

AQUISITIONS

VOL 3



Terminology

The following is a list of terminology that you **must be aware of** when you're dealing with an watch acquisitions process:

- **In-Class:** When a yacht is classified as being in-class it generally means that a yacht is currently certified and compliant with the technical, safety, and construction standards set by a Classification Society
- **Classification Society:** A Classification Society is an independent, internationally recognized organization that sets technical standards for the design, construction, and ongoing maintenance of ships and yachts, including private luxury vessels. They ensure that vessels are safe, seaworthy, and compliant with global maritime standards.
- **Clean Title:** a yacht means the vessel is fully owned by the seller and is free of any debts, legal claims, or liens — making it safe and legal to transfer ownership to a new buyer.
- **Monetary Concession:** This is a price reduction given by the seller to compensate for issues with the asset. So instead of making repairs, the seller would lower the price, and the buyer would accept the asset as is.
- **Deletion Certificate:** This would confirm the removal of the yacht from the previous flag state's registry
- **Zero Rated Export:** A sale structured to avoid VAT by completing delivery outside EU waters
- **Temporary Admission (TA):** A system that allows non-EU yachts to enter EU waters VAT-free for up to 18 months for private use.
- **Sea Trial:** A real world test of the yacht at sea to assess performance and systems
- **Unconditional Sea Trial Clause:** A buyer's right to withdraw from the deal after the sea trial, for any reason.
- **Ultrasound Thickness Testing:** Which examines metal hull thickness to detect corrosion or damage
- **Transcript of Registry:** Is an official document issued by a yacht's flag state that confirms the vessel's legal ownership, registration details, and any recorded mortgages or liens. It serves as proof of title and is used during due diligence to ensure the yacht is free of encumbrances and can be legally sold.

- **Hull & Machinery (H&M) Insurance:** This is a type of marine insurance that covers physical damage to the yacht itself, this includes hull, engines, and onboard machinery. It protects the owner from repair or replacement costs due to accidents like collisions, grounding, fire, or severe weather. This insurance is essential for safeguarding the yacht's core asset value.
- **Insurance Binder:** This is a temporary, legally binding document issued by an insurer or broker that confirms immediate coverage for a yacht before a formal insurance policy is issued. This outlines key terms such as **coverage limits, effective dates, and insured parties**, and serves as proof of insurance during the interim period
- **Notarized:** Especially when pertaining to documents, it means when a **notary** watches you sign a document and confirming that it's really you signing it. They would then stamp or sign the paper to prove that it's real and that you actually signed it.
- **Apostilled:** means the notarized document has received an additional international certification — called an **apostille** — issued by a designated authority (usually the foreign affairs or justice ministry). This confirms the notary's authority and makes the document legally recognized in any country that is part of the **Hague Apostille Convention**.
- **Certificate of Registry:** It's an official document that is issued by a yacht's flag state that proves the yacht is legally registered under that country. It confirms key details such as the yacht's name, registration number, flag, ownership, tonnage, and port of registry. This certificate acts like a passport for the vessel and is required for legal operation, international travel, and proof of ownership
- **Tonnage Certificate:** It's an official document that states the measured size and volume of a yacht, including it's gross tonnage (GT) and net tonnage (NT). It's issued by an authorized body (like a classification society) and it's required for **registration, compliance, and port fees**.
- **Load Line Certificate:** It's an official document that shows a yacht or ship has been inspected and meets safety standards for how deep it can sit in the water when fully loaded. It confirms the vessel has proper hull strength and watertight integrity and is safe to operate at sea.
- **MARPOL Certificate:** It's an official document that proves a yacht or ship complies with the MARPOL convention, which is essentially shows compliance with international convention for the prevention of pollution from ships

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Phase 1



Yachts Acquisition Guide

Acquiring a large pre-owned luxury yacht is a complex, multi-phase project that requires meticulous planning and execution. Below is an **A-to-Z, step-by-step breakdown** of the entire acquisition lifecycle – from **initial planning** through post-delivery operations – tailored for a Saudi-based office using a dedicated **Special Purpose Vehicle (SPV)** as the yacht-owning entity. This guide reflects real-world best practices used by elite family offices and UHNWI lifestyle managers, ensuring no critical step or detail is overlooked.

Phase 1

Define Requirements and Budget

Begin by clearly outlining the buyer's requirements. Define the desired:

- **Yacht Size**
- **Age**
- **Builder**
- **Features**

This would include number of cabins, range, helipad, etc

Establish a realistic budget not only for the purchase but also for annual costs, which on average would be about 10% of the yacht's overall price per year. This would include fuel, maintenance, dockage insurance, and other expenses.

Ensure the principal is comfortable with these ongoing costs and any refit or upgrade budget that may be needed for a used vessel.

Assemble an Expert Team

Engage with experienced professionals to assist from the outset, **hire a specialized superyacht broker** with a broker track record in **40 – 60m sales**. **Find a maritime attorney** who is familiar with superyacht transactions to handle contracts, title checks, and legal compliance. Consider appointing a **yacht surveyor or technical consultant** early to advise on technical criteria and later conduct inspections.

Also engage a **tax/advisor firm** for guidance on cross-border tax, VAT, and structuring. Early expert advice will help avoid costly mistakes.

Setting Up The Ownership Structure (SPV)

Rather than direct personal or family office ownership, plan to acquire the yacht through a **Special Purpose Vehicle (SPV)**, which is a standalone company that's set up solely to own and operate the yacht. This is standard practice for large yachts and offers multiple benefits, such as:

- **Ring-Fences Liability Protection** (Shielding the ultimate owner's other assets from any claims related to the yacht)
- **Provides privacy** by concealing the principal's name from **day-to-day operations**
- Can offer **operational flexibility and tax advantages** if structured in a favorable jurisdiction

Common jurisdiction choices include:

- **Cayman Islands**
- **Isle of Man**
- **Marshall Islands**
- **Malta**
- **British Virgin Islands**

These depend on tax and regulatory considerations.

Ensure the SPV is properly incorporated **before** entering into any **purchase agreements**, and that the luxury & lifestyle office fulfills all **KYC requirements** for setting up the company, with the relevant information submitted:

- **Providing Passports**
- **Proof of Address**
- **Source of Wealth**
- **Etc**

The SPV will be the legal buying entity named on all contracts and the yacht's title.

Privacy and Compliance

Plan for the delicate balance of privacy vs transparency. The SPV structure will help keep the principal's name off public registers, but also be prepared for **KYC/AML compliance checks**. During the transaction, reputable brokers and escrow agents will require identification of the UBO and verification of the source of funds, in line with international anti-money-laundering regulations. Expect to provide documentation on the luxury & lifestyle office's identity, the SPV's ownership, and the legitimate origin of funds being used for the purchase.

Being proactive and cooperative in these checks will prevent delays when moving large sums **cross-border**. Also, **consult with any Saudi legal / tax advisors** regarding any **Saudi**

regulations on foreign asset ownership or outbound transfers to ensure the luxury & lifestyle office can invest in the SPV and send purchase funds abroad with proper approvals.

Preliminary Tax and VAT Planning

Early in planning, address the **VAT implications** of acquiring and operating the yacht in the EU. A yacht located in the EU is typically subject to **VAT (Value Added Tax)** on its sale or importation unless an exemption applies.

This would determine the yachts' current VAT Status (**VAT-paid or not**) and plan accordingly. If the yacht is **VAT Paid** (meaning that EU VAT was paid by the previous owner). Then a purchase by a non-EU owner can potentially be structured as an **export** so that **no VAT is charged on the sale**.

i.e. The sale can be completed with the yacht delivered to a location outside EU waters so the transfer is treated as an export.

Therefore, in such cases, the seller must provide **proof of the yacht's VAT-paid status** to date, and cooperate on any paperwork to **zero-rate** the transaction for VAT. Keep in mind that if VAT is zero-rated on export, the yacht may lose its VAT-paid status for future EU.

If the yacht is **VAT not paid status** (which is often the case if current ownership is non-EU), you will likely want to avoid triggering VAT upon acquisition. Therefore, a common strategy for a non-EU owner is to use the **Temporary Admission (TA)** procedure when operating in EU waters or travelling across the EU.

Under TA, a non-EU flagged yacht owned by a non-EU entity, used by a non-EU resident can cruise in the EU for up to 18 months without paying import VAT. **Therefore, to qualify, ensure the SPV and owner are non-EU (which would be true for a Saudi-owned offshore SPV) and register the yacht under a non-EU flag.**

With TA, the yacht can remain VAT-free in Europe provided it periodically exits EU waters before the **18-month window lapses**. Coordinate with a **maritime tax specialist** to manage **TA filings, though for private use only, TA is usually ideal**. In all cases, **document the plan in advance to avoid inadvertent € millions VAT bill due to missteps**.

If the yacht will spend considerable time in the EU or the owner might eventually want free EU circulation, you might even consider formally importing and **paying VAT (possibly in a lower-VAT jurisdiction like Malta)**, however this is a major tax decision to make with professional advice.

Initial Flag State Considerations

Start evaluating which **flag state** the yacht will be registered under, as this would tie in with the ownership structure and VAT plan. The flag is the country of registry and its laws will govern the yacht's operation and safety standards.

Common flags for superyachts in this size would include **British “Red Ensign” Group such as:**

- Cayman Islands
- Isle of Man
- Bermuda
- Gibraltar
- Marshal Islands
- Some EU flags such as Malta

Each of these have their own **advantages**, they're very popular for large yachts due to **their strong maritime reputation and yacht-friendly regulations**. i.e. Cayman and Isle of Man have **no VAT on private yachts**.

Note: Just because in those countries you don't pay VAT, doesn't mean you won't be charged VAT elsewhere in the EU, while it's true that during registration you won't be charged VAT, but once you enter EU waters, if you're not under Temporary Admissions (TA), then you will definitely be charged **VAT (20 – 25%)**.

These flags allow **non-British** owners by using a local representative or an owning company based in that jurisdiction.

Isle of Man

For instance, an Isle of Man company or a Cayman SPV can be used to register under that flag. These flags are on the Paris MoU **white list (Meaning low risk for port state control inspections)** and **widely respected, making insurance and international navigation easier.**

Marshal Islands

Marshal Islands is another top choice for luxury yachts and is also well-respected, it's flexible, meaning they allow foreign entities to register their yachts, with an authorized local agent, no direct taxes, and are compliant with international conventions. Many UHNWI owned yachts **fly Marshal Islands due to its efficiency and privacy. The Marshal Islands registry is managed out of the US and is known for fast turnaround and understanding large yacht needs.**

Malta

Malta is one of the most popular EU registries for superyachts, with advantages that include an efficient registration process and favorable tonnage tax regime (Instead of heavy annual taxes). However, for a non-EU owner, direct Malta registration would require using a local corporate structure (**i.e. establishing a maltese or EU company**), and an importation with VAT (Malta's VAT can be mitigated through their leasing scheme or low effective rates, but it's complex). Unless there's a desire to have the yacht EU-flagged, a non-EU flag is usually simpler for a Saudi owner.

Cyprus

Cyprus similarly offers an EU flag with no import duty and favorable tax, but would require an EU connection or structuring. If the long-term plan is purely private use with minimal EU hassle, an offshore flag (**Cayman/Marshal**) is generally preferable.

Gibraltar

Gibraltar is a unique case, where the registration offers no VAT on import or sale, and it's straightforward procedure as long as a British or EU entity or citizen owns the vessel (an Isle of Man or British Virgin Isles company often suffices post-brexit). It can be a good choice if wanting a European home port feel without VAT during registration, but note **Gibraltar would require certain ties to UK / EU for the owning entity.**

*There are other registries, but for a high end private yacht, sticking to the well-known yacht registries is recommended for **ease of insurance, resale and compliance.***

Taking Action

Decide on a provisional choice of flag during planning, since this would potentially dictate where to form the SPV. However, the final decision can be refined once the specific yacht is chosen (Since it's current flag, VAT Status, and condition might influence the choice).

Keep in mind the flag's state's survey and certification requirements. **Ensure the team includes or consults with a classification society or maritime survey expert** to confirm the yacht can meet the prospective flag's standards.

Note: *The yacht will need to remain "in class" with an approved Classification Society like Lloyd's Register, ABS, etc., which is usually already the case for yachts 40m+; the new flag will require a class certificate and may do an initial inspection before issuing a registry certificate.*

Financial Preparations

Arrange the financial logistics early, many office purchases are cash deals, and if that's what the purchase method would be, then plan the **transfer of funds**. The family office will likely fund the SPV, which in turn would pay for the yacht. Therefore, ensure that moving large sums from Saudi Arabia to an Escrow or seller in the EU or abroad would be organized

(Coordinate with banks for any central bank notifications, and ensure the receiving side is ready for a large incoming transfer from the middle east, as it may trigger compliance reviews).

Note: Due to how large the amount of money is in these types of acquisitions, the bank that's affiliated with the office would require you to **submit a notification to SAMA** before executing the transfer. **There are cases where no formal approval is required**, but the banks would still file a **notification with SAMA for records**, depending on the size and purpose of the transfer. This is because Saudi Arabia has **capital movement regulations to monitor and control**:

- Large Outbound Transfers
- AML Compliance
- Legitimacy of Foreign Payments

Also, line up a reputable **Escrow Agent** which will hold the deposits and **the closing balance safely**.

By the end of this phase, you should have a clear yacht profile sought, an SPV ready to act as the purchaser, **advisors in place (broker, lawyer, surveyor, tax)**, and a preliminary plan for flag and VAT, and the financial means readied. This would set the stage for a smooth search and transaction with minimized legal risks.

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Phase 2



Phase 2

Sourcing and Identifying The Right Yacht

Market Research and Listings

With the criteria defined, the broker will search the market for a suitable **40-60m** pre-owned yachts. Use all channels, such as:

- **Industry listings**
- **Broker networks**
- **Yacht shows**
- **Discreet inquiries for off-market opportunities**

Now, Elite office buyers would often gain access to off-market yachts through their broker's connections, an important advantage of using a top broker. Therefore, compile a **shortlist of candidate yachts** that would meet the basic requirements:

- **Size**
- **Age**
- **Price**
- **Range**
- **Location**
- **Etc**

Preliminary Due Diligence on Listings

For each candidate yacht, gather as much background information as possible before making an offer or visiting. Request the following:

The Specification Sheet

Photos

History of the Yacht

Review the following key details, **Build Pedigree**, which contains the builder and year of build, **note** that build quality and reputation do indeed matter. Also note, if any major refits were done and when.

Ownership history and use history is very important, check if the yacht has been used privately only or also for charter? A heavily chartered yacht might have higher wear but also a robust maintenance schedule. Check if it's coming from a reputable owner (some office keep meticulous care) or multiple past owners.

Ask if the yacht is currently in class and has all Class and Flag certificates valid. Inquire if any major maintenance is due (i.e. a 5-year survey or engine overhauls), a knowledgeable seller should disclose **upcoming survey due dates**. If the yacht is older, check if a recent survey report or condition report is available to review.

Accident or Damage History

Try to learn if the yacht had any significant incidents (groundings, fire, etc) and if repairs were done properly. Sometimes brokers will note **no known damage** in the listings.

Crew and Management

Knowing if the yacht has a well-established crew and management company can be a plus (it would indicate the operation is stable and the crew could potentially stay on under new ownership).

Legal Status

Critically, determine the VAT status (the broker should state if it's **VAT Paid in the EU or Not Paid**), and the current flag and owning entity (so you know if you'll be buying from a company and what jurisdiction).

Asking Price & Market Context

Examine asking prices of comparable yachts (Size, Age, Builder) to gauge if the price is fair or leave the negotiation room. **The broker can provide market intelligence here.**

Shortlist and Inspections

Narrow down the choices to the top one or two of the best ones. **Plan physical inspections of the yacht if feasible.** The buyer's representative (You), the broker, and perhaps the technical consultant should travel to see the yacht in person. During these visits, do an initial walkthrough of all decks, and meet the captain, if possible, to informally discuss **the yacht's condition and history**.

This is not yet the formal survey, but rather a pre-offer inspection, to ensure there are no obvious deal-breakers, such as:

- The yacht is in far worse shape than in the photos
- Previous wrecks it's been in, etc

Take a note of any visible needed work:

- *worn teak decks*
- *aging décor that might require a refit*

as that could influence your offer.

Comparative Evaluation

After inspections and data gathering, confer with your team to evaluate which yacht best meets the objectives and presents the least risk. **Look out for any red flags at this stage that might eliminate your desire to purchase, this would include:**

- **Missing or incomplete** documentation (i.e. No proof of VAT paid if claimed, or class certificates unsuccessful)
- **A sense that the yacht was poorly maintained** (dirty engine room, many broken systems observed during visit)
- **Seller hesitance** to answer questions or provide information (which could indicate issues)
- **The need for an imminent expensive refit** that the seller hasn't factored into the price
- **Title complications** (if, for example, the yacht is owned by a complex structure with unclear authority to sell)

By the end of this phase, you should have identified the target yacht you wish to purchase, and be **confident** that it aligns with your requirements and has no immediate red flags.

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Phase 3



Phase 3

Making an Offer and Initial Agreement (LOI)

Formal Offer & Letter of Intent (LOI)

Now, once a decision is made on a specific yacht, the next step would be to present a **formal offer in writing**. This is often done via a Letter of Intent or an Offer Letter submitted by your broker to the seller. The LOI would outline the key proposed terms:

- **Deposit Amount**

(Which is typically 10% of the price)

- **Timing**

- (Usually, to be placed in Escrow upon signing a sale agreement)

- **Offered Purchase Price**

- (In specified currency, often in EUR or USD for yacht sales)

- **Key Conditions Precedent**

For example, **subject to sea trial and survey** satisfactory to the buyer and possibly subject to certain documents such as clean title being provided

- **Proposed Timeline**

Signing of the LOI within a couple of days, scheduling survey/sea trial within X weeks, and closing by a certain date.

- **Inclusions**

Clarify if the price includes the yacht's tenders, spare parts, and entire inventory as seen (Normally it does).

- **Law and Arbitration**

Sometimes even the LOI will mention that the transaction will proceed under a standard MYBA Memorandum of Agreement (Which has a chosen law/arbitration clause, often in English law)

Negotiation

The seller may counteroffer, leading to negotiation mainly on price and sometimes minor terms such as **the closing date or included equipment**. Therefore, through the brokers, do hammer out an agreement in principle. As part of best practices here are some you **should** be aware of:

Proof of Funds

It's common at the offer stage (Especially for high-value yachts) to provide a bank reference letter or other proof of funds. This reassures the seller that by entering into contract, the buyer can pay the balance.

The Seller's Warranties

Ensure the seller commits that the yacht will be delivered with no **liens or encumberments (a clean title)**, no **outstanding mortgages, crew wages, or pending claims**. In practice, this warranty will be written into the contract, but aligning on this now would set expectations.

Note: This can be confusing as the term warranty is often synonymous with OEM's offering repairs for free in a certain amount of time, **however, a legal warranty is different than a product warranty**, a legal warranty essentially means a binding promise that something is true.

Acceptance

Once terms are agreed, the seller will **accept the offer**. Typically both parties (through brokers) would sign the **LOI** or email confirmation of main terms, and move to drafting the formal contract.

Note, an accepted offer is usually "**subject to contract**" meaning it's not legally binding to **buy/sell** until the next step which is (Signing the MOA and deposit) is done. It does, however, commit both sides to proceed in good faith to the contract stage.

*Before moving on, **do double check the buying entity details**. At this point you'll need to confirm the exact name of the purchasing entity (your SPV) is correct . If the SPV is already set up, use it's name in the LOI and subsequent contracts. **Decide which escrow agent or law firm will hold the escrow deposit** (Often the seller's broker's client account is used, or a mutually agreed stakeholder). That party's details will go into the contract as well.*

AQUISITIONS

Phase 4



Phase 4

Signing The Memorandum of Agreement (MoA) and Deposit Escrow

Considered the APA for yachts, **the industry standard binding agreement is the MoA in yachting, that's the formal sale contract. However, for superyachts, the most widely used template is the MYBA Sales and Purchase Agreement**, which is then amended by the parties for specifics. Your maritime attorney or broker will produce a draft MoA reflecting the agreed terms from the LOI.

The following are some key elements and best practices in the MOA to be aware of:

Parties

The buyer (The SPV) and the Seller (Often also an SPV of the current owner). Ensure the seller's company is correctly identified and has the authority to sell the yacht (The MoA will include a warranty that the seller is the true owner with the right to sell).

Purchase Price and Deposit

The total price and the 10% deposit amount are stated. The MoA will require the deposit to be usually paid usually within 2 – 5 banking days into a **neutral escrow account**. The escrow agent is named (with account details usually in an Addendum).

Inspection Rights

Detailed clauses on the **sea trial and survey** process are included. The **MYBA MoA**, for example, would grant the buyer the right to a sea trial and comprehensive out-of-water survey. It often states the buyer may reject the yacht after a sea trial for any reason (**Unconditional Sea Trial Clause**), and may reject after the survey has taken place only if any serious defects were found (typically defined as issues affecting seaworthiness, or requiring major repair above a certain cost). The contract will set deadlines i.e. Sea trial to be done by a certain date, notice of rejection to be given within 24 – 48 hours after, and surveys to be completed within X days.

Closing Details

The MoA specifies the **Closing Date or Window** (Often, within 10 days after acceptance or vessel following survey or a fixed date). It also specifies the location of delivery / closing (Which might be at a port mutually agreed on).

Note: Agreeing on a delivery location outside the EU can be crucial to avoid **VAT on transfer**.

Seller's Obligations

The contract would list the documents the seller must provide at closing (Often in an Addendum), this would include:

Notarized Bill of Sale (Free of Encumbrances)

Certificate of ownership (or registry delegation from the current flag)

Proof of VAT Paid (Only if the yacht is to remain in the EU)

Class and statutory certificates: And any other transfer documents (i.e. builder's certificate, if needed by a new flag)

It will also commit to the seller to have the yacht insured until delivery and in essentially the same condition as on the contract signing (allowing for normal wear).

Buyer's Obligations

Mainly, the buyer's obligations is to pay the deposit and, on closing, pay the balance. The buyer would usually assume the **cost of survey and haul-out**, and often the cost of any **work such as repainting the bottom if the yacht is hauled** (this is negotiable).

The **MOA** may state the buyer must insure the yacht for the period of sea trial / survey (since the buyer is in control during those tests)

Default and Remedies

It will outline what happens if the buyer fails to pay (seller keeps deposit as liquidated damages) or if the seller fails to close (deposit would be returned and the buyer may get costs compensated, etc). It also covers certain force majeure delays, and dispute resolution (**Arbitration in a chosen venue often London for MYBA**).

Both parties, through their lawyers may negotiate some revisions to the MoA and its Addenda. i.e. An Addendum might detail a list of included items (Inventory) and any exclusions (such as seller's personal artwork in the Salon to be removed).

Given this is a private sale, ensure any charter commitments are addressed (**i.e. if the seller had future charters booked that might overlap with your timeline, clarify that either those will be cancelled or taken over, though in a private-use scenario this likely won't apply.**

Signatures and Deposit Transfers

Once the MoA (With the addenda) is agreed upon, it's then signed by both the **buyer and seller** (this is often electronically done for speed). Immediately after signing, the **10% deposit** must be sent to the escrow account within the agreed time (usually a couple of days after).

Prompt the deposit payment is crucial, as it signals the buyer's serious commitment and locks in the deal. The escrow agent will confirm receipt in writing. At this point, the sale is officially **under contract** with conditions. The deposit is typically non-refundable except under the specific conditions that would allow withdrawal (Failed survey / sea trial or seller default)

Note on liability: It's common that the buyer and seller under the MoA are SPVs with no assets other than the yacht itself. Sometimes, one party may request a guarantee (i.e. The seller might worry a fresh SPV buyer has no assets to claim against if something goes awry). **However**, in practice, the deposit would serve as the buyer's skin in the game, and the **MYBA contract even asks whether any personal guarantee is provided**. Most often it's not, especially when dealing with reputable offices. As long as the deposit is paid, sellers are usually comfortable proceeding with an SPV as the buyer.

At the end of Phase 4, you now have a binding purchase contract (which is subject to sea trial and inspections), and the deposit in escrow. The stage is now set to thoroughly inspect the yacht.

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Phase 5



Phase 5

Due Diligence – Survey, Sea Trial, and Title Search

Pre-Survey Preparation

With the **contract now signed**, the next immediate step is to **coordinate** with the seller to schedule **the sea trial and survey** within the contract's timeline. Hire a **qualified marine surveyor (or a team of surveyors)** with superyacht expertise. Often, you'll have:

- **A hull and structural surveyor**
A mechanical / electrical surveyor (that would focus on engines, generators, HVAC, electronics, etc)
- **Possibly specialists for high-tech systems (Radar, AVIT) or interior**

Many buyers would also invite the yacht's classification society surveyor or request class records. If the yacht is classed (i.e. Lloyd's or ABS), then obtain a **Class Status Report** which would show any outstanding recommendations or surveys done. **Note the classification society surveyor won't actually be doing any of the inspecting, the surveyor would simply provide any information about the yacht in terms of compliance, maintenance skipped information, etc. that you should be aware of.**

Sea Trial

The process would typically start with a sea trial (**a test run of the vessel**) before hauling out. On the agreed date, the yacht (with its crew) takes the buyer's party to sea for a few hours. Onboard will be the seller's crew operating the boat, and the buyer's representatives. This would include you, the broker, the surveyor(s) and possibly an engineer. During the sea trial, **observe the engine startup, running, and shutdown.**

Check that the engines and generators reach normal operating **temperatures and pressures, and note any abnormal noise, vibration, smoke, etc.** Run the yacht up to top speed and various speeds to assess performance. The surveyor will often measure that it reaches its contracted speed and that the cooling systems can handle the load.

Maneuvering and Systems

Steering, stabilizers, bow thrusters, navigational equipment, communications, alarms, everything that can be tested under way should be. **Also test hotel systems at sea** which includes:

- **Air conditioning**
- **Fresh water**
- **Waste systems**
- **Etc**

To see how they work under real conditions. Watch for **seakeeping and ride comfort**. This is subjective, however note how the yacht handles waves and how the stabilizers perform. The surveyor might do thermal imaging on engines or other advanced tests during the run.

Note: If any major failure occurs during the sea trial (i.e. engine won't reach full RPM or critical system failures), the buyer typically has the right to **terminate or request repair**. Under the MYBA, the buyer even has an **unconditional right to abort after sea trial (and get a deposit back)** if simply unsatisfied. Though in practice this is used only if something significant arises or the buyer has a serious change of heart.

Assuming the sea trial is satisfactory, you'll formally accept the yacht's performance and proceed to survey.

Out of Water Survey (Haul-Out and Inspection)

Next, the yacht would be hauled out of the water at a shipyard or marina for a thorough inspection of the hull and underbody. The surveyors will:

- **Inspect the hull bottom**
 - Looking for signs of damage, osmosis (blistering) if fiberglass or corrosion of steel / aluminum
- **Ultrasound thickness measurements**
 - Might be taken on a steel hull to check for any thinning
- **Check Running Gear**
 - Propellers
 - Shafts
 - Bearings
 - Rudders
 - Thrusters

Or essentially any signs of impact or wear. They'll also examine stabilizer fins, through-hull fittings, and anodes (which would indicate if corrosion protection is working).

- **Inspect the paint and coatings**

- They will perform these inspections below the waterline and above. Note when the last antifouling was done, the contract might require the yacht to be delivered freshly antifouled (if it was due (or this can be negotiated)).

- **Survey Inside Tanks**

- With the yacht in the slings or drydock, survey inside tanks (fuel, water, ballblast) if accessible, for cleanliness and conditions.

While the yacht is out of the water, technicians might also do specialized exams such as shaft alignment checks or hull audio gauging. It's wise to perform an **oil analysis** on engines and generators to detect any internal issues.

Onboard Systems Survey

In parallel, an in-water survey of all systems happens (either before or after haul-out). Surveyors or crew still methodically test.

- **Mechanical Systems**

- Which would include a **full inspection of the main engines and gensets** (compression tests, computer diagnostics, if possible, coolant and oil condition, engine mounts, gearbox, exhaust condition, etc.).

- **Electrical Systems**

- So, testing the generator's output, load bank hazards. If available, batteries and chargers, switchboards, lighting, electronics, ensuring no wiring hazards

- **Plumbing and HVAC**

- Run all pumps (freshwater, bilge, fire pumps), water makers, toilets, and climate control units to verify operation.

- **Safety Equipment**

- Verify that the fire extinguishers, fire suppression systems, alarms, life rafts, EPIRBs, etc.. are all present and have current certifications per regulations.

- **Navigation and Comms**

- Test radar, GPS, depth sounders, radios, satellite communications, etc.

- **Interior and Hotel**

- Check all appliances, door/hatch seals, marine sanitation devices, and general condition of furnishings (though cosmetic condition is usually **as is**, it's good to know any woodwork or upholstery is damaged).

- **Interior and Hotel**

- Check all appliances, door/hatch seals, marine sanitation devices, and general condition of furnishings (though cosmetic condition is usually **as is**, it's good to know any woodwork or upholstery is damaged).

- **Class/Flag Items**

- If the yacht needs to meet certain codes (MCA LY3 for example), do ensure things such as **emergency lighting, firefighting gear, stability booklet, etc are all in order**.

The surveyors would also **review the documentation on board** as part of the due diligence process. They'll check that the yacht's certificates are valid, such certifications would include:

Registry Certificate

Tonnage Certificate

Class Certificate

Safety Construction and Safety Equipment Certificates

Radio Licenses

Any other statutory certificates (i.e. Load Line, MARPOL, etc)

*If the yacht is **commercially coded (potentially previously being charter used)** they'll check the safe manning document and ISM/ISPS certificates, although for your private use, you may not continue those, it's useful to see the level of compliance here.*

Importantly, the **seller must provide proof of tax status at this stage**. If the yacht was **advertised as VAT Paid, now is when the seller should show the official VAT payment document or import document as evidence**. Your legal team should verify it's authenticity because this proof will be needed if you ever face EU customs inquiries. Likewise, ensure there are no **outstanding mortgages or liens**.

Ideally get a liens search in the current flag state's registry to confirm a clean title.

Many registries would issue a **Transcript of Register** showing liens; therefore try to get an updated one just before closing from the country that the yacht is registered to, more specifically from the **relevant Maritime Registry office, and they will provide you with the transcript**.

Survey Findings and Sea Trial Outcome

After the inspections have taken place, the survey team would issue a **survey report which would detail all the findings**, and these findings would usually be categorized by **severity**.

There would be two levels of severity here, these are:

- **Major Defects** (Potentially anything that would affect seaworthiness, safety or requires significant repairs)
- **Minor Defects or Recommendations** (A list of maintenance items, non-critical repairs or suggestions for improvements.)

Review the report with your technical advisor and broker. If the yacht has any serious defects, you **have the right under the MoA to either**:

- **Reject The Yacht:** Which would essentially terminate the deal (Recovering your deposit)
- **Require the seller to repair those defects**
- **Negotiate a price reduction / credit** to handle them yourself post-purchase

Note: What qualifies as a serious defect can be subject to the contract wording, but typically anything that makes the yacht **unseaworthy** or **incapable** or normal operations (i.e. a cracked hull frame, a failed engine cylinder, etc) would count. (however minor defects such as the air conditioner not cooling fully) usually wouldn't justify termination but could be **negotiated**.

However, if you find that the yacht is in excellent shape and all checks out, you can simply **accept the yacht** in writing per the **MoA** requirements (which is typically done by signing an acceptance of the yacht after survey).

Legal Due Diligence

Parallel to performing the physical survey and inspections, the legal team would **complete the title due diligence**, this would include:

- Verifying the chain of ownership (review the current registry extract and previous **Bill of Sale**)
- Checking for any litigation or arrests against the yacht in major ports (A maritime lawyer can do a search)
- Preparing closing documents (Drafting the new BoS and other forms for a signature)
- Ensuring the seller is in any global sanctions list

Insurance Arrangements

By now, you should also engage a **yacht insurance broker** to line up coverage effective from **closing the deal and signing acceptance**. The insurer will want to see the survey report and possibly mandate that certain deficiencies be corrected (issues with the yacht). Obtain quotes for a comprehensive **Hull & Machinery policy and Protection & Indemnity (P&I) coverage (for liability)** with global navigation as needed. You may arrange a binder such that insurance becomes active the moment you take ownership.

Therefore, by now, at the end of **Phase 5**, you will have thoroughly vetted the yacht's condition and legality. If all is well (or acceptable after adjustments), you'll proceed to closing. If not, this is the point of no-go **as you would invoke the contract's contingency to exit the deal and retrieve your deposit (assuming that the survey results justify it)**.

AQUISITIONS

Phase 6



Phase 6

Final Negotiations and Preparation for Closing

Issue Resolution and Acceptance

Assuming the survey and sea trial results are **acceptable** or any issues are **resolvable**, communicate your **acceptance of the vessel** (which often would be done in writing to the seller / broker) or detail any remaining conditions.

If repairs are needed, decide who will do them. Often for time's sake, a **buyer might accept a yacht as is but with a monetary concession**, rather than delaying closing for repairs.

All parties should reach a clear understanding on this and reflect it in a **written addendum** to the **MoA** if the original contract needs adjustments (i.e. The price changes due to monetary concession or an undertaking that the seller will supply spare parts, etc.).

Finalize Financials

Coordinate with your finance team to **prepare the closing payment**. This will be the remaining **90% of the purchase price** (which would be adjusted for any agreed price changes), plus or minus any prorated expenses. Typically, the running costs (crew wages, dockage, fuel) are prorated at closing, meaning the seller would cover up all the way to the handover time, after which it's the buyer who will take charge of expenses.

The closing statement will detail these adjustments, therefore ensure the funds are ready to transfer at a moment's notice, often **buyers will pre-position the funds into the escrow account a day before closing (since wire transfer takes a couple of business days internationally, plan in advance)**, so that only the escrow agent's confirmation is needed to release them.

Registering The New Ownership

Work with your chosen **flag state agent** to get the yacht ready for re-registration under the new flag (if you are changing it) or to update the ownership (if you keep the same flag and just re-document the new owner). Usually for an offshore flag, you would obtain a **Provisional Registration Certificate** for the yacht in the name of your SPV, **which is contingent on proving the BoS (Bill of Sale) and deletion from the old registry after closing.**

i.e. If you chose the cayman flag, the cayman registrar would need an application, your SPV documents, proof of authority, and they may even issue a **Provisional Certificate of Registry** that would be valid for a few weeks until the final documents are submitted. Therefore, arrange for the **current flag to be deleted on the day of delivery.**

The seller usually gives their flag registry a written notice to delete the yacht at the time of sale. Once the deal closes, they should get a **Deletion Certificate** right away. This allows your new flag registry to activate the yacht's full registration. Timing is important — make sure the yacht is never left without a flag. A good maritime lawyer or registry agent can help coordinate the deletion and new registration smoothly on the day of closing.

Closing Documentation Checklist

By now, your lawyer should have prepared and circulated drafts of all documents needed at closing, **including:**

- **Bill of Sale (BoS):** Which is a document transferring ownership, typically in a format acceptable to the new registry, often **notarized**. It will cite the vessel's details on it, and state the seller sells to the buyer for X consideration, free of **encumbrances**. It's then signed by the seller (**or their officer**) and sometimes **notarized (apostilled)**.
- **Protocol of Delivery and Acceptance (PODA):** This is a protocol to be signed by both parties at the moment of handover, which would state the date, time, location of delivery and that the vessel is delivered and accepted in the agreed condition. **This is important for legal transfer and is often for tax evidence (proving location of delivery)**
- **Corporate Resolutions (PoAs)** Board resolution of the seller's company authorizing the sale, and similarly a resolution for the buyer's SPV authorizing the purchase and naming signatories.
- **A Seller's Sworn Statement:** Possibly a managing owner's **Affidavit** or similar, which is swearing that the yacht is free of debts, liens, and that no known material facts have been withheld.
- **Deletion Documents:** The seller's prepared letter to their registry for deletion or the actual deletion certificate application.
- **Registry Forms:** Your flag state will have forms (i.e. application for registration, appointment of ship's manager or representative person, radio license application, etc) that need signing by the new owner (the SPV)
- **Certificate of Class Confirmation:** If class society requires notification, have a letter ready to send, advising them of ownership change and requesting re-issue of the Class Certificate in the new owner's name.
- **Insurance Binder:** Although not a closing document, have proof of insurance effective on delivery, as often the seller will require evidence that once they drop their insurance, you will have coverage as the buyer (especially if delivery is offshore or immediately sailing away).

Review all documents for accuracy (i.e. ensure the yacht's details match exactly between **The Bill of Sale, Deletion, and New Registry Forms**). Plan the logistics of signing, many **closings are done remotely via email/scan, with originals to be sent by courier**. If any documents would require **notarization and apostille** (common if the buyer / seller companies are in different countries), then get those done ahead of time for anything that can be pre-signed)

Compliance Checks Before Closing

The escrow agent or banks involved will perform a **final sanctions AML check on the parties before releasing funds**. Since the office is based in Saudi Arabia, be mindful of any geopolitical sanctions, and ensure none of the individuals or entities involved are on any restricted lists (which presumably they are not, but this is **standard for large transfers**). Address any last-minute KYC queries proactively.

By the end of **Phase 6**, you should be fully prepared for the closing day, all documents agreed, signatures lined up, funds ready, and both parties aligned on when and where the handover will occur.

AQUISITIONS

Phase 7



Phase 7

Closing Day – Legal Transfer of Title and Delivery

Pre-Closing Meeting

On the day of closing (or essentially the day before), a **brief closing meeting** would typically occur, often online with all key parties (buyer's lawyer, seller's lawyer, brokers, escrow agent, registry agents). They would meet up to confirm that **(The yacht is in the agreed location for delivery (i.e. anchored in international waters off Jeddah), or at marina in Monaco, etc. as per the contract)**.

While at the same time confirming that all required original documents would have been signed and are in hand or ready to be released. The deletion from the old registry would then be arranged to occur upon confirmation of closing. **Finally, the buyer's funds which are in escrow would be cleared, ready to be released, as both parties are ready to proceed.**

Execution of Documents

The seller would then sign the **Bill of Sale** (if it wasn't signed prior) and it would usually be couriered or handed to the buyer's side (or an escrow agent would hold it signed but not dated and pending closing). Both the buyer and the seller (with their representatives) sign the **Protocol of Delivery and Acceptance** at the moment the yacht is physically delivered.

This protocol would note the **exact time, date and GPS location of delivery and that the yacht was delivered in the agreed upon condition** (which legally would be referred to as **as is or that certain agreed repairs were done, etc.**)

Now signing this final document (**PODA**) is effectively the **point of no return**, as that would legally acknowledge transfer of possession.

Funds Transfer

Once the documents are signed and / or exchanged, depending on what the documents are, **the escrow agent would then release the balance payment to the seller**. This would typically happen almost simultaneously with the document handover. In practice, there might be an agreed procedure.

For instance, a conference call where the buyer's lawyer says **release funds**, then upon confirmation of wire execution, the seller's lawyers release the **Bill of Sale** and **Deletion Certificate** to the buyer. The order is often the following:

Funds go out

Then documents get released

This entire process would typically take minutes so that trust is maintained. When the dust settles, the seller receives their sale proceeds, and the buyer receives the title documents. **The 10% deposit is usually credited toward the price (released to the seller as part of the proceeds).**

Transfer of Ownership

With the **Bill of Sale** in hand, your SPV is now the legal owner of the yacht. Submit the Bill of Sale and the seller's **Deletion Certificate** to your chosen flag state to **complete registration** of the yacht under the new flag in your SPV's name. The flag registry will then issue a new **Certificate of Registry** showing your ownership.

(If timing is tight, they might be able to issue a **Provisional Certificate on the basis of pending the official deletion certificate, which can follow.**)

The time and location noted on the **Protocol of Delivery Acceptance** are crucial for tax records. i.e. If the delivery took place in international waters or outside the EU, that document is your evidence the sale was consummated outside EU jurisdiction for VAT purposes.

Note: *The PODA's time and location are your evidence for where the sale legally took place. If you want to avoid EU VAT, you must prove delivery happened outside the EU, and the PODA is the document that proves it.*

Physical Handover

The yacht's crew (Who up until now were under the seller's employ) will at delivery either **change command** to the buyer's appointed captain or, if the same crew is being retained, they will effectively start working for the buyer from that moment (**after the seller settles their employment up to that point**).

Ensure that all keys, access codes, and onboard documentation are handed over.

Important items would include:

- The full set of the ship's certificates
- Class Documents
- Instruction Manuals

Stipulate that all these papers and items be given to the buyer on delivery, and often the Protocol Will Acknowledge Receipt of Them

Post Closing Filings

Immediately post-closing, have your lawyer or agent file any **notices with Class** (so class records show the new owner). **Notify the insurance that closing has occurred and so the policy is now fully in effect with you as the assured.**

If applicable, file customs paperwork. For example, if the yacht was in the EU and you exported it on paper, **a customs export declaration** might need to be lodged to evidence the export.

The closing phase is now, the family office's SPV is the proud owner of the yacht, and the previous owner's interest is fully **extinguished**. You have legal title (**Bill of Sale**) and control of the vessel.

AQUISITIONS

Phase 8



Phase 8

Post-Delivery Onboarding and Operational Setup

With the yacht now under your ownership, attention shifts to integrating it into the family office's operations and ensuring smooth ongoing management. **Post-acquisition onboarding covers several areas:**

Flag State Compliance

Finalize all matters with the new flag. If you changed flag, the new registry will conduct any required surveys or inspections to issue permanent certificates. For a large yacht, the flag state (through a classification society on its behalf) might inspect safety equipment and overall condition to confirm it meets their standards.

Once done, secure the **permanent Certificate of Registry** and other documents like the **Radio License** in the new owner's name. If you intend to rename the yacht (common for a new owner), apply for the name change with the registry and arrange new name plates and decal on the hull. Also, hoist the correct ensign (flag) of the new registry on the yacht's stern and remove the old flag.

Class and Insurance

Work with the classification society to **endorse class certificates** under the new ownership and ensure you know the schedule of upcoming class surveys or required dry-docks. Laissez with your insurance company to confirm all survey warranty conditions are met (i.e. If the survey found issues, the insurer may require they be fixed within a timeframe).

Ensure the yacht is enrolled in a **Protection & Indemnity (P&I)** club or has liability cover appropriate for the regions you will cruise.

Crew Management

If you are retaining some or all the existing crew, have the crew **sign new employment contracts** with the new owning company or its management representative. Ensure continuity of salaries, and that any necessary visas or flag state endorsements for crew licenses are handled (some flags would require the crew to hold endorsements (i.e. Cayman might endorse a captain's license)).

If you are hiring new crew, begin that process **immediately via a crewing agency**. A 50m yacht would typically need:

- ***A Captain***
- ***Chief Engineer***
- ***Dock Officers***
- ***Deckhands***
- ***A Chef***
- ***Stewards***

So you're looking at anywhere from 8 – 12 crew depending on service level. As a private yacht, you will have flexibility, but the flag's **safe manning document** will stipulate the **minimum licensed crew**. Therefore, ensure those positions are filled to keep the yacht legally crewed.

Yacht Management and Operations

Decide how the yacht will be managed day-to-day. Many offices hire a professional **yacht management company** to handle:

- **Operations**
- **Regulatory compliance**
- **Accounting**
- **Logistics**

A **yacht management company** can provide services such as:

- **Managing the yacht's budget and expenses**
- **Paying crew salaries**
- **Arranging dockage, fuel, and provisioning logistics for trips**
- **Overseeing maintenance and refit projects (scheduling yard periods, getting quotes, supervising work).**
- **Ensuring regulatory compliance, coordinating annual flag surveys, crew certifications, safety drills (even private yachts should run emergency drills)**
- **keeping required logs. Handling insurance claims if any**
- **liaising with authorities for customs or immigration matters as the yacht moves.**

For a first-time yacht owner, a management company is highly recommended to avoid operational pitfalls. Alternatively, some family offices would assign a **yacht director** or use the captain to manage many aspects, but still with external support for technical or administrative tasks.

Select a reputable management firm that has experience with similarly sized yachts and ideally in both EU and Middle East Cruising areas.

Formalizing VAT / TA Status

Now that the yacht is under your **non-EU ownership** and likely non-EU flag, ensure that **Temporary Admission (TA)** is in effect if the yacht remains or re-enters EU waters.

Typically, you will declare the yacht is under TA when it first enters EU waters post-purchase (if it was already in the EU and you exported it for closing, then re-entry triggers TA).

Therefore, work with a **yacht customs agent** to handle any needed paperwork, under TA, remember:

If the yacht is brought into the EU under Temporary Admission (TA), it cannot be used by EU residents or rented out for charter while in EU waters. It can only be used by the non-EU owner and their guests. You're allowed to keep the yacht in the EU for up to 18 months in a row. Before that time is up, you'll need to leave EU waters briefly, for example, by visiting a non-EU port like Montenegro, Turkey, or Gibraltar, to reset the 18-month limit.

Keep logs and proof of movements so you can show customs that you are compliant (**management can help keep a track of this**)

Implement Safety and Security Protocols

Even privately operated, a **50m yacht** should adhere to high safety standards. Ensure the yacht has an up-to-date **Safety Management System (SMS)**, some flags mandate a **Mini-ISM code for large private yachts even if they're under 500 GT**. If the yacht is 500 GT or larger, compliance with the **ISM (International Safety Management) and ISPS Code (Security)** might be required or strongly recommended, even for private operation (some flags make it optional but beneficial).

Your management company or captain should implement these systems: basically, documented procedures for safe operation, emergency preparedness, crew training, etc. It would enhance safety and is viewed favorably by insurers.

Crew Handover and Familiarization

Allow time for **knowledge transfer** if there is a crew change. Outgoing crew (under seller) should brief incoming crew on systems, quirks, ongoing maintenance issues, etc. If the captain stayed, that would help continuity. As the owner's representative, meet with the crew to set the tone and outline the family's expectations, upcoming cruising plans, and ensure they all have needed resources.

Maintenance and Refit Planning

Review the survey report and any deferred maintenance items. **Create a plan to address those items in a timely manner.** It might involve scheduling a yard period in the off-season (i.e. winter) to tackle larger projects such as repainting, interior refresh, engine overhauls, etc.

Address any class survey due dates, so for instance, if a 10-year special survey is due next year, plan finances and yard time well in advance. Taking care of maintenance proactively will protect the yacht's value and avoid operational surprises.

Warranty Transfers

If the yacht is relatively new, check if any builder or manufacturer warranties are still valid (perhaps on engines or generators). Work with the seller and manufacturers to **transfer warranties** to the new owner's name if possible. Also update subscriptions for any onboard services (**Satellite communications accounts, navigation chart subscriptions, etc.**) to the new ownership.

Operational Logistics

Set up necessary accounts in the yacht's new name e.g. fuel cards, marina memberships, agent contacts in frequently visited ports. The office should integrate the yacht into its asset roster for insurance, accounting, and possibly have the SPV account set up in account systems for tracking costs separately.

Commence Use

Once all the above was settled, the yacht would be ready for the family's use. Do a short **shakedown cruise** with the new crew to ensure all is running well. This would help the owner get comfortable with how the crew operates and if any further tweaks are needed (for instance, adding certain equipment or higher bandwidth internet, etc., based on the owner's lifestyle needs).

AQUISITIONS

Phase 9



Phase 9

Ongoing Management, Compliance, and Future Considerations

Owning a superyacht is an ongoing responsibility. After the initial acquisition and onboarding, the office must ensure **continuous compliance and smart operation**. Here are the key ongoing considerations and best practices:

Regulatory Compliance

Maintain the yacht's paperwork meticulously. Annually renew the **Certificate of Registry**, radio license, insurance, etc. Ensure that all **class and flag surveys** are done by their due dates (Annual safety inspections, intermediate surveys, and the 5-year drydock special surveys). Non-compliance can lead to invalid insurance or the flag revoking your certificate. The management company or captain should keep a calendar of these requirements.

KYC/AML for Operations

Although the purchase is done, continue observing compliance when moving money for yacht operations. For instance, when the office funds the SPV for large expenditures (refits, etc.) document the purpose and flow, in case the banks inquire. Also be aware of **port regulations and customs** when cruising. Some countries would require crew and guest manifests in advance, so always follow immigration rules to avoid fines or detentions.

Insurance and Risk Management

Re-evaluate insurance coverage annually. As the yacht's value typically changes overtime due to depreciation or major refit, adjust the insured hull value. Also consider adding **crew welfare insurance, personal accident for guests**, etc., as needed. Practice good risk management i.e. **enforce no-overcrowding policies, proper guest safety briefings, and navigational prudence, to avoid incidents**.

Crew HR Compliance

Treat the crew well and comply with maritime labor laws (**MLC 2006 if applicable**). This would include proper contracts, adequate leave, medical insurance, and a system for addressing grievances. **A happy, well-managed crew leads to better yacht maintenance and service to the owner.**

Accounting and Tax

Keep the SPVs finances separate and clean. Pay necessary corporate fees to keep the SPV in good standing annually. If the SPV is in a **jurisdiction** that requires financial statements or filings, ensure those are done (i.e. some offshore jurisdictions are very light, while others would require annual director / agent fees and that's it).

Monitor any **tax law changes** in relevant countries – for instance, the EU or the yacht's flag might introduce new rules (i.e. environmental regulations, crew tax changes, etc.) that could affect operations. Also track operational spending for internal budgeting, these big yachts can cost about several million euros a year to run, so the office will require regular reporting.

Careful Use and Chartering

The yacht would be acquired for **private use only**, and that's how it's structured accordingly (non-EU flag, no VAT paid, etc.) The office should avoid any usage that might violate the status of the yacht. i.e. Don't let your EU friends use the yacht without the owner being present (as this could be seen as chartering or EU use under TA).

Don't suddenly charter without restructuring (as chartering would require commercial registration, different crewing and safety rules, and VAT on charters). Therefore, in the future, if the family ever wants to charter the yacht for offsetting costs, consult lawyers to switch to a commercial operation (**which involves another set of compliance steps beyond the scope of this document**)

Maritime Law and Etiquette

Ensure the captain and the crew all keep up with maritime regulations (**COLREGs, Local navigation laws**) and etiquette, as the yacht will represent the office internationally. Therefore, avoid any activities that could lead to the yacht's detention (i.e. Always have correct clearance when entering a country, don't pollute (proper waste disposal), and ensure no illegal substances or weapons are on board that would violate laws.

Future Sale or Refit

Plan ahead for the yacht's lifecycle. In 5 or 10 years, if the family plans to upgrade to a larger yacht or sell this one, having maintained an impeccable paper trail and condition will pay off in the end. Keep records of all maintenance and upgrades, the next buyer will do similar due diligence, and showing a well-documented history (plus having kept the VAT status consistent) will preserve the value of the yacht.

Also, if major refits are to be done, weigh the cost vs the value it would add, **sometimes refitting an older yacht extensively may not be economically sensible if resale is in mind.**

Family Enjoyment

Finally, integrate the yacht into the family's lifestyle planning. Set up an **annual cruising calendar** and book desirable marinas well in advance through your management (popular ports such as **Portofino or St tropez** would require advance booking for large yachts).

Make sure the crew knows the family's preferences in detail, from favorite foods to how to arrange itineraries. The ultimate goal is for the owner to enjoy the asset hassle-free, which is achieved by all the diligent steps and structure put in place.

Throughout the ownership period, stay in close communication with your captain and management company. Regularly review the state of the yacht and address small issues before they become big problems. By following the practices mentioned, the office will ensure the yacht would remain a pleasure, not a burden.

AQUISITIONS

Common Mistakes to Avoid



Common Red Flags and Pitfalls to Avoid

(Checklist by Phase)

Even with the structured approach above, there are certain **pitfalls that can arise at each phase**. Below is a summary of the red flags and mistakes to avoid:

🚫 Planning Phase

Avoid underestimating costs or buying **too much yacht**, for your needs. A common budget would be not budgeting the 10% annual operating cost and then facing financial strain. **Also don't skimp on expert advice**, failing to hire **experienced brokers** or legal counsel to save money would often lead to more mistakes later. Therefore, ensure the ownership structure is set up properly.

Procrastinating SPV formation or VAT planning can derail the deal when time is of the essence.

🚫 Sourcing Phase

Beware of too good to be true deals, an asking price that is **far below market for similar yachts could indicate hidden problems or even a fraudulent listing**. Always verify the yacht is actually for sale by the true owner. If a seller is uncooperative with providing information or access, consider that a red flag. Do background checks on the selling broker and the yacht's history (I.e. check against stolen yacht databases, known issues lists, etc)

🚫 Survey Phase

The biggest mistake is not doing a thorough survey or using unqualified surveyors. Always haul the yacht out, skipping the haul-out to save money can be **dangerous as many issues such as (hull damage or bad bearings)** are invisible in water. Therefore, pay attention to **class survey status**.

A red flag is if the yacht's class was suspended or withdrawn in the past (meaning serious issues or missed surveys). Also, insist on seeing proof of VAT or other tax documents now, discovering later that the paperwork is missing can make the yacht hard to use or sell. If significant defects were found, don't ignore them. Use them to negotiate or walk away, but don't let **deal fever** push you to proceed against your surveyor's advice.

🚫 Closing Phase

A critical mistake is not handling the **title transfer correctly**. Ensure no money changes hands until you have a valid **Bill of Sale** and **Confirmation of Registry** actions. **Never pay the seller directly outside of an Escrow. Always use a neutral escrow to avoid fraud or losing leverage.**

Double check all serial numbers, and descriptions in the documents. A type in the hull number of **Bill of Sale** could cause legal issues in registration. Also, avoid closing in a rush, sometimes parties feel pressure to close by a certain date and might gloss over a missing document; It's better to delay closing by a day or two than to close with unresolved issues (such as an outstanding mortgage or missing deletion certificate). From a compliance angle, ensure both sides have fulfilled KYC to avoid last-min bank freeze of funds.

🚫 Post-Purchase Phase

A frequent mistake would be neglecting to **immediately secure insurance** coverage from the moment of handover. Even a short gap can be **catastrophic if an incident occurs**. Another is failing to clarify crew arrangements (i.e. assuming the crew will just stay on when in fact their contracts ended and they might leave, potentially leaving the yacht unmanned).

Have crew continuity or replacements lined up. When re-flagging, a pitfall is not complying with the new flag's requirements (for instance, perhaps the yacht needs an upgrade to meet the flag's safety code). Get it done promptly to avoid running a non-compliant vessel).

On VAT, a dangerous mistake for a non-EU owner is to inadvertently make the yacht available to EU residents or failing to exit EU waters in time, this can nullify the TA exemption and incur VAT, remain vigilant with the TA rules.

🚫 Operation Phase

Don't treat the yacht as a static asset, skipping maintenance to save cost will exponentially increase problems later on (small issues become big failures). Avoid non-compliance with regulations (i.e. skipping crew rest hours or running with less crew than safe) as this risks accidents and legal trouble.

Always keep an eye on potential legal changes: for instance, environmental zones, emission requirements (some areas may start requiring cleaner exhaust on generators, plan to retrofit if needed).

Lastly, maintain a good relationship with the captain and crew, **high turnover or disgruntled crew can lead to negligence or even claims against the owner**. A professional, content crew is your best asset in protecting this investment.

By adhering to the above guidelines and avoiding these pitfalls, the Saudi-based family office will navigate the yacht acquisition process successfully. The result will be a **smoothly acquired, properly registered, and well-managed superyacht** that can be enjoyed privately with peace of mind, knowing that all legal, technical, and financial bases have been covered.

Safe yachting!

AQUISITIONS

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