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## › Russia's Frozen Assets: A Litmus Test for the EU\*

- › The EU's handling of 210 billion euros in frozen Russian assets has become a test of its ability to balance legal restraint, financial stability and strategic support for Ukraine amid war.
- › By choosing joint borrowing over confiscation in December 2025, member states avoided immediate legal and financial risks but left unresolved divisions over burden-sharing, sanctions durability and future reconstruction funding needs.
- › As Ukraine's costs rise and geopolitical bargaining intensifies, frozen assets will remain central to EU policymaking, shaping the Union's credibility, cohesion and long-term role as a global actor.

The fate of roughly 210 billion euros in frozen Russian central bank assets has emerged as a defining test of the European Union's capacity to reconcile legal constraints, financial stability and geopolitical ambition. Since Russia's full-scale invasion of Ukraine in February 2022, these assets have been immobilised under EU sanctions, placing the EU at the centre of an unprecedented debate: whether to preserve them as leverage or to mobilise them for Ukraine's reconstruction.

Recent decisions suggest that the EU is, for now, opting for caution. In December 2025, after protracted negotiations, member states set aside plans to use the assets directly and instead agreed on joint borrowing to support Ukraine. This outcome reflects not only legal uncertainty surrounding the confiscation of sovereign reserves, but also persistent political divisions within the Union.

Yet the issue is far from settled. Mounting financial needs in Ukraine, evolving geopolitical dynamics and emerging diplomatic initiatives are likely to bring the question back to the forefront of EU policymaking. How the Union chooses to handle these assets will have implications that extend well beyond the war in Ukraine, shaping its credibility as a global financial actor and its ability to act cohesively in times of crisis.

### Sanctions and the financial assets

In response to Russia's full-scale invasion of Ukraine on 24 February 2022, the European Union adopted a series of restrictive measures targeting

\* Paper produced in the framework of the IAI-Intesa Sanpaolo Partnership. The views expressed in this report are solely those of the author.



## »» The Russian sovereign assets have not remained merely frozen

Russia's financial system and monetary authorities. The EU's third sanctions package, adopted within days of the invasion, introduced a prohibition on all transactions related to the management of reserves and assets of the Central Bank of Russia (CBR), immobilising approximately 210 billion euros in Russian sovereign assets held under EU jurisdiction. This move was paralleled by similar co-ordinated actions by other G7 countries – including the United States, the United Kingdom, Canada and Japan – as well as by Australia and Switzerland, resulting in the freezing of an estimated 260 billion euros of Russian state assets across G7 countries and nearly 300 billion euros worldwide. The bulk of the EU-held assets are managed by Euroclear, a Brussels-based international securities depository, with a smaller share held by Luxembourg-based Clearstream. These institutions and their host countries are, therefore, at the centre of the implementation of sanctions.

The assets have not remained merely frozen. The Commission has already taken steps towards their utilisation without triggering confiscation. In July 2024, the European Union moved towards a pragmatic compromise by deciding to use the extraordinary profits generated by immobilised Russian central bank assets to support Ukraine. Building on a proposal by the European Commission, the Council adopted legal measures allowing the mobilisation of these windfall revenues while preserving the underlying capital,<sup>1</sup> thus remaining consistent with the principle of sovereign immunity.<sup>2</sup> The mechanism targets net profits accumulated by central securities depositories – primarily Euroclear – which have increased significantly as a result of reinvesting the frozen assets, generating several billion euros annually. A first tranche of 1.55 billion euros was disbursed to Ukraine in July 2024 through EU instruments, marking the operationalisation of this approach.<sup>3</sup> Rather than pursuing outright confiscation, the EU has therefore opted for a legally cautious strategy aimed at capturing the financial returns of immobilised assets while maintaining the integrity of its legal and financial framework.<sup>4</sup>

## December's turning point: Joint borrowing instead of confiscation

The December European Council summit marked a decisive moment. After failing to agree on a so-called "reparations loan" backed by frozen Russian assets, EU leaders approved a 90 billion euro loan for Ukraine financed through joint EU borrowing supported by the bloc's long-term budget.<sup>5</sup> Belgian prime minister Bart De Wever – whose country hosts Euroclear and who had long

<sup>1</sup> European Commission, *Commission Welcomes Council Decision on the Use of Proceeds from Immobilised Russian Assets for Ukraine*, 21 May 2024, [https://ec.europa.eu/commission/presscorner/detail/en/statement\\_24\\_2732](https://ec.europa.eu/commission/presscorner/detail/en/statement_24_2732).

<sup>2</sup> Véron, Nicolas, "The European Union Should Do Better than Confiscate Russia's Reserve Money", in *Bruegel Analyses*, No. 43/2023 (20 December 2023), <https://www.bruegel.org/node/9625>.

<sup>3</sup> Euroclear, *Euroclear Continues to Deliver Strong Results in 2024*, 5 February 2025, <https://www.euroclear.com/newsandinsights/en/press/2025/mr-05-euroclear-delivers-strong-results-in-2024.html>.

<sup>4</sup> Wiśniewska, Iwona, "The EU's Decision to Use the Profits Generated by Frozen Russian Assets", in *OSW Analyses*, 24 May 2024, <https://www.osw.waw.pl/en/node/32440>.

<sup>5</sup> Sorgi, Gregorio et al., "EU Agrees to €90B Ukraine Loan — but VDL and Merz Suffer Defeat as Assets Plan Fails", in *PoliticoEU*, 19 December 2025, <https://www.politico.eu/?p=7690512>.



**»» At the December European Council summit, leaders embraced the European Commission's proposal: common debt issuance as a temporary bridge financing mechanism**

opposed direct asset seizure – hailed the outcome as a victory for financial stability and international law.

Reaching a compromise was not easy. Hungary's prime minister Viktor Orbán openly called the idea of confiscation “stupid” and warned it could be interpreted as an act of war. Meanwhile, Germany pushed strongly for a reparations-based model, arguing that immobilised Russian assets should eventually serve Ukraine's reconstruction. This agreement has also been possible thanks to the fact that three countries, namely the Czech Republic, Hungary and Slovakia, obtained guarantees that they would not bear financial liabilities if the EU budget were used as collateral.<sup>6</sup> In the end, political reality prevailed. With unanimity required and legal uncertainties unresolved, leaders embraced the European Commission's proposal: common debt issuance as a temporary bridge financing mechanism. It was also decided to continue discussions on possible future uses of the frozen assets. However, this solution remains politically fragile, as countries such as Hungary and Slovakia have continued to signal their willingness to challenge or obstruct common debt issuance for Ukraine.

### Why is confiscation such a delicate matter

The moral argument for confiscation appears straightforward. Russia has inflicted enormous destruction on Ukraine's cities, infrastructure and economy. Ukraine is estimated to need around 135 billion euros in 2026 and 2027 alone, according to IMF estimates.<sup>7</sup> Redirecting frozen assets toward rebuilding schools, hospitals and transport networks is in accordance with a basic principle of justice: the aggressor must contribute to repairing the damage it has caused.<sup>8</sup>

Yet legally, the issue is far more complex. These funds are not private oligarch wealth but sovereign state reserves, protected under international law by the principle of state immunity. Confiscating them outright without a clear legal framework would risk undermining long-standing norms governing sovereign property. European institutions, notably the European Central Bank, have repeatedly warned that such a precedent exposes the EU to legal challenges and could weaken international financial law. Confiscation of sovereign assets is a specific legal instrument that has rarely been used.

Relevant precedents include the confiscation of German assets after the Second World War, US measures against Cuba in 1996<sup>9</sup> and the transfer of Iraqi assets under UN authority after 2003.<sup>10</sup> In more recent cases, attempts

<sup>6</sup> “Ukraine War Briefing: Hungary Agrees to Allow EU Loan to Kyiv But Will Not Contribute”, in *The Guardian*, 19 December 2025, <https://www.theguardian.com/p/x4vqz9>.

<sup>7</sup> Tordoir, Sander and Stephen Paduano, “The Ukraine Reparations Loan: How to Fix Europe's Financial Plumbing”, in *CER Insights*, 18 December 2025, <https://www.cer.eu/node/11825>.

<sup>8</sup> Caprile, Anna et al., “Confiscation of Immobilised Russian Sovereign Assets. State of Play, Arguments and Scenarios”, in *EPRS Briefings*, September 2025, [https://www.europarl.europa.eu/thinktank/en/document/EPRS\\_BRI\(2025\)775908](https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2025)775908).

<sup>9</sup> “U.S. Announces It Will Seize Iraqi Assets”, in *PBS*, 20 March 2003, [https://www.pbs.org/newshour/economy/middle\\_east-jan-june03-treasury\\_03-20](https://www.pbs.org/newshour/economy/middle_east-jan-june03-treasury_03-20).

<sup>10</sup> UN Security Council, *Resolution 1483*, 22 May 2003, <https://digitallibrary.un.org/record/495555>; Andrews, Edmund L., “A Nation at War: Iraqi Assets; Bush Asks Seizure of \$1.7 Billion Held in U.S.”, in *The New York Times*, 22 March 2003, <https://www.nytimes.com/2003/03/22/world/a-nation-at-war->



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by the United States to seize frozen assets – such as in Iran (2016)<sup>11</sup> and Afghanistan (2021)<sup>12</sup> – have led to litigation in domestic and international courts, in some instances limiting or delaying their implementation.

Importantly, these measures were adopted in contexts involving defeated, collapsing, or internationally marginal regimes, whose limited integration into the global financial system reduced the systemic risks associated with asset confiscation. By contrast, applying similar measures in the current context raises far greater legal and economic stakes. Moving down that path therefore requires a strong legal argument and a wide consensus regarding the nature of the crisis and the breach of international law justifying such a decision.

Beyond legal concerns, confiscation carries economic and geopolitical consequences. Euroclear has warned that forced asset seizure could erode trust in European financial markets and discourage countries and investors from depositing foreign reserves into EU financial institutions. Confiscating or heavily leveraging sovereign reserves would set a precedent with global repercussions.<sup>13</sup> If foreign central banks began to fear that state assets could be at risk for political reasons, they might move reserves elsewhere. As a result, the EU's financial attractiveness and the euro's standing as a reserve currency would be weakened. Stability and predictability are central to Europe's role as a global financial hub.

Other concerns have been raised by Belgium and Euroclear.<sup>14</sup> Their resistance to the idea of using frozen Russian assets to finance Ukraine stems from a deep sense of institutional vulnerability. Because around 190-210 billion euros of Russia's immobilised central bank reserves are held at Brussels-based Euroclear, Belgium has found itself at the epicentre of the debate. Any bold financial engineering involving these assets would expose Belgium to concrete legal and financial risks.

At the heart of the concern lies legal uncertainty. The proposed "reparations loan" model depended on the assumption that sanctions on Russia would remain in place for years, possibly decades. Belgian authorities and Euroclear feared that this assumption was fragile. If sanctions were relaxed as part of future peace negotiations, or overturned by court rulings, Euroclear could be legally compelled to return the assets to Russia. In that scenario, the clearing house could face massive compensation claims, with Belgium potentially forced to step in as a backstop.

There was also a financial plumbing problem. Euroclear is not a commercial bank with unlimited liquidity buffers. Using the frozen assets as collateral or cash flow for loans could create dangerous mismatches on its balance sheet:

[iraqi-assets-bush-asks-seizure-of-1.7-billion-held-in-us.html](#).

<sup>11</sup> Barnes, Robert, "Supreme Court Allows Families of Terrorism Victims to Collect Iranian Assets", in *The Washington Post*, 20 April 2016, [https://www.washingtonpost.com/politics/courts\\_law/supreme-court-allows-families-of-terrorism-victims-to-college-iranian-assets/2016/04/20/6793f0cc-0703-11e6-a12f-ea5aed7958dc\\_story.html](https://www.washingtonpost.com/politics/courts_law/supreme-court-allows-families-of-terrorism-victims-to-college-iranian-assets/2016/04/20/6793f0cc-0703-11e6-a12f-ea5aed7958dc_story.html).

<sup>12</sup> "The United States Establishes Fund for the Afghan People from Frozen Afghan Central Bank Assets", in *American Journal of International Law*, Vol. 117, No. 1 (2023), p. 139-144, <https://doi.org/10.1017/ajil.2022.87>.

<sup>13</sup> Sorgi, Gregorio, "Russia's Friends Beg EU to Leave Frozen Assets Alone", in *PoliticoEU*, 2 April 2024, <https://www.politico.eu/?p=4527576>.

<sup>14</sup> Haecck, Pieter, "Belgium's Bart De Wever Gets Domestic Praise for EU Summit Win", in *PoliticoEU*, 19 December 2025, <https://www.politico.eu/?p=7691868>.



**>> In mid-January 2026, Moscow launched a multi-billion-dollar lawsuit against Euroclear**

the institution might be obliged to repay Russia before Ukraine repaid its debt. This asymmetry raised fears of liquidity stress, reputational damage and systemic risk for Europe's financial infrastructure.

Finally, there was the threat of Russian retaliation. Moscow launched a multi-billion-dollar lawsuit against Euroclear, reinforcing Belgium's perception that it could become the primary legal target of Russia's countermeasures. In mid-January 2026, a Moscow court began preliminary hearings in a 235 billion dollar lawsuit filed by the Russian central bank against Euroclear.<sup>15</sup> The case, heard behind closed doors, was adjourned until Spring 2026 for further proceedings. Euroclear's request to dismiss the suit was rejected, and if Russia ultimately wins it could pursue enforcement of the judgment in other jurisdictions, adding a layer of legal risk to the status of frozen assets that has already influenced EU policy decisions. Although the legal outcome remains uncertain, the move signals that the Kremlin is prepared to use judicial, diplomatic and economic tools in retaliation.

From Brussels' perspective, it was unacceptable that one member state should shoulder disproportionate legal and financial exposure on behalf of the entire Union. Proposals to share the risk have been made by the Commission, but they are still relying on the good will of the 27 EU members as they would need to voluntarily jump in to share the risks outlined by Euroclear and Belgium. The Commission also shared a plan on how to share liquidity risks, according to each country's share of GNI, if the full amount of frozen assets were to be released quickly.<sup>16</sup> In case of need, EU-level instruments could also provide support. Some analysts have suggested that institutions such as the European Investment Bank (EIB) could play a role,<sup>17</sup> particularly given its involvement envisioned in broader EU financial support mechanisms for Ukraine.<sup>18</sup> However, such options remain politically and legally under discussion rather than formally established. This makes clear that the decision cannot rest with Belgium alone, but requires a collective commitment from the European Union. The issue is not a lack of solidarity with Ukraine, but how to ensure that Belgium is not left to bear the costs alone – since any fallout could reverberate across the Union as a whole. At its core, the debate reflects a structural tension between upholding the EU's commitment to legal certainty and financial stability, and responding to growing political pressure to use available resources to support Ukraine's reconstruction.

## New developments

The confiscation debate has unfolded along a narrow line between legal constraints and political ambitions. One structural vulnerability of the freeze

<sup>15</sup> Fabrichnaya, Elena, "Russian Central Bank's \$235 Billion Case against Euroclear Is Adjourned Until Spring", in *Reuters*, 16 January 2026, <https://www.reuters.com/business/finance/moscow-court-starts-hearing-russian-central-banks-235-bln-case-against-euroclear-2026-01-16>.

<sup>16</sup> Smith-Meyer, Bjarke and Hanne Cokelaere, "Here's How EU Capitals Would Divvy Up Ukraine Loan Backstop under €210B Frozen Assets Plan", in *PoliticoEU*, 7 December 2005, <https://www.politico.eu/?p=7618836>.

<sup>17</sup> Tordoir, Sander and Stephen Paduano, "The Ukraine Reparations Loan", cit.

<sup>18</sup> European Commission, *Proposal for a Regulation Implementing Enhanced Cooperation on the Establishment of the Ukraine Support Loan for 2026 and 2027* (COM/2026/20), 14 January 2026, <https://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex:52026PC0020>.



»» **In January 2026, President Vladimir Putin signalled a potential shift in Moscow's strategy**

regime has been its dependence on the periodic renewal of EU sanctions by the Council of Ministers. Because sanctions required unanimity and had to be renewed every six months, individual member states may block the extension of the freeze regime, potentially forcing the return of the assets to Moscow. To address this risk, the European Union took an unprecedented institutional step by invoking Article 122 of the Treaty on the Functioning of the European Union (TFEU) to ensure that the decision to renew the immobilisation of Russian central bank assets is taken by qualified majority voting rather than unanimity. This move was designed to eliminate the recurring political risk that a single member state – notably Hungary or Slovakia – could veto sanctions renewal, triggering the unfreezing of the assets.

By shifting the legal basis from sanctions policy to emergency economic powers, the Commission argued that maintaining the freeze was necessary to mitigate the EU's economic exposure to the war and to safeguard its capacity to provide financial support to Ukraine, which represents a substantial fiscal challenge for member states. Although legally novel and potentially subject to judicial review, the use of Article 122 has effectively transformed the asset freeze into a more durable crisis-based instrument, strengthening the financial framework that underpins EU assistance to Ukraine and reducing uncertainty should the frozen assets be mobilised in support of future financing mechanisms. Nevertheless, the legal and political sensitivity of this approach remains high.

At the same time, external dynamics are reshaping the debate. In January 2026, President Vladimir Putin signalled a potential shift in Moscow's strategy by proposing that Russia would contribute 1 billion dollars to the US-backed "Board of Peace" for Gaza reconstruction, likely on the condition that Washington unfreeze approximately 5 billion dollars in Russian central bank assets currently immobilised in the United States.<sup>19</sup> Framed as a humanitarian gesture, the proposal effectively linked the release of frozen reserves to participation in a high-profile reconstruction initiative, suggesting that Moscow may seek transactional pathways to recover blocked funds. Although modest in scale compared to the roughly 300 billion dollars frozen globally, the initiative illustrates a broader diplomatic tactic: leveraging reconstruction frameworks as vehicles for asset unfreezing. By extension, a comparable proposal could hypothetically emerge in relation to the 210 billion euros immobilised within the European Union – for example, one aimed at tying partial release to participation in internationally supervised reconstruction or peace arrangements. Such developments highlight the increasingly tight interconnection between sanctions policy, geopolitical bargaining and post-conflict reconstruction financing.

<sup>19</sup> "Explainer: What Are Russia's Frozen Assets in US that Putin Has Offered for Gaza and Ukraine?", in *Reuters*, 22 January 2026, <https://www.reuters.com/business/finance/what-are-russias-frozen-assets-us-that-putin-has-offered-gaza-ukraine-2026-01-22>; Hopkins, Valerie, "Putin Says Russia Could Donate to 'Board of Peace' if U.S. Unfroze Assets", in *The New York Times*, 22 January 2026, <https://www.nytimes.com/2026/01/22/world/europe/putin-board-of-peace-frozen-assets.html>.



## Looking ahead

The debate over Russian frozen assets is no longer a technical question of financial engineering, but a strategic test of the European Union's ability to act coherently under pressure. The decision to prioritise joint borrowing over confiscation reflects a cautious approach aimed at preserving legal certainty and financial stability. Yet this compromise does not resolve the underlying dilemma: how to mobilise significant resources for Ukraine while maintaining the integrity of the EU's legal and economic order.

This complexity is unlikely to disappear. As Ukraine's financial needs continue to grow and uncertainty over long-term US support persists, pressure on the EU to mobilise additional resources will increase, keeping the roughly 210 billion euros in immobilised Russian central bank assets at the centre of the debate. At the same time, the controversy surrounding the December agreement has underscored how difficult it is to reach common decisions: resistance from countries such as Hungary and Slovakia,<sup>20</sup> Belgium's concern over disproportionate legal and financial exposure through Euroclear, and broader disagreements over burden-sharing all point to a structural problem whereby, even when there is broad political support for Ukraine, agreement on the instruments to deliver that support remains elusive. Political positions within the Union also remain fluid.<sup>21</sup> While some leaders favour caution, others continue to advocate a more assertive approach. Notably, Manfred Weber has publicly indicated that frozen Russian assets should ultimately be used to cover the costs of the damage caused by the war, signalling that confiscation remains a politically salient option.<sup>22</sup> At the same time, Russia's attempts to link the unfreezing of assets to reconstruction initiatives suggest that these funds may increasingly become part of wider geopolitical bargaining. Taken together, these dynamics point not to a single solution, but to a set of competing policy directions, each carrying distinct legal, financial and strategic implications for the Union.

Each option entails trade-offs between legal soundness, political feasibility and strategic impact. What is clear, however, is that inaction is not a neutral choice. As Ukraine's financial needs grow and geopolitical pressures intensify, the status of frozen assets will remain central to EU decision-making. Ultimately, the way in which the European Union manages these assets will shape not only its support for Ukraine, but also its credibility as a rules-based actor in an increasingly contested international system. Striking the right balance between principles and pragmatism will be essential if the Union is to strengthen both its internal cohesion and its global standing.

<sup>20</sup> Smith-Meyer, Bjarke, "IMF Approves \$8B Loan to Ukraine Despite EU Clash with Hungary", in *PoliticoEU*, 27 February 2026, <https://www.politico.eu/?p=8020059>.

<sup>21</sup> Lund Nielsen, Magnus, "Cyprus Rules Out Revisiting Frozen Russian Assets Loan for Ukraine", in *Euractiv*, 24 February 2026, <https://www.euractiv.com/news/cyprus-rules-out-revisiting-frozen-russian-assets-loan-for-ukraine>.

<sup>22</sup> Griera, Max, "EU Will Eventually Use Russian Assets to Pay for Ukraine War Costs, Manfred Weber Says", in *PoliticoEU*, 19 December 2025, <https://www.politico.eu/?p=7693578>.

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- 
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- 
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