### **9.3 Mandatory Reserve Funds**

A bareboat operator approaching the end of its charter term has a natural incentive to under-invest in an asset it is about to hand back, to defer maintenance, skip discretionary works, and run equipment harder than an owner would. Left unchecked, this is precisely the value-destruction the structure exists to prevent. The charter must therefore require funded reserve accounts, held outside the operator's control (in the government depository), and replenished from gross revenue ahead of any public-purpose distribution. At minimum these comprise: a maintenance and dry-docking reserve sized to the vessel's class-survey cycle; a casualty and major-systems reserve; an environmental-incident reserve; a crew-protection reserve, being an escrowed pool sufficient to guarantee wages and accrued entitlements for a defined period even if charter operations are abruptly interrupted; and an emergency-repatriation reserve sized to cover the cost of returning all serving officers and crew to their home jurisdictions on short notice. The crew-related reserves are not redundant with the first tier of the waterfall in Section 9.4. The waterfall ensures crew are paid first from current revenue; the standing reserves ensure they can still be paid when revenue stops. Reserve adequacy is verified at each periodic survey, and shortfalls are a default under the charter. The reserves ensure that the asset is handed to its eventual buyer in the condition the structure promises, regardless of where in the charter term the sale falls.

## 9.4 Court-Supervised Compliance Waterfall

All revenue should flow through a mandatory, court-supervised payment hierarchy, a waterfall modeled on established distressed-asset and project-finance practice, so that the order of priority is fixed in advance, supervised by the court, and certified by the monitor, rather than left to the discretion of any operator or official. The recommended waterfall is:

Priority	Tranche	Rationale
1	Crew wages and repatriation	Highest maritime-lien priority; humanitarian and legal necessity; unpaid crew can arrest the vessel and strand the operation.
2	Maintenance and class-required works	Preserves seaworthiness, class certification, and the asset value the structure exists to protect.
3	Insurance premiums	Coverage lapse renders the vessel unable to enter port; non-negotiable operating prerequisite.
4	Environmental and casualty reserves	Funds the standing reserves under 8.3 before any discretionary distribution.
5	Port, berthing, and operating fees	Routine cost of lawful operation; keeps the vessel in good standing at its berths and ports of call.
6	Litigation and contingency reserve	Funds defense of owner challenges and third-party claims without drawing on public funds.
7	Public-purpose distribution	Residual net revenue to the designated public beneficiary, the structure's payoff, paid only after all prior obligations are met.

Fixing this hierarchy in the court order and the charter does three things at once: it guarantees that the asset is maintained and the crew paid before anyone takes a distribution; it removes discretion (and therefore the suspicion of self-dealing) from the handling of funds; and it gives the compliance monitor a clear, auditable standard against which to certify every disbursement.

## 9.5 Restricted-Use Covenants

Finally, the charter should impose express restricted-use covenants designed to control the reputational and sanctions optics of the operation, the concern that Section 3 identified as potentially dispositive. The operator should be contractually prohibited from chartering the vessel to: designated persons or nationals of

sanctioned states; political figures or persons whose charter would itself create a sanctions or corruption narrative; persons connected to the original beneficial owner; and any charter tied to a reputationally sensitive event. The covenants should further restrict luxury-media exposure (no glamorizing press, no social-media promotion that frames the vessel as a trophy) and require that the vessel's marketing emphasize its status as a public-custody asset operated for public benefit. These restrictions modestly narrow the charter market and the achievable rate, but they are cheap insurance against the single category of risk most likely to make the structure politically untenable: the photograph of the seized oligarch's yacht hosting a glittering party in the Mediterranean. The structure must never generate that photograph.

## **9.6 Crewing and Market-Demand Mitigations**

Two operational frictions sit beneath the legal architecture and deserve explicit treatment: the difficulty of recruiting crew to a sanctions-associated vessel, and the question of whether charterers will book it. Both are manageable with targeted measures. On crewing, the structure should provide sovereign indemnities for crew repatriation, unpaid wages, and maritime liens, modeled on the indemnity Antigua extended to Eric Schmidt in 2023, so that officers and crew face none of the wage-and-lien risk that has stranded crews on other seized vessels; this can be reinforced with government-backed retention bonuses or training stipends to attract experienced personnel. On demand, the public-benefit narrative is itself the answer: positioning the vessel as a public-custody asset whose charter revenue funds maritime education and reconstruction converts what could be a reputational negative for a charterer into a positive, the guest is not enjoying an oligarch's trophy but patronizing a vessel working for a public cause. Combined with strict cruising-area limits to allied and sanctions-cooperative ports, the independent monitor, and the restricted-use covenants, these measures make the vessel as clean, bankable, and marketable as an ordinary commercial charter yacht, which, post-forfeiture and under this governance overlay, it effectively is.

## **9.7 Public Reporting and Legislative Oversight**

The independent compliance monitor (Section 9.1) satisfies regulators; public reporting satisfies the polity. Because Section 3 establishes that optics are a first-order risk rather than a footnote, the structure should make its compliance and its public benefit continuously visible. The recommended mechanism is mandatory

public quarterly reporting (revenue received, disbursements by waterfall tranche, vessel-condition survey results, and charter-utilization statistics) published through a dedicated portal or a GISIS-linked page, supplemented by legislative oversight in the form of annual hearings before the relevant committees or an ARMA-style public dashboard. The effect is to neutralize optics backlash before it forms: any allegation of hidden owner benefit or misappropriated proceeds is immediately rebuttable with audited, public numbers, and the fulfilment-of-sanctions argument of Section 3 is demonstrated in real time rather than merely asserted. Public reporting is not a concession to critics; it is the affirmative political infrastructure that makes the structure durable enough to scale beyond a single vessel.

*Section 10. Actionable Implementation Roadmap  
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## 10. Actionable Implementation Roadmap

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This section sets out a step-by-step process for a seizing authority to move from current holding-cost burn to net-revenue operation. The roadmap is presented as a sequence; in practice, several steps can be run in parallel.

### Phase 0: Pilot and Proof-of-Concept (Strategic Sequencing)

The dominant risks (insurer reluctance, bank de-risking, and political backlash) are all risks of the unfamiliar. The most effective way to retire them is not argument but demonstration. Before applying the structure to a politically radioactive flagship such as Dilbar or Crescent, a seizing authority should prove it on a lower-profile asset and publish the result. The recommended sequence is to launch with a smaller (60-80m) seized yacht, a non-Russian-linked vessel, or even a non-superyacht commercial ship already under admiralty arrest, in a jurisdiction that already possesses the statutory machinery (an ARMA-style agency, or a Beijing-ratifying forum such as Spain) and to run one or two pilot charters (or SHIPMAN management mandates under Structure Two) for twelve to eighteen months under the full governance overlay of Section 9.

- Select a low-controversy pilot vessel and a jurisdiction with existing statutory authority or Beijing-Convention ratification.
- Stand up, on the pilot, the complete control architecture (independent monitor, court-supervised waterfall, reserves, banking corridor, and insurance backstop) at small scale and low political stakes.
- Run the pilot for 12-18 months and publish the monitor's reports, the audited revenue and disbursement record, and the vessel-condition surveys in full.
- Use the documented fiscal swing (\$5M-\$25M+ net per vessel) and the clean compliance record to normalize insurer, banker, and political comfort, then scale to the high-profile vessels with an evidentiary track record rather than a theory.

Where a seizing state lacks the institutional machinery, Phase 0 also encompasses creating it: dedicated seized-asset operating agencies established by legislation, mirroring the ARMA expansions of 2023-2024 that first authorized foreign-asset management and disposition. ARMA's ongoing management of the Ukrainian-flagged Royal Romance (held, maintained, and prepared for sale without recourse to the state budget) is itself a partial live pilot of much of this architecture, and its published results should be studied as the nearest existing proof-of-concept.

## **Phase 1: Legal Predicate (Months 0-4)**

The first phase establishes the legal authority to grant a bareboat charter. The specific steps vary by jurisdiction, but the general sequence is the same.

- Confirm legal status of vessel: pre-forfeiture detention, post-arrest in rem, or post-forfeiture title vested in government. Each requires a different predicate order.
- Obtain motion or order from the supervising court authorizing interim commercial use of the vessel pending final adjudication. In U.S. practice, this is a motion under Supplemental Rule E or under 21 U.S.C. § 853(e) (pre-forfeiture preservation) or 28 U.S.C. § 524(c) (post-forfeiture). In U.K. practice, an application to the Admiralty Court. In civil-law jurisdictions, an application to the giudice dell'esecuzione (Italy), juez de lo mercantil (Spain), juge de l'exécution (France), or equivalent.
- Apply for an OFAC specific license modeled on General License No. 2 of 21 December 2010 (Dandle/Decretive), explicitly authorizing: vessel management services; port agency services; bunker provision; repairing or modifying the vessel for commercial use; provision of crewing; classification surveys; commercial bareboat charter and the receipt of charter hire into a designated U.S.-domiciled escrow account. Parallel applications to OFSI (U.K.) and the relevant national authority under the EU sanctions regime are required where the vessel will operate in those jurisdictions.
- Establish the holding vehicle: court-appointed receiver, statutory trust, or government SPV, with documented authority to enter into the charter.
- Cause the vessel to be reflagged where necessary. Ukraine's reflagging of Royal Romance is the working model. Reflagging requires (i) deletion from existing flag-state register or (in the case of refusal) a sovereign claim of jurisdiction over the vessel; (ii) survey for new-flag-state requirements; (iii) IMO notification.
- Compile and publish the approved-port list under Section 6.4: identify the seizing-state ports and the allied or Beijing-Convention ports that have provided written assurances against re-arrest, and initiate bilateral memoranda of understanding with each. The list is filed with the court's management order and incorporated by reference into the charter.

## **Phase 2: Counterparty and Insurance (Months 2-6)**

Phase 2 runs in parallel with the latter part of Phase 1. The objective is to have a fully-vetted operator, a written charter, and bound insurance by the time the court order and OFAC license are issued.

- Solicit operator proposals through a transparent request-for-proposals process, marketed through established yacht brokerage channels. Minimum eligibility criteria should include: capitalization sufficient to cover three years of charter hire and operating reserves; no sanctions-connected ownership or counterparty exposure; demonstrated 90m+ superyacht operational experience; clean OFAC/OFSI/EU sanctions screening; willingness to indemnify the government for operator-caused losses.
- Conduct sanctions and beneficial-ownership due diligence on shortlisted operators. The diligence must be extensive: every beneficial owner of 10 percent or more, every director, every executive officer must be screened against OFAC SDN, EU consolidated, U.K. OFSI, and U.N. consolidated lists. Particular attention is required to indirect Russian connections, which have not always been transparent in the post-2022 superyacht-industry restructurings.
- Bind hull and machinery, P&I, and crew insurance with underwriters whose policy terms expressly accommodate the seized-vessel context. Lloyd's of London, Steamship Mutual, Britannia, Skuld, North P&I, and Gard have all underwritten vessels under government custody in past years; the broker's task is to identify the willing market for each specific vessel and operator pairing.
- Negotiate and execute the bareboat charter on BIMCO BARECON 2017 form (or, under Structure Two, the SHIPMAN 2009/2022 management form), with sanctions-specific riders. Key rider terms to include: (a) sovereign indemnification for sanctions-related claims, (b) operator's covenant of no contact with the original beneficial owner, (c) escrow of all charter hire into the government depository, (d) cruising-area restrictions limited to the published approved-port list (Section 6.4), (e) detailed maintenance and class-certification covenants, (f) funded reserve accounts under the waterfall (Sections 8.3 and 8.4), (g) restricted-use covenants barring sanctioned, political, owner-connected, and reputationally sensitive charters and limiting luxury-media exposure (Section 9.5), (h) right of the government and the compliance monitor to inspect at any reasonable time, (i) automatic

termination on final judicial sale, (j) stalking-horse / right-of-first-refusal at sale (in Structure Five).

## **Phase 2A: Banking, Insurance Backstop, and Compliance Infrastructure (Months 3-7)**

This phase is parallel to Phase 2 and is the gating condition the original roadmap omitted. None of the legal or commercial steps matters if the money cannot move, the risk cannot be insured, or the regulator cannot trust the controls. It must be completed before operational launch, not improvised afterward.

- Establish the banking architecture (Section 5): a government or court depository for escrow and revenue accounts; pre-cleared payment corridors and a named-counterparty whitelist agreed in advance with Treasury and the correspondent-banking layer; currency and corridor selection minimizing dependence on discretionary commercial-bank risk appetite; and ring-fenced operator operating accounts.
- Secure the insurance layer (Section 4.4): bind the primary hull, machinery, P&I, and crew cover, and, critically, arrange the government reinsurance backstop (TRIA / DFC marine-facility model) or, failing that, the layered non-aligned-market placement with sovereign indemnity. Confirm premium-payment rails clear through the approved corridor.
- Stand up the continuous sanctions-monitoring and transaction-surveillance system covering all counterparties, with immutable logging accessible to the banks and the compliance monitor.
- Apply to the supervising court for appointment of the independent compliance monitor (Section 9.1) and lodge the court-supervised compliance waterfall (Section 9.4) and reserve requirements (Section 9.3) for approval as part of the management order.
- Establish the auditable transparency layer (Section 9.2): the permissioned ledger or continuously-audited escrow architecture and the public-benefit accounting framework for disbursements.

## **Phase 3: Operational Launch (Months 6-9)**

- Survey and dry-dock the vessel to confirm class, identify required works, and bring the vessel into seaworthy and chartering condition. Costs of this dry-docking are typically borne by the operator under the bareboat as part of the initial possession transfer.

- Crew transition: dismiss any remaining original-owner-affiliated crew (typically already gone in seized-vessel cases) and onboard the operator's nominated officers and crew, subject to flag-state and class-society approval.
- Public notice of the bareboat charter, including IMO notification and (where applicable) entry in the Beijing Convention GISIS repository if a judicial sale is anticipated within the charter term.
- First charter season commences with full operator responsibility for bookings, voyage planning, crew, fuel, and all routine operating costs.

#### **Phase 4: Ongoing Oversight and Transition to Sale (Months 9 onward)**

- Quarterly reports from the operator to the government on vessel condition, maintenance, charter utilization, and revenue.
- Periodic published certification by the independent compliance monitor: no owner benefit, no prohibited contacts, no sanctioned counterparties, waterfall-compliant routing, and reserve adequacy. This certification is the document that keeps the OFAC/OFSI/EU licenses live and the banks comfortable.
- Annual independent survey to confirm class maintenance and detect any operator under-investment in the asset, with reserve top-up enforced where the survey identifies deferred works.
- Sale preparation begins 6-9 months before the contemplated judicial sale date. Sale process can be administered by the same brokerage acting as charter manager (Structure Four), by a separate sealed-bid administrator (Amadea / National Maritime Services model), or by an admiralty auction (Axioma model).
- Smooth handover at sale: the bareboat terminates automatically; the operator's deposit returns; the new owner takes possession with no operational gap and no interruption in class certification.

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follows on next page*

## **Executive Summary and Final Recommendation**

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### **Recommended Structure**

The paper's central recommendation, and its differentiating contribution, is the interlocutory charter: the supervising court's value-preservation power, long exercised through interlocutory sale, directed instead toward supervised operation of the vessel during the pre-forfeiture period, with all charter hire held as substitute res. This is the instrument that addresses the longest and most expensive phase of detention, and it is the structure on which a proponent should lead. Post-forfeiture charter, though fully legitimate and useful, is the subordinate application, reserved for the cases identified below where a near-term sale would sacrifice material value; in most post-forfeiture postures an expedited sale is the better course.

As to the operating vehicle for either application, the most promising engineered structure for seized superyachts in the 70-meter-plus range is a hybrid combining Structure Three (Statutory Trust / Receivership) with Structure Five (Charter-to-Sale Bridge). The trust or receivership provides the political insulation and accounting transparency that politically sensitive seizures require. The charter-to-sale bridge ensures that the holding period is converted from dead time into both revenue-generating operation and active sale preparation, with a natural stalking-horse buyer cultivated through the operator's accumulated operational equity. Where operator commitment to a full demise cannot initially be secured, most likely for the highest-profile vessels, Structure Two (the SHIPMAN-based management contract) is the recommended entry point, beginning under a lower-commitment management mandate and converting to a full bareboat or charter-to-sale bridge once the model has been de-risked in practice.

For vessels at the very high end of the size range (the 100-meter-plus category, Amadea, Crescent, Scheherazade, Dilbar, Sailing Yacht A, Luminosity, Nord), Structure One is preferable where a willing demise operator exists, because the operational complexity is sufficient to require a dedicated Custodial Manager; the Structure Three trust mechanism can sit above the Custodial Manager without conflict, and Structure Two's management form provides the fallback where a full demise operator does not emerge.

For vessels in jurisdictions where Beijing Convention recognition is available (Spain, El Salvador, Barbados, and in time Malta and other ratifying states), the charter

should be structured with explicit reference to the Convention's notice and registry mechanisms to maximize cross-border enforcement protection.

Whichever structure is selected, it is inert without the supporting architecture developed herein: a government-backed banking and payment-rail design (Section 5), a sovereign reinsurance backstop for the insurance layer (Section 4.4), and the full governance and control overlay, independent compliance monitor, auditable disbursement trails, mandatory reserves, court-supervised waterfall, and restricted-use covenants (Section 9). These are not optional refinements bolted onto a maritime transaction; they are the load-bearing elements that make the maritime transaction permissible, bankable, insurable, and politically survivable. The structure should be presented to regulators and courts as that integrated whole.

### **Critical Success Factors**

- **The Interlocutory-Sale Parity.** The structure's strongest legal foundation is that the court is not being asked to do anything new in kind. The same value-preservation power that authorizes interlocutory sale authorizes interlocutory charter, on the same disproportionate-cost predicate. The proponent must build a particularized evidentiary record (this vessel's burn, condition, and appraised value), because generalized assertions fail, but properly evidenced the showing is among the strongest in admiralty.
- **Sanctions License Architecture.** Nothing else matters if OFAC, OFSI, and the relevant EU authority will not authorize the charter. Application must be made early, draft on the General License No. 2 (Dandle/Decretive) template, and be coordinated across the U.S., U.K., and EU concurrently.
- **Substitute-Res Routing.** For the pre-forfeiture interlocutory charter, the single feature that answers the PHI benefit objection is routing all hire into the court registry or a blocked, court-controlled account, preserved for whoever prevails and realized by the owner at no point during his designation. This is what makes operating a still-owned vessel lawful, and it must be built in from the first order.
- **Choosing the Right Tool for the Vessel.** Interlocutory charter is for the pre-forfeiture period and for thin-market or trophy vessels whose forced-sale discount is large. Post-forfeiture, the simpler course is usually an expedited sale, with post-forfeiture charter reserved for cases where a near-term sale would sacrifice material value. Matching the instrument to the vessel and the

phase is itself a success factor; the structure is powerful precisely because it is selective.

- **Operator Quality.** A poorly-capitalized or sanctions-tainted operator will destroy the structure faster than any legal defect. The vetting standard must exceed that applied to ordinary superyacht charters.
- **Insurance and the Marine-Finance Stack.** Without P&I, hull-and-machinery, and crew cover at acceptable terms, the vessel cannot enter major ports. The binding constraint is not legal writability but whether enough of the conservative, interlocked reinsurance stack will cooperate, and the realistic answer is a government reinsurance backstop modeled on TRIA and the DFC marine war-risk facility, not a hope that the private market normalizes the risk on its own.
- **Banking and Payment-Rail Cooperation.** The decisive operational risk. Bank de-risking can kill the structure even where everything is licensed, through escrow refusal, blocked dollar clearing, correspondent shutdown, or payroll and bunker-financing refusal. A government depository, pre-cleared payment corridors, a named-counterparty whitelist, and continuous transaction surveillance must be arranged with Treasury and the correspondent layer before launch, not after.
- **Independent Compliance Monitor.** Probably indispensable. A court-appointed monitor or Big Four forensic firm continuously certifying no owner benefit, no prohibited contacts, no sanctioned counterparties, and waterfall-compliant routing is the mechanism that converts regulator distrust into a licensable, defensible structure.
- **Reputational and Optics Discipline.** The structure must never produce the photograph of a seized oligarch's yacht hosting a glittering party. Restricted-use covenants, a public-benefit framing, public real-time reporting, and avoidance of luxury-media exposure are not cosmetic, they are what keeps the structure politically survivable. Optics are a first-order risk, not a footnote.
- **Proof Before Scale.** The non-legal risks are risks of the unfamiliar and are best retired by demonstration. Prove the structure on a low-profile vessel in a jurisdiction with existing statutory authority, publish the monitor and revenue results, and only then apply it to the flagship vessels, entering the hardest cases with evidence rather than a theory.

- **Flag-State Cooperation.** A vessel without an active flag certificate cannot legally trade. Reflagging, following the Royal Romance precedent where necessary, must be sequenced before charter commencement, not after.
- **Transparent Revenue Routing.** Charter revenue must flow through a clean, publicly-auditable trust or fund. Any ambiguity in the destination of funds revives sanctions-evasion exposure for every counterparty in the chain. Antigua's post-Alfa-Nero litigation over allegedly missing sale proceeds is the cautionary example.
- **Charter-to-Sale Bridge Discipline.** The charter term must be calibrated to end at, or shortly before, the contemplated judicial sale. Excessive term creates renewal pressure and political complications; insufficient term forfeits the stalking-horse and sale-preparation benefits.

## **Viability Assessment**

The structure is viable in every reviewed jurisdiction at the post-forfeiture stage, and is viable only on a narrow, specifically-licensed basis at the pre-forfeiture stage, a boundary the PHI judgment draws sharply. But the candid conclusion here, is that the decisive obstacles are not the maritime-law questions at all. They are, in rough order of severity: bank and payment-rail de-risking, which can render a fully-licensed structure inoperable at the cashier's window; the cooperation of a conservative and interlocked insurance and reinsurance stack that can seize even on lawful risk; reputational and political contagion, which can make a licensable operation politically intolerable; and the underlying sanctions-policy choice between fiscal efficiency and the optics of immobilization. Each of these has been addressed above with a concrete mitigation (government depositories and pre-cleared corridors, a sovereign reinsurance backstop, restricted-use covenants and an independent monitor, and the best-beneficial-use reframing) but none can be waved away, and a proponent who treats them as secondary to the admiralty analysis has the difficulty exactly inverted.

The fiscal case, by contrast, is compelling and largely uncontested. The U.S. government's \$32 million expenditure on Amadea, Antigua's \$1.5 million on Alfa Nero, and the open-ended burden on Italy, Spain, France, Germany, the Netherlands, Croatia, and Montenegro for the remaining seized vessels collectively represent hundreds of millions of dollars of taxpayer expense that, under appropriate structural design, could instead be hundreds of millions of dollars of net revenue, routed to public-purpose funds, with no benefit to the sanctioned beneficial owners and no prejudice to the underlying adjudication. And, as Section 3 argues, the structure does

not merely save money: properly framed, the operation of a forfeited vessel for public benefit fulfils the deterrent and reputational objectives of sanctions more completely than letting the asset rot at public expense.

The single most important policy step that would accelerate the structure's adoption is OFAC's publication of a model general license, analogous to General License No. 2 of December 2010 but generalized to seized superyachts pending forfeiture, expressly authorizing the bareboat-charter activities. With such a license in place, the structure's adoption across U.S.-managed seizures would be a matter of months rather than years. The U.K. OFSI and the EU sanctions authorities would, on past form, likely follow within twelve to eighteen months.

*The seized-superyacht problem is not, as widely characterized, a problem of selling vessels nobody wants. It is a problem of operating vessels everybody wants but nobody has yet been authorized, and structured, to operate. The path from carrying-cost crisis to net-revenue asset runs through a post-forfeiture demise charter, held in a sovereign trust, routed through a government-backed banking and insurance architecture, governed by an independent monitor and a court-supervised waterfall, and framed not as the dilution of sanctions but as their fulfilment: the asset permanently taken from its owner and put to work for the public and against his interests. The admiralty law is the easy part. The banking, the insurance backstop, the compliance monitoring, and above all the politics are where the structure will be won or lost, and they are tractable, but only if treated as the main event rather than the footnotes.*

*Sources and Reference Notes  
follow on next page*

## Sources and Reference Notes

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This analysis draws on primary materials including: OFAC General License No. 2 (21 December 2010, 31 C.F.R. Part 544) and Russian Harmful Foreign Activities Sanctions Regulations General Licenses 73, 77, 78, 86, 91A, and 107 (31 C.F.R. Part 587); the United Nations Convention on the International Effects of Judicial Sales of Ships (Beijing Convention, opened for signature 5 September 2023, entered into force 17 February 2026 for Barbados, El Salvador, and Spain, and entering into force for Panama on 15 September 2026 following its ratification on 19 March 2026); *Shvidler v Secretary of State for Foreign, Commonwealth and Development Affairs*; *Dalston Projects Ltd & Ors v Secretary of State for Transport* [2025] UKSC 30 (29 July 2025), the leading authority on proportionality of UK sanctions and the detention of M/Y PHI; *United States v. M/Y Amadea* (S.D.N.Y., forfeiture order March 2025, sale September 2025); the Cabinet of Ministers of Ukraine resolutions of November 2023 and February 2024 expanding ARMA authority over foreign-located seized assets; the BIMCO BARECON 2017 standard bareboat charter form and the BIMCO SHIPMAN 2009/2022 standard ship-management agreement; the Terrorism Risk Insurance Act (TRIA) and its reauthorizations; and the 2026 U.S. International Development Finance Corporation marine war-risk reinsurance facility as reported during the Strait of Hormuz crisis.

The interlocutory-sale doctrine on which the paper's central argument rests is drawn from: Rule E(9)(a) of the Supplemental Rules for Admiralty or Maritime Claims and Asset Forfeiture Actions (Federal Rules of Civil Procedure), authorizing interlocutory sale of arrested property that is perishable or liable to deterioration, where the expense of keeping it is excessive or disproportionate, or where there is unreasonable delay in securing release (the same provision was lettered Rule E(9)(b) before the 2006 restyling, and pre-2006 authorities cite it as such); the federal forfeiture-preservation authority of 18 U.S.C. 981 and 21 U.S.C. 853; the leading U.S. appellate authority *Merchants National Bank of Mobile v. Dredge General G.L. Gillespie*, 663 F.2d 1338 (5th Cir. 1981), affirming an interlocutory sale where deterioration, disproportionate custody cost, and owner inaction all converged and the continuing arrest was eroding the value of the security (the same erosion-of-security rationale as the English authority), and separately upholding the constitutionality of the *in rem* arrest rules; and the unreported district-court counterpoint *Armstrong Marine, Inc. v. PropSF, LLC*, No. 3:17-cv-03898-VC (N.D. Cal. order denying interlocutory sale, 22 Dec. 2017) (Chhabria, J.), refusing a Rule E(9)

sale where the movant's showing of deterioration and disproportionate cost rested on generalized assertion rather than vessel-specific evidence. For England and Wales, the doctrine derives from the Senior Courts Act 1981 (sections 20 to 21), CPR Part 61 and Practice Direction 61, and the governing authority on sale pendente lite, *The Myrto* [1977] 2 Lloyd's Rep 243, 260 (Brandon J.) (good reason for a pre-judgment sale shown where heavy and continuing costs of arrest over a long period diminish the value of the security; principles affirmed on appeal at [1978] 1 Lloyd's Rep 11, which varied only the treatment of cargo-discharge costs). For the civil-law jurisdictions, the analysis draws on the vessel-execution and judicial-sale provisions of the Italian Codice di procedura civile and navigation code, the Spanish Ley de Navegacion Maritima (2014), and the German Zivilprozessordnung together with the Gesetz uber die Zwangsversteigerung und die Zwangsverwaltung, the last providing the compulsory-administration (Zwangsverwaltung) power that is the closest civil-law analogue to the interlocutory charter.

Vessel-specific operational and cost data are drawn from contemporaneous reporting in Megayacht News (particularly Diane M. Byrne's continuing seized-yacht series, including the 5 January 2026 omnibus and the 7 April 2026 Royal Romance update), Boat International, SuperyachtNews, Superyacht Investor, Fortune, Reuters, Bloomberg, Lloyd's List, the Antigua Observer, and the Ukrainian News Network (UNN). Charter-rate data are drawn from publicly listed Northrop & Johnson, Burgess, Fraser, and IYC inventories. The treatment of bank de-risking reflects the broader policy literature on correspondent-banking withdrawal from sanctions-adjacent transactions; the treatment of the marine-finance stack reflects 2026 reporting on the P&I and reinsurance market's response to the Gulf crisis.

*– End of Report –*