

APRIL 11, 2022

Seizure of Russian Oligarch's Yacht Provides Insight into Evasive Financial Conduct

On April 4, 2022, the U.S. Department of Justice (the "DOJ") announced that Spanish law enforcement, acting pursuant to a request from the DOJ, executed a Spanish court order freezing sanctioned Russian oligarch Viktor Vekselberg's luxury yacht, the *Tango*, in the port of Palma de Mallorca.¹ The *Tango* is one of the largest yachts in the world and is valued around \$90 million.² This was the first seizure by Task Force KleptoCapture, an interagency task force led by the DOJ and focused on enforcing Russian sanctions.³

Vekselberg is a prominent Russian businessman with an estimated net worth exceeding \$6 billion. He is the founder and Chairman of the Renova Group, a Russian conglomerate with interests in the energy sector and other industries. The Office of Foreign Assets Control ("OFAC") first designated Vekselberg as a Specially Designated National ("SDN") on April 6, 2018.⁴

The DOJ's request for assistance from Spanish authorities came after the issuance of a seizure warrant by the U.S. District Court for the District of Columbia.⁵ To seek seizure and the eventual forfeiture of the yacht, the DOJ was required to allege qualifying criminal activity. This conduct, which was detailed in the DOJ's warrant application, provides a window into evasive financial techniques used by Russian oligarchs. FinCEN has recently issued an advisory regarding Russian oligarchs' use of shell companies and other measures to obscure their involvement, thus facilitating sanctions evasion and money laundering.⁶

¹ DOJ, *\$90 Million Yacht of Sanctioned Russian Oligarch Viktor Vekselberg Seized by Spain at Request of United States* (Apr. 4, 2022), available [here](#).

² Aff. in Supp. of an Appl. for a Seizure Warrant at 19–20, *In the Matter of the Seizure of the Motor Yacht Tango with Int'l Mar. Org. No. 1010703*, No. 22-sz-5 (D.D.C. Mar. 25, 2022), ECF No. 1 ("Warrant Appl.").

³ See our prior memorandum on increased sanctions investigations activity, Paul, Weiss, *Biden Administration Warns of Increased Sanctions and Export Controls Enforcement* (Mar. 8, 2022), available [here](#).

⁴ Vekselberg was first designated pursuant to Executive Order ("E.O.") 13662. On March 11, 2022, he was redesignated pursuant to E.O. 14024 for having acted or purported to act for or on behalf of, directly or indirectly, the Russian government, and also for operating or having operated in the technology sector of the Russian Federation economy.

⁵ Notably, the application for a seizure warrant was sworn to Magistrate Judge Zia Faruqui, who previously served as a decorated federal prosecutor and had his own experiences seeking seizure of vessels or their cargo. See Reuters, *U.S. Seeks to Seize Gasoline in Four Iran Tankers Bound for Venezuela* (July 2, 2020), available [here](#); DOJ, *Unsealed Warrant and Forfeiture Complaint Seek Seizure of Oil Tanker "Grace 1" for Unlawful Use of U.S. Financial System to Support and Finance IRGC's Sale of Oil Products to Syria* (Aug. 16, 2019), available [here](#).

⁶ See FinCEN Alert, *FinCEN Advises Increased Vigilance for Potential Russian Sanctions Evasion Attempts* (Mar. 7, 2022), available [here](#). For a discussion of this advisory, see our memo, *supra* note 3.

The Alleged Evasive Activity

According to the DOJ, based on confidential witness statements, the *Tango* was built for and bought by Vekselberg in 2011 and has been owned by him continuously since that time. Although the *Tango* was held in the name of a shell company, Arinter Management, Inc. (“Arinter”), the confidential witness stated that Vekselberg was the true owner and user of the *Tango*. Bank records show that, prior to being sanctioned in 2018, Vekselberg made U.S. dollar payments in his own name to Arinter and its managers, which was “consistent with Vekselberg being the true owner” of the *Tango*.⁷ The warrant application lists various sources, including news articles and OFAC findings, to show probable cause that Vekselberg was the owner of the yacht.

The DOJ alleges that between 2011 and the present, Vekselberg engaged in a conspiracy to commit bank fraud and money laundering by obfuscating his ownership interest in the *Tango* and therefore causing false information to be sent to U.S. banks processing transactions for the *Tango*.

For example, Arinter’s corporate records list two individual corporate directors (Panamanian citizens Alcides Higuera Gonzalez and Fredis Abdiel Gonzalez) and two organizational corporate directors (A.J.K. Corporate Management Inc., a British Virgin Islands corporation, and R.E.A.M. Management Limited (“R.E.A.M.”), a Cypriot corporation). A Russian sister company to R.E.A.M., operating under the same name, has a direct relationship with the Renova Group.⁸ The two individual corporate directors are also officers of Lamesa Transport LLC, a Panamanian corporation affiliated with other Vekselberg shell companies. In addition to payments directly to Arinter, Vekselberg made payments to Lamesa Transport, which made payments to R.E.A.M., which made payments to Arinter. Meanwhile, Arinter paid invoices on behalf of the *Tango* from different bank accounts with different entity names. The DOJ stated that this “complicated management and owner structure appears to be for the purpose of obfuscating Vekselberg’s connection” to the *Tango*, in order to avoid inquiries about the payments made.⁹ These deceptive practices allegedly caused “U.S. financial institutions to fail to conduct Know Your Customer investigations on these transactions, to fail to report the transactions to the Treasury Department, and ultimately, to process transactions.”¹⁰ During the period before Vekselberg’s sanctions designation, the DOJ alleged that U.S. financial institutions regularly reviewed Vekselberg’s accounts because of suspicious activity.

In addition, the warrant application describes how Vekselberg caused entities and individuals to make U.S. dollar payments on his behalf related to the *Tango* (including management fees, registration fees, and other service fees). This conduct formed the basis of the allegations that Vekselberg and his coconspirators caused funds to be transferred with the intent to conceal the true source of the proceeds and to promote Vekselberg’s bank fraud and sanctions conspiracy.¹¹ (The DOJ also noted in passing that the *Tango* had been managed by Master Yachts since 2020 and that, although this company typically puts the names of the relevant yacht in the wire transfers it sends, it did not do so for transfers involving the *Tango*.)¹²

Although more proceedings in Spain and the United States remain, this initial seizure sheds light on some of the financial arrangements and activities allegedly used by Russian oligarchs to avoid scrutiny.

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⁷ Warrant Appl. at 19.

⁸ *Id.* at 21.

⁹ *Id.*

¹⁰ *Id.* at 2.

¹¹ *Id.* at 28.

¹² The warrant application concluded that the *Tango* was subject to seizure and forfeiture because it involves a transaction in violation of 18 U.S.C. § 1956 (money laundering and conspiracy) or because it “constitutes” “proceeds traceable” to a “specified unlawful activity,” specifically bank fraud and sanctions violations.

This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:

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