NOORDEN JONES

ARTICLE – PRIVATE WEALTH

VG FRANKFURT AM MAIN, JUDGMENT OF 11 JUNE 2026 – 5 K 4570/25.F - A TURNING POINT FOR THE YACHTING INDUSTRY?

Facts

The claimant, a German shipyard, sought a declaration from the Federal Office for Economic Affairs and Export Control (BAFA) that a prestigious superyacht was not required to be treated as a frozen economic resource under the EU sanctions regime (Art. 2(1) Regulation (EU) No 269/2014). The yacht was owned through a multi-layered corporate and trust structure. The original beneficiary of the trust was a sanctioned Russian individual. In 2017, the beneficial interest was transferred to his sister. She herself was sanctioned by the EU between April 2022 and March 2025, during which the EU expressly described her as the "sole beneficial owner" of the yacht.

The shipyard argued that, under the trust deed, sanctioned individuals were automatically excluded as beneficiaries. Therefore – following their exclusion from the trust - the yacht could no longer be regarded as a relevant asset, owned or controlled by a sanctioned individual.

BAFA declined to issue the requested determination, asserting lack of jurisdiction. The Administrative Court of Frankfurt disagreed, ordered BAFA to issue the requested declaration, and held that the vessel was not subject to the freezing obligation.

The Limits of "Control": Why the judgment matters for yacht owners

For the yachting industry, the most important aspect of the decision is not the procedural discussion about administrative competence, but the court's (restrictive) approach to the concepts of ownership and control under the EU asset-freeze regime.

The court accepted that the existence of a trust structure, even one originally established by a sanctioned individual and subsequently benefiting his sister, was insufficient to justify treating the yacht as frozen in the absence of (further) evidence showing continuing ownership, control, or economic benefit by the sanctioned individual.

According to the court, the decisive question was whether the sanctioned individual retained a legally or factually enforceable position capable of influencing the asset. The court concluded that this had not been demonstrated.

"The [...] current factual findings regarding the M/Y do not [...] allow for any definitive conclusions to be drawn regarding the ownership structure of 'D-Trust', or as to how far the shareholdings in the owning company of the M/Y [...] can be traced. Such a 'non liquet' has no bearing whatsoever with regard to financial resources and economic assets of Mr X falling within the scope of the Sanctions Enforcement Act." [our translation and abbreviations]

Yet the court's approach could be facing criticism. EU sanctions guidance has consistently warned that family relationships, trust arrangements, shell companies, intermediaries and other mechanisms frequently used for wealth preservation constitute important "red flags" for circumvention risk.

The European Commission and related EU guidance expressly identify close personal relationships and trust structures as indicators requiring enhanced scrutiny. In response to Question 5 in the Consolidated Commission FAQ Section "B: Individual Financial Measures" the Commission explains:

"Article 2(1) of Council Regulation (EU) No 269/2014 [...] does require the freezing of all assets currently belonging to, or held, owned or controlled by listed persons. If, at the time of the assessment, there are reasonable grounds to believe that certain assets "belong to" or are "controlled by" the listed person, even if they are nominally owned by someone else, then these assets must be frozen under Article 2(1). [...] In situations involving third persons (and possible family ties), other elements could also be taken into account, such as: the closeness of business and family ties between the listed person and the third person; the professional independence of the third person now owning the assets [...]."[our translation and abbreviations]

Against this background, which demonstrates that the EU sanctions regime is intentionally functional and economic rather than formalistic, seeking to capture actual influence, including influence exercised indirectly through family members, trustees or intermediaries, one may question whether the court gave sufficient weight to the fact that the relevant beneficiary was not merely any third party but the sanctioned individual's sister.

Outlook

The judgment is not yet final. Nevertheless, the decision represents a significant development for the European yachting sector. If the court´s reasoning survives appellate scrutiny, competent authorities may be compelled to take a more nuanced approach towards trusts and similar wealth-holding vehicles as they may ultimately be required to demonstrate actual control, continuing ownership or benefit by sanctioned individuals.

The judgment's real significance therefore lies less in any relaxation of sanctions enforcement than in its insistence upon tangible proof. Should this approach ultimately prevail, the superyacht sector may benefit from a sanctions framework that is both commercially more predictable and more consistent with fundamental principles of legal certainty and due process.

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