

#MakeRussiaPay



THE UKRAINE FUND

Putting Russia's Sovereign Assets to Work

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Russia's sovereign assets should pay for the destruction Russia has caused — and help ensure that its aggression ultimately fails. Professionally managed through a Ukraine Fund inspired by Norway's sovereign wealth model, they could help secure Ukraine's victory, compensate the victims of Russian aggression, finance reconstruction, defence and deterrence, and support Ukraine's long-term growth and European integration — while reducing the risk that future generations of Ukrainians and Europeans will face another cycle of Russian aggression.

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EXECUTIVE SUMMARY

Europe faces a long-term financing challenge in Ukraine that extends far beyond reconstruction. The latest joint assessment by the World Bank, European Commission, United Nations and Government of Ukraine estimates Ukraine's reconstruction and recovery needs at almost \$588 billion over the next decade, while the Ukrainian government's broader recovery vision has discussed financing needs exceeding \$800 billion. These estimates do not fully capture the additional long-term requirements associated with defence and deterrence, compensation for victims, debt sustainability and Ukraine's convergence with the EU. Ukraine's victory and successful recovery are therefore inseparable European strategic interests: Europe needs a financial strategy capable of both supporting Ukraine through the war and ensuring that Russia cannot achieve through exhaustion, economic or political pressure what it has failed to achieve militarily.

The approximately €290 billion in immobilised assets of the Central Bank of Russia (CBR assets), almost €210 billion of which are located in EU jurisdictions, represent the only currently available pool of capital remotely comparable in scale to this challenge. Ukraine's partners have already progressively moved beyond simple immobilisation by redirecting windfall profits to Ukraine, establishing the G7 ERA Loans initiative and strengthening the legal framework preventing the assets' return to Russia.

Yet the underlying capital remains largely outside productive use while indefinite immobilisation cannot be treated as a sustainable solution. It neither maximises the economic potential of the assets nor guarantees that they will remain available for Ukraine indefinitely as governments, political priorities and the international environment change dynamically.

This paper proposes a third policy option beyond the existing binary choice between continued immobilisation and outright confiscation: transfer the assets into a dedicated Ukraine Fund and begin putting them to productive use already now. The Fund could be structured so that Russia retains formal ownership rights while custody and economic management of the assets are transferred to a dedicated vehicle. The legal analysis explores international countermeasures, a "bad bank" structure and an EU special-purpose vehicle established under Article 122 TFEU as potential components of this architecture. Amounts of principal deployed by the Fund could ultimately be replenished from reparations paid by Russia or set off against Russia's outstanding reparation obligation.

Transferring the assets would also address a structural weakness of the status quo: the concentration of political, legal and security risk in Belgium and Euroclear. A collectively governed European vehicle, potentially involving G7 and other partners, could redistribute this exposure, while remaining financial and legal risks could be shared collectively rather than remaining disproportionately Belgian. The negotiations on the 2028-2034 Multiannual Financial Framework provide an opportunity to design such indemnification and risk-sharing arrangements ex ante, rather than seeking ad hoc national guarantees once liabilities have arisen.

The Fund should draw on the governance principles of Norway's Government Pension Fund Global: a clear political mandate combined with independent professional investment management, diversification, transparency and a long investment horizon. Norway's experience

illustrates the potential of this approach. By 2026, the GPF's cumulative investment returns had reached approximately NOK 15.2 trillion (around €1.4 trillion), roughly 2.7 times the total capital contributed to the Fund. With an average annual return of approximately 6.9% since 1998, investment returns rather than new resource revenues have gradually become the principal driver of its growth. The lesson from Norway is that professionally managed sovereign capital can generate substantial additional value through disciplined governance and compounding.

Ukraine, however, requires a hybrid rather than a traditional sovereign wealth fund. The Ukraine Fund should combine financing for immediate defence, reconstruction and compensation needs with guarantees, war-risk insurance and blended-finance instruments capable of mobilising private investment, while preserving a substantial long-term endowment. Active management would inevitably involve negative years, but the relevant comparison rests not between risk and no-risk status quo. Conservative management also entails inflation, interest-rate and reinvestment risks, as well as the opportunity cost of foregone compound returns. Investment risk should therefore be managed through diversification, liquidity reserves, differentiated investment horizons and professional governance rather than used as a justification for inaction.

Illustrative modelling conducted for this paper demonstrates the potential scale of the resulting financial capacity. Starting with a \$300 billion asset base, under a central assumption of a 6.5% average annual nominal return, different combinations of immediate spending, private-capital mobilisation, long-term investment and debt servicing generate approximately \$585-677 billion in cumulative economic value over 30 years, while retaining approximately \$36-112 billion in endowment capital at the end of the period. These scenarios are illustrative rather than predictive. Their purpose is to demonstrate that the policy choice concerns not simply how to spend a finite stock of Russian assets, but how to transform it into a productive financial base capable of generating additional value over decades.

The Fund should simultaneously advance wider European and international interests. Part of its portfolio could be invested in high-quality European financial assets, energy and strategic infrastructure, defence-industrial capacity, critical technologies and joint European-Ukrainian defence production. It could pre-finance investments required for Ukraine's future EU convergence, reducing pressure on future European budgets, and provide an institutional platform for participation by partners beyond the G7, including Gulf states and their sovereign investors. Rather than treating Ukraine's reconstruction solely as a continuing fiscal burden, the Fund could align Ukraine's recovery with European security, industrial and investment priorities.

Finally, a permanently capitalised Ukraine Fund could itself contribute to long-term deterrence. Russia's strategy relies in part on the expectation that it can outlast Ukraine and its partners and that Western financial support will eventually weaken. Providing Ukraine with predictable financial capacity for reconstruction, resilience and defence over decades rather than annual budget and electoral cycles would weaken this assumption. The stronger and more predictable Ukraine's long-term financial capacity becomes, the less credible a strategy based on exhaustion, destruction and waiting for Western support to collapse becomes.

The central policy conclusion is therefore not simply that approximately €290 billion in Russian sovereign assets should eventually be spent on Ukraine. Europe has a window of opportunity to

transform these assets into a long-term financial instrument capable of helping Ukraine secure its victory, compensate the victims of Russian aggression, finance reconstruction and defence, mobilise additional capital and sustain the economic capacity required to make that victory durable. Leaving the assets largely idle risks preserving the liabilities of the current arrangement without capturing its potential economic and strategic benefits — while leaving open the possibility that changing political circumstances may one day enable their return to Russia.

INTRODUCTION: THE STRATEGIC CHALLENGE EUROPE IS FACING

According to the latest joint assessment by the World Bank, European Commission, United Nations, and the Government of Ukraine, the **country's reconstruction needs over the next 10 years amount to at least \$588 billion**¹. At the same time, within the Ukrainian government's broader vision for recovery and modernization, significantly higher figures have been discussed — exceeding \$800 billion². Moreover, Ukraine's recovery will require not only physical reconstruction but also sustained investment in defence and deterrence capabilities sufficient to prevent renewed Russian aggression and these figures are not included in the calculations.

The scale of all these needs presents both a challenge for Ukraine and a strategic dilemma for Europe. Ukraine's victory cannot be understood solely as a military outcome. For that victory to endure, Ukraine must emerge from the war sovereign, secure, economically viable and capable of sustaining its own defence.

For peace to be just, the future compensation of victims of Russia's aggression should be taken into account. The Register of Damage for Ukraine, established as the first component of the international compensation mechanism, has already received more than 170,000 claims for damage, loss or injury.³ This figure is likely to increase substantially once the International Claims Commission becomes operational and, crucially, once the first compensation payments are made. A functioning mechanism backed by an identifiable source of funding would provide potential claimants with strong incentives to submit their losses.

Under the Ukraine Prosperity Plan developed by the Ukrainian government, reconstruction financing is expected to come from public, private, and blended sources, using instruments such as guarantees, risk-sharing mechanisms, and structured investment platforms⁴. However, mobilizing capital at this scale — especially without reliable long-term security guarantees — appears difficult to implement. A substantial share of private capital will likely not enter a country where war risks remain unresolved, there is no clear system of insurance or compensation, and where law enforcement and judicial systems are still to be reformed.

In addition, a significant share of reconstruction needs — from public utilities and bridges to housing and transport infrastructure — constitutes public goods with limited commercial appeal, making them structurally unattractive for private investors and therefore largely dependent on public funding.

¹ World Bank Group, Government of Ukraine, European Commission, and United Nations, *Ukraine Fifth Rapid Damage and Needs Assessment (RDNA5): February 2022–December 2025* (February 2026), p. 11, <https://documents1.worldbank.org/curated/en/099022026094036395/pdf/P514499-22f93f3a-4278-42bc-b907-db9553d12069.pdf>

² Ministry of Economy, Environment and Agriculture of Ukraine, “Олексій Соболев: Дорожня карта процвітання (Ukraine Prosperity Plan) пропонує єдине стратегічне бачення повоєнної відбудови та економічного розвитку України на 10 років,” 3 January 2026, <https://me.gov.ua/News/Detail/a39127c6-0df8-4880-b795-74150fd0c278>

³ Register of Damage for Ukraine, “Statement of the Board of the Register of Damage for Ukraine,” 17 July 2026, <https://rd4u.coe.int/en/-/statement-of-the-board-of-the-register-of-damage-for-ukraine>.

⁴ Ministry of Economy, Environment and Agriculture of Ukraine, “Дорожня карта процвітання (Ukraine Prosperity Plan).”

If left heavily underfunded, Ukraine risks remaining trapped in a prolonged state of strategic weakness and partial recovery. Even if active hostilities diminish, the country could face decades of underinvestment, damaged infrastructure, demographic crisis that could lead to poverty and economic decline. Rather than becoming a stable and prosperous member of the European community, Ukraine could turn into a large and economically weakened frontier state exposed to continued Russian political, economic, and military pressure and attacks. Such an outcome would create a permanent grey zone on the EU's eastern border, requiring continuous security assistance, military deterrence measures, and emergency financial support. The costs of managing chronic instability and flows of refugees over decades would likely exceed the costs of enabling a successful reconstruction.

Neither can Ukraine and its democratic partners assume that the political willingness to provide assistance on the scale required for reconstruction and long-term security will remain unchanged for decades. Governments change, fiscal priorities shift, and political forces less willing to support Ukraine may likely gain influence in individual partner countries. The present political consensus in Europe therefore provides a crucial window of opportunity to secure a durable financial resource for Ukraine that is less dependent on future electoral cycles and annual budgetary decisions.

The question therefore is not only where the large-scale financing for Ukraine's recovery will realistically come from, but how a substantial part of it can be secured today for the decades ahead.

The immobilised CBR assets offer a unique opportunity to do so.

1. WHY CBR ASSETS CANNOT CONTINUE TO REMAIN IDLE

1.1. Russia Must Pay

The approximately €290 billion in immobilised assets of the Central Bank of Russia (CBR assets), of which almost €210 billion are held in the EU states⁵, represent the only currently available financial resource capable of addressing this vast challenge, representing the most credible solution to Ukraine's long-term financing challenge.

First, there is a broad international consensus that Russia bears responsibility for the destruction it has inflicted upon Ukraine and must ultimately compensate for the resulting damages. United Nations General Assembly Resolution ES-11/5 of November 14, 2022 supported by 94 states recognised that the Russian Federation must be held accountable for violations of international law and bear the legal consequences of its internationally wrongful acts, including by compensating for the damages, injuries, and losses caused by its aggression against Ukraine.⁶

The Parliamentary Assembly of the Council of Europe (PACE), on April 17, 2024, recommended “the seizure of Russian state assets and their use” in support of the reconstruction of Ukraine. This course of action would “strengthen Ukraine, ensure the accountability of the Russian Federation and deter against any other future aggression.”⁷ On September 9, 2026, PACE’s Legal Affairs Committee said the repurposing of Russian state assets to pay compensation to Ukraine in cases concerning the war would constitute a lawful countermeasure under international law.⁸

The European Parliament has consistently urged that Russia must pay for the damage it has inflicted in Ukraine and supported the use of CBR assets for Ukraine’s defence and reconstruction.⁹

Similar principle has also been reflected in repeated statements by G7 leaders, who have emphasised that Russian sovereign assets will remain immobilised until Russia pays for the damage it has caused to Ukraine¹⁰. The same statements are reiterated in the conclusions of

⁵ Anna Caprile, Tim Peters, and Ana Luisa Melo Almeida, *Confiscation of Immobilised Russian Sovereign Assets: State of Play, Arguments and Scenarios*, European Parliamentary Research Service, PE 775.908 (September 2025), [https://www.europarl.europa.eu/RegData/etudes/BRIE/2025/775908/EPRS_BRI\(2025\)775908_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2025/775908/EPRS_BRI(2025)775908_EN.pdf)

⁶ United Nations General Assembly, “*Furtherance of Remedy and Reparation for Aggression against Ukraine*,” Resolution ES-11/5, A/RES/ES-11/5, 14 November 2022, <https://digitallibrary.un.org/record/3994481>

⁷ Council of Europe, “*PACE Calls for Frozen Russian State Assets to Be Used to Support the Reconstruction of Ukraine*,” 17 April 2024, <https://www.coe.int/en/web/portal/-/pace-calls-for-frozen-russian-state-assets-to-be-used-to-support-the-reconstruction-of-ukraine>

⁸ Parliamentary Assembly of the Council of Europe, “*Russian Assets Should Be Used to Pay Ukraine Potentially ‘Billions’ in Compensation after Strasbourg Court Rulings*,” 9 September 2026, <https://pace.coe.int/en/news/10402/russian-assets-should-be-used-to-pay-ukraine-potentially-billions-in-compensation-after-strasbourg-court-rulings>

⁹ European Parliament, Resolution of 9 July 2025 on the *Human Cost of Russia’s War against Ukraine and the Urgent Need to End Russian Aggression*, P10_TA(2025)0160, para. 15, https://www.europarl.europa.eu/doceo/document/TA-10-2025-0160_EN.html; European Parliament, Resolution of 2 April 2025 on the *Implementation of the Common Security and Defence Policy – Annual Report 2024*, P10_TA(2025)0058, paras. 20–21, https://www.europarl.europa.eu/doceo/document/TA-10-2025-04-02_EN.html; European Parliament, Resolution of 12 March 2025 on *Continuing the Unwavering EU Support for Ukraine, after Three Years of Russia’s War of Aggression*, P10_TA(2025)0033, para. 24, https://www.europarl.europa.eu/doceo/document/TA-10-2025-0033_EN.html

the EU Council which state that “subject to EU law, Russia’s assets should remain immobilised until Russia ceases its war and compensates Ukraine for the damages caused by the war.”¹¹

Since 2024, Ukraine’s partners did make a number of practical steps towards utilizing CBR assets for Ukraine’s self-defense and recovery, mostly aiming at using windfall profits only, still short of transfer, full use or even active management of principal amount. In April 2024, the US Congress adopted the REPO Act that gives the authority to the US President to cease or confiscate immobilized CBR assets for Ukraine’s reconstruction¹², even though these powers were never applied. In May 2024, the Council of the EU adopted legal acts allowing windfall profits from assets immobilized in the central securities depositories like Euroclear to be used for Ukraine’s self-defence and reconstruction¹³. Following extensive talks within the G7 on the Extraordinary Revenue Acceleration (ERA) Loans initiative, in October 2024 the EU established the Ukraine Loan Cooperation Mechanism to support the repayment of up to €45 billion in loans provided by the EU and G7 partners¹⁴. The ERA initiative itself consists of loans provided by the EU and other G7 partners, including the US, Canada, the UK and Japan.¹⁵

Year 2025 marked intense talks within the EU on using cash balances from the CBR assets immobilized in the central securities depositories for Ukraine’s defence and macrofinancial stability, but this idea was rejected and substituted with the Ukraine Support Loan generated through joint borrowing. Simultaneously, in December 2025, the Council of the EU safeguarded the immobilisation of CBR assets from potential political vetoes by adopting, under Article 122 TFEU and by qualified majority, a regulation prohibiting their transfer back to Russia.¹⁶

During the debates within the EU, Belgian Prime Minister Bart De Wever, the fierce opponent of the use of the CBR assets for the EU Reparation Loan, pointed out that the bloc must choose between keeping the assets to support Ukraine’s reconstruction, or using them now to finance Ukraine’s war effort – but not both.¹⁷ And while the decision not to support the Reparation Loan in December 2025 caused an outcry among Ukraine’s strongest supporters, it may ultimately

10 G7, “G7 Leaders’ Statement,” 24 February 2024, <https://www.consilium.europa.eu/en/press/press-releases/2024/02/24/g7-leaders-statement-24-february-2024/>; G7, “Apulia G7 Leaders’ Communiqué,” 14 June 2024 https://www.g7.utoronto.ca/summit/2024apulia/240614-apulia-communique.html?utm_source=chatgpt.com

11 European Council, “European Council, 20 March 2025,” 20 March 2025, <https://www.consilium.europa.eu/en/meetings/european-council/2025/03/20-21/>; European Council, “European Council, 23 October 2025,” 23 October 2025, <https://www.consilium.europa.eu/en/meetings/european-council/2025/10/23/>.

12 *Rebuilding Economic Prosperity and Opportunity for Ukrainians Act* (REPO for Ukrainians Act), Pub. L. No. 118–50, div. F, §§ 104–105, 138 Stat. 895 (2024), <https://www.govinfo.gov/content/pkg/PLAW-118publ50/pdf/PLAW-118publ50.pdf>

13 Council Regulation (EU) 2024/1469 of 21 May 2024 amending *Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia’s actions destabilising the situation in Ukraine*, OJ L, 22 May 2024, <https://eur-lex.europa.eu/eli/reg/2024/1469/oj>; Council Decision (CFSP) 2024/1470 of 21 May 2024 amending Decision 2014/512/CFSP concerning *restrictive measures in view of Russia’s actions destabilising the situation in Ukraine*, OJ L, 22 May 2024, <https://eur-lex.europa.eu/eli/dec/2024/1470/oj>

14 Regulation (EU) 2024/2773 of the European Parliament and of the Council of 24 October 2024 *establishing the Ukraine Loan Cooperation Mechanism and providing exceptional macro-financial assistance to Ukraine*, OJ L, 28 October 2024, <https://eur-lex.europa.eu/eli/reg/2024/2773/oj>

15 G7 Finance Ministers, “Statement on Extraordinary Revenue Acceleration (ERA) Loan Initiative,” 25 October 2024, <https://www.consilium.europa.eu/media/vexjsedk/g7-finance-ministers-statement-on-extraordinary-revenue-acceleration-era-loan-initiative.pdf>

16 Council Regulation (EU) 2025/2600 of 12 December 2025 on *Emergency Measures Addressing the Serious Economic Difficulties Caused by Russia’s Actions in the Context of the War of Aggression against Ukraine*, OJ L, 13 December 2025, arts. 1–2, <https://eur-lex.europa.eu/eli/reg/2025/2600/oj>.

17 Thomas Moller-Nielsen and Eddy Wax, “Fundamentally Wrong’: Belgium Slams EU Plan to Fund Ukraine with Russian Assets,” Euractiv, 28 November 2025, <https://www.euractiv.com/news/fundamentally-wrong-belgium-slams-eu-plan-to-fund-ukraine-with-russian-assets/>

turn into an opportunity: secure the CBR assets as Ukraine's long-term financial guarantee, while ensuring that victims of Russian aggression receive just compensation.

In fact, the CBR assets represent the only currently available pool of capital that may be comparable in scale to Ukraine's reconstruction needs. While grants, loans, private investment, and multilateral financing will all remain necessary, none of these instruments individually or even collectively appears capable of generating hundreds of billions of dollars within the timeframe required for Ukraine's recovery.

A major risk lies in taking the indefinite immobilisation of CBR assets for granted as political conditions evolve and governments in democratic countries change. The coalition supporting Ukraine in 2026 differs from that of 2022, and it will likely change again in 2028 or 2030. Although the Council of the EU strengthened the immobilisation regime in December 2025, political dynamics in Europe may change significantly in the coming years, potentially opening the way for a reversal of this decision.

It is therefore important to acknowledge that while presently support for Ukraine remains solid in Ukraine's leading European partners, future governments may not share the same strategic priorities pertaining to Russia, Ukraine and Europe in general. Maintaining €290 billion in CBR assets in legal and political limbo indefinitely may prove increasingly difficult over time if the use of CBR assets for Europe's security is not entrenched in more solid solutions.

The strategic choice facing Europe is therefore between actively deploying these resources for Ukraine's recovery and Europe's security today, or accepting the growing risk that they may one day be returned to Russia as a substantial financial base to rebuild its military capabilities, replenish depleted stockpiles, and accelerate preparations for future wars of aggression. Europe is already facing growing direct security threats from Russia through what is called “phase zero” war: a continuous, multi-domain campaign that has moved beyond isolated activities whose cumulative scale, coordination and coercive impact indicate a deliberate effort to target the European security environment both from outside and from within.¹⁸ Sending Russia an extra €290 billion would only accelerate this trend.

1.2. Financial Risks Are Overstated

It is important to stress that neither the immobilisation of CBR assets on February 28, 2022, nor the subsequent use of windfall profits for Ukraine, nor the launch of the ERA Loan had any material impact on the stability of European or global financial markets. The study conducted by the Ukrainian think tank Centre for Economic Strategy into changes in the EU government bond yields found minimal and short-lived effects on markets¹⁹. Investors eventually perceived the immobilisation as a legal and political step that neither changed the financial environment nor created new uncertainties.

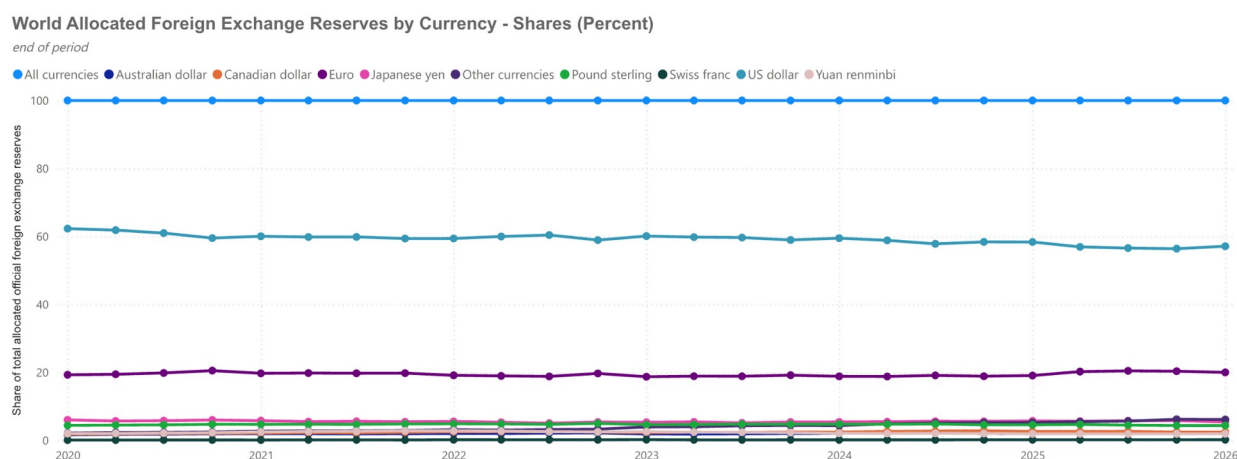
Neither measures related to CBR assets had any significant negative impact on the global standing of the euro. On the contrary, the ECB reported that the international role of the euro

¹⁸ Iryna Krasnoshtan, *Russia's Undeclared “Phase Zero War” Against Europe*, International Center for Ukrainian Victory, 27 March 2026, <https://ukrainianvictory.org/publications/russia-s-undeclared-phase-zero-war-against-europe/>

¹⁹ Iana Okhrimenko, *From Seizure to Spreads: How News about Russian Assets Confiscation Moves European Sovereign Yields* (Kyiv: Centre for Economic Strategy, September 2025), https://ces.org.ua/wp-content/uploads/2025/09/ces_russian-assets_research-paper.pdf

grew moderately in 2025, with its share across various indicators of global currency use reaching around 20%²⁰.

The IMF COFER data also shows that the breakdown between main reserve currencies remained largely the same between 2022-2026. Only the share of Chinese renminbi declined by nearly one third – from approx. 2.8% in Q4 2021 to 2.0% in Q1 2026. Rather than accelerating after the immobilisation of CBR reserves as many had speculated, the renminbi's share in global forex reserves diminished significantly.



Graph 1. World Allocated Foreign Exchange Reserves by Currency - Shares (Percent)²¹

Gold is widely seen as another alternative destination for the reserves that may flock away from the Western currencies. Its share in the global reserves has indeed grown significantly and continues to increase. However, several important trends need to be highlighted.

First, gold accumulation has accelerated in parallel with the forex reserves growth rather than as its substitution.

Second, official gold holdings increased by nearly 8.5% – from under 35,600 tonnes²² at the end of 2021 to approx. 38,600 tonnes²³ at the end of 2025. However, the trend towards gold accumulation clearly predated the immobilisation of CBR assets. Already in 2021, central banks recorded the twelfth consecutive year of net purchases of gold and their highest level in nearly 30 years.²⁴

Last but not least, the much larger increase in gold's share by market value reflects primarily the sharp appreciation of gold prices rather than an equivalent shift of reserves from currency into gold. In nominal terms, the gold price surged by around 60% and 30% in 2025 and 2024 respectively. By the end of 2025, gold accounted for around 27% of combined official foreign-

20 European Central Bank, *The International Role of the Euro*, June 2026 (Frankfurt am Main: European Central Bank, June 2026), <https://www.ecb.europa.eu/press/other-publications/ire/html/ecb.ire202606.en.html>

21 International Monetary Fund, "Global Foreign Exchange Reserves Trends," Currency Composition of Official Foreign Exchange Reserves (COFER), 1 July 2026, <https://data.imf.org/en/dashboards/cofer%20dashboard>

22 World Gold Council, "Central Banks and Other Institutions," *Gold Demand Trends: Full Year 2021*, 28 January 2022, <https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-full-year-2021/16761>

23 World Gold Council, "Gold Market Primer: Market Size and Structure," 1 April 2026, <https://www.gold.org/goldhub/research/market-primer/gold-market-primer-market-size-and-structure>.

24 World Gold Council, "Central Banks and Other Institutions."

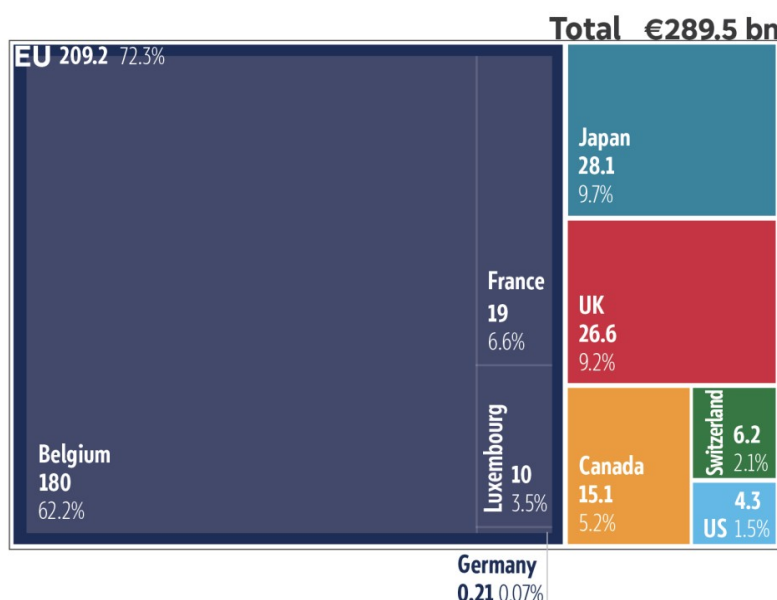
exchange and gold reserves, but the ECB estimates that, if gold were valued at end-2023 prices, its share would have been only around 16%²⁵.

The available evidence therefore points more towards an expansion and diversification of reserve portfolios than towards a wholesale substitution of euro- or dollar-denominated assets with gold or alternative reserve currencies. But even despite this, concerns about potential market disruption continue to be one of the main arguments used to oppose further steps towards the utilisation of immobilised CBR assets for Ukraine.

1.3. The Cost of Status Quo

Presently, not all immobilized CBR assets generate returns for Ukraine's needs. Only the funds held at the Belgian depository Euroclear, amounting to nearly €180 billion, have been generating returns for servicing the ERA Loan. The remaining approx. 40% CBR assets that were immobilized in other jurisdictions continue to sit idle, representing both a missed opportunity and an ongoing strategic failure.

Figure 1 – Frozen Russian assets: Main EU and non-EU jurisdictions, 2025 (€ billion)



Source: EPRS, data from [PISM](#), [Swiss Federal Government](#). For Luxembourg, where estimations vary from 'several billion euros to around €20 billion', the authors opted for a conservative figure (€10 billion).

Graph 2. Immobilized Russian Assets: Main EU and non-EU jurisdictions²⁶

Furthermore, the central securities depositories like Euroclear are not designed to actively manage large pools of capital for long-term growth. Their mandate is primarily custodial and inherently risk-averse. As a result, immobilised CBR assets held by Euroclear are reportedly largely maintained in highly liquid and low-risk instruments like overnight ECB deposits²⁷ that generate relatively modest returns. While these proceeds have provided an important source of

²⁵ European Central Bank, *The International Role of the Euro*, June 2026, sec. 1.1.

²⁶ Caprile, Peters, and Melo Almeida, *Confiscation of Immobilised Russian Sovereign Assets*.

²⁷ Reuters, "Fitch Places Euroclear Bank Rating on Watch Negative over EU's Russian Asset Plans," 16 December 2025, <https://www.reuters.com/business/finance/fitch-places-euroclear-bank-rating-watch-negative-over-eus-russian-asset-plans-2025-12-16/>

funding for Ukraine through mechanisms such as the windfall profits allocation and the ERA Loan, this approach falls far short of the long-term value that could potentially be generated through professional asset management within a dedicated investment vehicle.

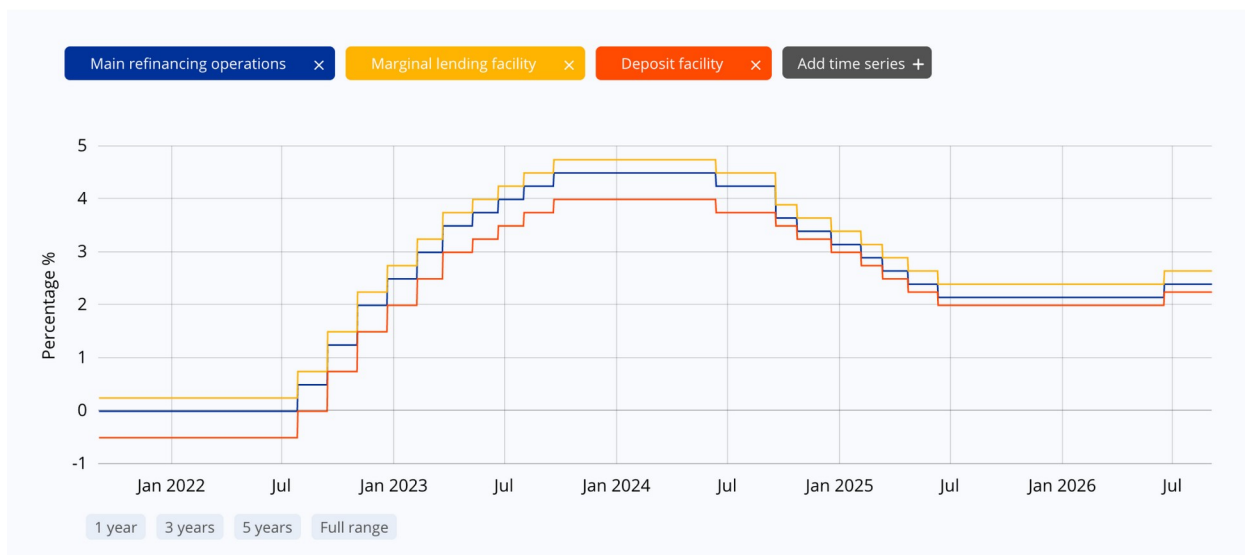
Year	Gross Interest Income on immobilized Russian assets, billion EUR	Amount Used for Ukraine's Needs, billion EUR	Destination of Funds
2022	0,794	0	Belgian Taxes Euroclear Risk Mitigation Buffers
2023	4,32	0	Belgian Taxes Euroclear Risk Mitigation Buffers
2024	6,88	4,01	Belgian Taxes Weapons for Ukraine Euroclear Risk Mitigation Buffers
2025	5,08	3,34	Belgian Taxes Servicing the ERA Loan European Peace Facility Euroclear Risk Mitigation Buffers
<i>First half of 2026</i>	2,3	1,4	Belgian Taxes Servicing the ERA Loan European Peace Facility Euroclear Risk Mitigation Buffers

Table 1. Euroclear's Performance on the Immobilized Russian Assets²⁸

The table shows that Euroclear's gross interest income on the immobilized Russian assets (including but not limited to the CBR assets) peaked in late 2023 – first half of 2024 when the ECB reached its highest interest rate levels, before starting to decline. And even current increase of the deposit rate to 2,50%²⁹ from September 16, 2026 in an ECB's attempt to balance present inflation against a weakening economy will not significantly boost Euroclear's incomes.

²⁸ Source: Author's calculations and compilation based on Euroclear data from *Annual Report 2023* (Brussels: Euroclear Holding SA/NV, 2024), <https://www.euroclear.com/content/dam/euroclear/investor-relations/annual-reports/2023/Documents/Euroclear%20Holding%20SA-NV%20Annual%20Report%202023%20-%20English.pdf>, *Annual Report 2025* (Brussels: Euroclear Holding SA/NV, 2026), https://www.euroclear.com/content/dam/euroclear/investor-relations/annual-reports/2025/AR2025_EH_conso_EN.pdf, "Euroclear Delivers Sustained Growth across Core Activities in H1 2026," 17 July 2026, <https://www.euroclear.com/newsandinsights/en/press/2026/mr-20-euroclear-h1-2026-results.html>

²⁹ European Central Bank, "Key ECB Interest Rates," accessed 10 September 2026, https://www.ecb.europa.eu/stats/policy_and_exchange_rates/key_ecb_interest_rates/html/index.en.html



Graph 3. Key ECB Interest Rates³⁰

The fact that passive management also carries risks is largely missing from the political debate. Holding a substantial share of the assets in cash, central bank deposits or other highly liquid, low-risk instruments entails different but also material long-term risks, including that:

- *Inflation gradually erodes the real value of capital.* A positive nominal return does not necessarily preserve the purchasing power of the assets if the return remains below inflation.
- *Returns on cash and central bank deposits depend heavily on monetary policy.* The assumption that such assets will continuously generate positive returns is contradicted by recent experience. The ECB maintained a negative deposit facility rate between 2014 and 2022³¹. The Bank of Japan applied a negative policy rate of -0.1% to part of financial institutions' central bank balances from 2016 until 2024³², while the Swiss National Bank maintained a rate as low as -0.75% for several years³³ in the early 2010s. A future period of very low or negative interest rates could therefore substantially reduce — or even reverse — the income generated by immobilised CBR cash balances under the current approach. In the case of assets held at Euroclear, this would also reduce the extraordinary revenues available to service the ERA Loans. For CBR assets immobilised at other financial institutions, where such revenues are not currently utilized for Ukraine, prolonged low or negative returns would erode the underlying capital.
- *Passive management entails a significant opportunity cost.* Capital that remains concentrated in cash and short-term instruments for decades forgoes the potential benefits of diversification and compound investment returns. Over a sufficiently long

³⁰ European Central Bank, "Key ECB Interest Rates," ECB Data Portal, <https://data.ecb.europa.eu/key-figures/ecb-interest-rates-and-exchange-rates/key-ecb-interest-rates>

³¹ European Central Bank, "Key ECB Interest Rates"

³² Bank of Japan, "How Have the Bank's Guidelines for Market Operations Changed?," accessed 10 September 2026, <https://www.boj.or.jp/en/about/education/oshiete/seisaku/b42.htm>

³³ Fritz Zurbrugg, "After the Minimum Exchange Rate: New Monetary Policy Challenges," speech at the Swiss National Bank Money Market Event, Zurich, 26 March 2015, Swiss National Bank, https://www.snb.ch/en/publications/communication/speeches/2015/ref_20150326_zur

horizon, even relatively small differences in annual real returns can produce substantial differences in the ultimate economic value of the assets.

Both active management and conservative investment involve risks. While active investment introduces market volatility, continued passive management leads to losses due to inflation, reinvestment and opportunity-cost risks and may substantially reduce the long-term economic value that can be generated from the assets in the light of Ukraine's existential need for long-term large sustainable funding.

1.4. Concentration Exposes Belgium To Russian Attacks

Another major risk remains excessive political exposure. Having the majority of the CBR assets placed in the Belgian depository Euroclear makes both the Belgian authorities and the institution's management vulnerable targets for Russian pressure and intimidation.

Russian intelligence have reportedly used direct threats and intimidation campaigns against Belgian political leaders, including the Prime Minister. The Guardian investigation points to a series of serious threats citing Bart De Wever saying that: "Moscow has let us know that in the event of a seizure, Belgium and I personally will feel the effects for eternity."³⁴ There were also cases of intimidation of key executives of Euroclear, including its CEO. Journalists revealed a "Bolshoi-loving banker" who was closely linked to Russia and had allegedly threatened the Euroclear CEO amid tense EU negotiations on frozen assets in late 2025.³⁵

Furthermore, Russian authorities also actively use lawfare and blackmail, announcing lawsuits against Euroclear in the Moscow courts and European institutions. Simultaneously, multiple "unidentified drones" were reported flying over Belgium's nuclear power plants, Belgian military facilities, Brussels' key airport Zaventem, Liege airport, and other critical infrastructure.³⁶

Keeping the majority of immobilised CBR assets concentrated at Euroclear would leave the institution, its management and the Belgian authorities continuously exposed to further legal, political and security pressure from Russia. The failure to adopt the EU Reparations Loan following Belgium's opposition may have reinforced Moscow's perception that such pressure can influence European decision-making. Reports of intimidation and alleged Russian intelligence activity targeting Belgian officials and Euroclear executives suggest that the risks associated with this concentration are not purely financial or legal. As long as decisions over the future of the assets depend disproportionately on a single institution and jurisdiction, Russia retains a clear incentive to continue targeting it. **Diversifying the institutional custody and management of the assets through a collectively governed European mechanism would therefore also constitute a form of risk-sharing, reducing the pressure currently concentrated on Euroclear and Belgium.**

³⁴ Dan Sabbagh and Jennifer Rankin, "Belgian Politicians and Finance Bosses Targeted by Russian Intelligence over Seized Assets," The Guardian, 17 December 2025, <https://www.theguardian.com/world/2025/dec/17/belgian-politicians-finance-bosses-targeted-russian-intelligence-seized-assets>

³⁵ Owen Carpenter-Zehe and Andrew Rettman, "Bolshoi-Loving Banker Threatened Euroclear CEO, amid EU Talks on Russian Assets," EUobserver, 8 December 2025, <https://euobserver.com/23635/bolshoi-loving-banker-threatened-euroclear-ceo-amid-eu-talks-on-russian-assets/>

³⁶ Iryna Krasnoshtan, *Russia's Undeclared "Phase Zero War" Against Europe*

2. THE UKRAINE FUND: FROM IMMOBILISATION TO STRATEGIC INVESTMENT

The strategic use of immobilised CBR assets for Ukraine offers a unique opportunity to finally break the cycle of Russia's impunity. Properly structured, these resources could simultaneously finance reconstruction, compensate victims, strengthen Ukraine's defence industrial base, mobilise private investment, support fiscal stability, and service war-related debt obligations.

Rather than constituting a one-time transfer, they could become a long-term source of resilience and growth for generations of Ukrainians.

In order to make better use of existing funding, indemnify Euroclear and Belgian authorities from the Russian blackmail and intimidation, it is therefore important to establish a dedicated special purpose vehicle, hereinafter the Ukraine Fund, and transfer approximately €290 billion in immobilised CBR assets into it.

Many of Ukraine's partners remain hesitant about the full confiscation of CBR assets due to legal, financial and political concerns. However, the establishment of the Ukraine Fund does not need to wait for the full resolution of this debate. Even prior to any decision on confiscation, transferring the immobilised assets into a dedicated Fund would allow Europe to better insulate them from future political shifts and changes of governments, while beginning to utilise the assets more effectively through professional long-term management and a broader range of financial instruments.

First, transferring the assets into a dedicated Fund would reduce the present concentration of legal, political, and security risks currently borne primarily by Belgium and institutions such as Euroclear. As long as the majority of assets remain concentrated within a single institution that was never meant to deal with the aftermath of the Russian-related sanctions, they create a unique pressure point that Russia has strong incentives to target.

Second, even now the assets could and should be used much more effectively than they are today. A dedicated Fund could optimize returns on cash balances, support additional financing mechanisms similar to the ERA Loan, facilitate reconstruction-backed borrowing, invest into Ukraine war bonds in case returns are not sufficient to cover Ukraine's needs before the principal can be used, and develop other financial instruments. In this way, the assets would begin generating strategic value immediately, rather than remaining largely dormant while political debates continue. Such a structure would enable professional asset management, generate investment returns, and create a transparent and rules-based framework for the long-term use of these resources.

Third, the transfer itself would represent an important political step towards just peace. It would help on the way towards implementing the principle that these assets are destined to serve Ukraine's recovery rather than eventually return to Russia, reducing the temptation to include them as a bargaining chip for any peace negotiations³⁷. By moving beyond passive

³⁷ Barak Ravid and Dave Lawler, "Trump's Full 28-Point Ukraine-Russia Peace Plan," *Axios*, 20 November 2025, <https://www.axios.com/2025/11/20/trump-ukraine-peace-plan-28-points-russia>.

immobilisation, partners would demonstrate that with Russia's ongoing destruction of Ukraine, the previous status quo is no longer the baseline.

In addition, the Ukraine Fund could also have an important deterrence effect. Russia's strategy relies in part on the expectation that it can outlast Ukraine and its partners — that Western financial support will eventually weaken, Ukraine's economic capacity will deteriorate, and renewed aggression may therefore become profitable again. A permanently capitalised Ukraine Fund would weaken this assumption by demonstrating that Ukraine has access to substantial financial resources for reconstruction, resilience and defence over decades rather than electoral or annual budget cycles. In this sense, the Fund would contribute to deterrence by denial: it would make both the continuation and future resumption of aggression less likely to deliver the strategic gains Russia seeks. The stronger and more predictable Ukraine's long-term financial capacity becomes, the weaker the incentive to pursue a strategy based on exhaustion, destruction and waiting for Western support to collapse.

Finally, the Fund will be the foundation of the institutional, governance, and investment infrastructure necessary to manage all reconstruction aid beyond the CBR assets effectively in the future. Rather than waiting for a final settlement or confiscation decision, Europe and Ukraine must begin building the architecture that will eventually administer reconstruction financing, compensation mechanisms, investment platforms, and debt-servicing instruments.

2.1 Legal Pathways for the Transfer of CBR Assets

Several avenues have been developed by prominent legal and financial scholars to legally complete the transfer of the CBR assets to a new entity. They are best understood as answers to three distinct questions, which it is useful to keep apart.

The first is a question of international law: on what ground may the States that hold the assets of a foreign central bank lawfully move them at all? The answer is the doctrine of countermeasures.

The second is a question of European and national law: through which instrument is that international entitlement given concrete effect inside the Union — a corporate restructuring under company law (the “bad bank”), or a direct act of the Union's own institutions (a special-purpose vehicle established under the Treaty)?

The third is a question of implementation: how is a measure that must be taken by many States acting together actually put into effect across the European Union and the other jurisdictions that hold CBR assets?

This section addresses each in turn. **Throughout, the organising principle is the same and deserves to be stated at the outset: what is proposed at this stage is transfer, not confiscation.** Legal title to the assets remains with the Russian Federation; only their custody and economic use pass to the Ukraine Fund. It is this that keeps the measure politically acceptable to many partners who remain hesitant about outright seizure.

2.1.1 The legal foundation: countermeasures by third states

The lawful basis on which any State that holds CBR assets may move them at all, as has been professionally laid down by a group of top international law professors led by Philip Zelikow

since 2022³⁸ is the customary international law of State responsibility, codified in the 2001 Articles on Responsibility of States for Internationally Wrongful Acts (ARSIWA), adopted by the United Nations International Law Commission.³⁹ Article 22 of ARSIWA provides that the wrongfulness of an act not in conformity with an international obligation is precluded if, and to the extent that, the act constitutes a countermeasure taken against the responsible State.

A countermeasure is thus conduct that would otherwise be unlawful — here, dealing with another State's property against its will — which the law treats as lawful because it is a measured response to that State's own continuing breach, taken to induce the wrongdoer to cease and to make reparation. The detailed conditions are set out in Articles 49 to 53, and their authoritative reading in the Commentaries of the International Law Commission.⁴⁰

Two features of Russia's conduct determine who may respond. First, the prohibition of aggression is a peremptory norm of general international law (*jus cogens*), and a manifest breach of it is a "serious breach" within the meaning of Articles 40 and 41 ARSIWA, which oblige all States to cooperate to bring the breach to an end and not to recognise as lawful the situation it creates. Second, the obligation breached is owed not to Ukraine alone but to the international community as a whole — an obligation *erga omnes*, as the International Court of Justice held in *Barcelona Traction*⁴¹ and reaffirmed in its advisory opinion on the Wall.⁴² ARSIWA reflects this in the distinction between the injured State, which invokes responsibility under Article 42, and States other than the injured State, which under Article 48(1)(b) may invoke responsibility where the obligation breached is owed to the international community as a whole. The States holding the CBR assets fall into the second category, and Article 54 ARSIWA expressly preserves their right to take lawful measures against the responsible State to secure cessation and reparation in the interest of the injured State.

The coordinated immobilisation of Russia's reserves by dozens of States since 2022 is itself an exercise of that entitlement, and the transfer would carry it one step further.

ARSIWA subjects countermeasures to a precise set of conditions, and it is worth setting them out article by article, because each is satisfied here. Under Article 49, a countermeasure may be taken only to **induce the responsible State to comply with its obligations** (Article 49(1)); it is limited to the non-performance for the time being of obligations towards that State (Article 49(2)); and it must, as far as possible, be reversible and permit the resumption of performance of the obligations in question (Article 49(3)). Article 51 requires that countermeasures be commensurate with the injury suffered, taking into account the gravity of the wrongful act — the proportionality test applied by the arbitral tribunal in the *Air Services Agreement* case⁴³ and

³⁸ On Proposed Countermeasures Against Russia to Compensate Injured States for Losses Caused by Russia's War of Aggression Against Ukraine. Research papers, IISS. May 24, 2024. <https://www.iiss.org/research-paper/2024/05/on-proposed-countermeasures-against-russia-to-compensate-injured-states-for-losses-caused-by-russias-war-of-aggression-against-ukraine/>

³⁹ Articles on Responsibility of States for Internationally Wrongful Acts, International Law Commission, 2001, https://legal.un.org/ilc/texts/instruments/english/draft_articles/9_6_2001.pdf

⁴⁰ International Law Commission, Commentaries to the Articles on Responsibility of States for Internationally Wrongful Acts, Yearbook of the ILC, 2001, vol. II(2), https://legal.un.org/ilc/texts/instruments/english/commentaries/9_6_2001.pdf

⁴¹ *Barcelona Traction, Light and Power Company, Limited (Belgium v. Spain)*, International Court of Justice, 1970, <https://www.icj-cij.org/case/50>

⁴² *Legal Consequences of the Construction of a Wall in the Occupied Palestinian Territory*, International Court of Justice, Advisory Opinion, 2004, <https://www.icj-cij.org/case/131>

⁴³ *Air Services Agreement of 27 March 1946 (United States v. France)*, Arbitral Award of 9 December 1978, Reports of International Arbitral Awards, vol. XVIII, https://legal.un.org/riaa/cases/vol_XVIII/417-493.pdf

by the International Court of Justice in the Gabčíkovo-Nagymaros Project.⁴⁴ Article 50 places certain obligations beyond the reach of countermeasures altogether: they may not affect the prohibition on the threat or use of force, obligations for the protection of fundamental human rights, obligations of a humanitarian character prohibiting reprisals, or other peremptory norms (Article 50(1)), nor the applicable dispute-settlement procedures or the inviolability of diplomatic and consular agents (Article 50(2)). Article 52 governs the procedure: the injured or interested State must first call upon the responsible State to fulfil its obligations (Article 52(1)(a)) and notify it of any decision to take countermeasures, offering to negotiate (Article 52(1)(b)), subject to such urgent countermeasures as are necessary to preserve its rights (Article 52(2)). And Article 53 requires that countermeasures be **terminated as soon as the responsible State has complied** with its obligations.

Applied to the CBR assets, these conditions are comfortably met. As to **proportionality** (Article 51), the measure is judged against the injury Russia has caused, not against the value of the assets touched: Ukraine's reconstruction and recovery needs are assessed by the World Bank group, United Nations, European Commission et al. at some \$588 billion and continue to rise,⁴⁵ so that the losses long ago exceeded the roughly €290 billion of immobilised assets and a passive immobilisation has ceased to be a sufficient response. As to **purpose** (Article 49(1)), the measure is directed at inducing Russia to end the aggression and pay the compensation it owes. As to **procedure** (Article 52), the years of resolutions and formal demands that Russia cease and make reparation may be interpreted as satisfying the requirements of prior demand and notification many times over.⁴⁶ The absolute limits of Article 50 are respected, since the measure harms no person, threatens no one and involves no force; and, by Article 53, it is designed to end the moment Russia complies. This means that, once Russia ceases its aggression and proceeds to settle its reparation obligations, Ukraine and third parties invoking countermeasures should either return an amount equivalent to the principal used against an equal amount of reparations paid by Russia, or net the amount of principal already used against the total reparations due from Russia, thereby reducing Russia's outstanding reparation obligation by the corresponding amount.

It is also fitting the **reversibility requirement** of Article 49(3) that shapes the design proposed here and explains why the correct measure is transfer rather than confiscation. Immobilisation was a proportionate countermeasure at the outset of the war; outright confiscation, however, sits uneasily with the requirements that a countermeasure be, so far as possible, reversible and aimed at inducing compliance rather than at punishment. The transfer of the assets into a dedicated fund, while legal title remains with the Russian Federation and the assets are deployed so as to be netted against Russia's own reparation debt, satisfies Article 49(3) squarely: the position can be restored or set off in full if Russia complies with its established international obligations. In practice, any principal deployed by the Fund would either be replenished from reparations subsequently paid by Russia or set off against Russia's outstanding reparation obligation by an equivalent amount. This preserves the reversibility of the measure while ensuring that Russia is neither deprived of value beyond the amount of reparations due nor

⁴⁴Gabčíkovo-Nagymaros Project (Hungary/Slovakia), International Court of Justice, Judgment of 25 September 1997, <https://www.icj-cij.org/case/92>

⁴⁵World Bank Group, Government of Ukraine, European Commission and United Nations, Ukraine Rapid Damage and Needs Assessment, <https://www.worldbank.org/en/country/ukraine>

⁴⁶United Nations General Assembly, "Furtherance of Remedy and Reparation for Aggression against Ukraine", A/RES/ES-11/5, 14 November 2022, <https://docs.un.org/en/A/RES/ES-11/5>

required to pay twice for the same damage. It also aligns the measure with the objective that the law of State responsibility identifies as the ultimate remedy for the internationally wrongful act — reparation. Under Articles 31 and 34–37 ARSIWA, a responsible State is under an obligation to make full reparation, through restitution and, insofar as restitution is impossible, compensation. Directing Russia’s own resources towards Ukraine’s recovery, while crediting the amounts used against Russia’s corresponding compensation obligation, therefore links the deployment of the assets directly to the reparation obligation arising from Russia’s internationally wrongful conduct.

2.1.2 The corporate pathway: a “bad bank”

The first way to give this countermeasure concrete effect inside the EU requires no new legal instrument; it adapts a technique European States used repeatedly during the 2008-2014 financial and sovereign-debt crisis. Impaired or otherwise problematic assets were removed from the balance sheet of a credit institution and transferred, together with the liabilities associated with them, to a separate entity created for that sole purpose — an “asset-management company”, or “bad bank”. This idea is actively promoted by the prominent FT journalist Martin Sandbu.⁴⁷

Ireland’s National Asset Management Agency,⁴⁸ Spain’s SAREB (established as a condition of the June 2012 Eurogroup assistance) and the German wind-down agencies FMS Wertmanagement and Erste Abwicklungsanstalt each acquired, managed and gradually disposed of large pools of assets on this model. Applied to the CBR assets, the same technique would carve the Russian pool out of Euroclear into a ring-fenced entity (“Euroclear-2”) and sell that entity to the Ukraine Fund controlled by the international governmental coalition releasing Euroclear and Belgium from a concentrated legal and reputational risk while keeping the assets within the EU.

At the EU level the operation is governed less by any power of the European Central Bank than by the law of State aid and the ordinary supervisory rules. The crisis vehicles were authorised by the European Commission under Article 107(3)(b) of the Treaty on the Functioning of the European Union (TFEU),⁴⁹ which permits aid to remedy a serious disturbance in the economy of a Member State, on the terms of the Commission’s Impaired Assets Communication of 2009,⁵⁰ the Banking Communication of 2013 and the Bank Recovery and Resolution Directive (Directive 2014/59/EU).⁵¹ The analysis here is, if anything, simpler than in those cases: the CBR assets are not economically impaired at all — more than 90% of the original securities have matured and the proceeds are held as cash — so their “toxicity” is purely legal and reputational, and much of the operation involves no aid, since the assets pass at their own-funds value. But the procedural path, notification to and a decision by the Commission, is the same well-worn one.

⁴⁷ A ‘bad bank’ can solve Europe’s Russian assets conundrum: <https://www.ft.com/content/28a975a6-8a17-4321-beb8-b70893d6bb9d?syn-25a6b1a6=1>

⁴⁸ National Asset Management Agency Act 2009 (Ireland), <https://www.irishstatutebook.ie/eli/2009/act/34/enacted/en/html>

⁴⁹ Treaty on the Functioning of the European Union (consolidated version), Article 107(3)(b), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:12016E/TXT>

⁵⁰ Communication from the Commission on the treatment of impaired assets in the Community banking sector, OJ C 72, 26 March 2009, [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52009XC0326\(01\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52009XC0326(01))

⁵¹ Directive 2014/59/EU of the European Parliament and of the Council (Bank Recovery and Resolution Directive), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0059>

The carve-out itself is a matter of Belgian company law, for which the Code of Companies and Associations of 23 March 2019 (the “CAC”) supplies the tools.⁵² Its Book 12, on the restructuring of companies, offers two mechanisms suited to the operation. The first is the contribution of a branch of activity (“*inbreng van een bedrijfstak*” / “*apport de branche d’activité*”), by which a company transfers a self-contained set of assets and liabilities to another company in exchange for shares, the transfer taking effect by operation of law; unlike a merger or a full demerger, it is decided by the management body rather than the general meeting (Article 12:1 CAC), and only the deed of contribution need be drawn up in authenticated form (Article 12:103 CAC). The second is the partial demerger, now expressly recognised in the CAC as a “transaction treated as a demerger”, by which part of a company’s assets and liabilities passes by operation of law to a recipient company. Under either mechanism Euroclear would define the immobilised CBR balances and the matching liability to account for them as the branch to be transferred to Euroclear-2, whose only asset would be the money and whose only liability the duty to account for it, leaving the rest of Euroclear’s business, and the unrelated participants in its settlement system, untouched.

Belgian law also protects creditors in such a restructuring, and this is a feature rather than an obstacle. Under Book 12 of the CAC, the creditors of the companies involved may, within a fixed period after publication of the restructuring proposal, demand additional security for claims that are not yet due, and, if they are not satisfied, may oppose the operation before the President of the competent Enterprise Court; the notary before whom the deed is passed must verify that these formalities have been observed.⁵³ Because Euroclear-2 takes both the Russian assets and the matching liability, the ordinary creditors of Euroclear are neither prejudiced nor exposed, and their position is unchanged. The one party with a genuine interest in objecting is Russia itself, and its ability to do so is precisely what the sanctions law and the Article 122(1) regulation described below are designed to remove, so that the carve-out can be completed on a fixed timetable rather than being held hostage to litigation.

The sale of Euroclear-2 to the Fund is not an open-market auction but a supervised change of control. Because Euroclear-2 is a credit institution, the acquisition of a “qualifying holding” in it must first be approved under the Capital Requirements Directive (Directive 2013/36/EU): Article 22 requires prior notification of the proposed acquisition, and Article 23 sets the five assessment criteria against which the authority must judge the proposed acquirer — its reputation; the reputation, knowledge, skills and experience of those who will direct the institution; its financial soundness; whether the institution will continue to satisfy its prudential requirements; and whether there are reasonable grounds to suspect money laundering or terrorist financing.⁵⁴ Within the Single Supervisory Mechanism, and for a bank in the euro area, that decision is taken by the European Central Bank and prepared by the National Bank of Belgium as national supervisor, under Article 4(1)(c) and Article 15 of the SSM Regulation (Regulation (EU) No 1024/2013).⁵⁵ A vehicle owned and capitalised by European and partner governments and professionally managed satisfies each criterion, so the

⁵²Wetboek van vennootschappen en verenigingen / Code des sociétés et des associations of 23 March 2019, Belgian Official Journal, 4 April 2019, Book 12 (Restructuring of companies), <https://www.ejustice.just.fgov.be/eli/wet/2019/03/23/2019A40586/justel>

⁵³Code of Companies and Associations, Book 12 (creditor-protection regime in restructuring operations), as amended following the transposition of Directive (EU) 2019/2121, <https://www.ejustice.just.fgov.be/eli/wet/2019/03/23/2019A40586/justel>

⁵⁴Directive 2013/36/EU (Capital Requirements Directive), Articles 22–23, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013L0036>

approval is a scheduled administrative step rather than a contested commercial process. Were Euroclear-2 to retain any securities-settlement function, the parallel qualifying-holding regime of the Central Securities Depositories Regulation (Regulation (EU) No 909/2014, Article 27) would apply in addition.⁵⁶ In practice the entity can be confined to holding the balances, so that this question is minimised. The price needs to cover only the funds necessary for litigation and other determined risks — the indemnity for Euroclear and Belgium.

Once in the Fund's hands, the principal is invested and, in effect, lent to Ukraine on a limited-recourse basis, so that the deployment amounts to an advance against Russia's compensation obligations. **Even if Russia or the CBR were to prevail in litigation over Euroclear-2, they would inherit a single asset — a loan claim on Ukraine that falls due only if Russia pays reparations** — and so would in substance hold a claim against themselves, left with the choice of paying reparations and recovering the loan, or netting the transferred value against the reparations owed. The title never leaves Russia, and the measure remains reversible.

The chief practical difficulty is that the leadership of the European Central Bank has been opposing the EU actions regarding the CBR assets. But within the Single Supervisory Mechanism (SSM) the ECB is a supervisor, not the author of the policy: Euroclear is a “less significant” institution (according to the classification of supervised entities provided for in the SSM Regulation) supervised day-to-day by the National Bank of Belgium, and the ECB's role is confined to granting Euroclear-2 its licence and approving the change of control. The compulsion to carry out the operation, and the protection of the custodian, come not from the ECB but from a Council of the EU act.

A related question is where the Fund itself should be located, since it must be able to hold a controlling stake in a bank, admit several governments and deploy the assets. Several homes are possible, and the choice is as much political as legal. Belgium is where the assets and Euroclear-2 sit, which minimises cross-border and conflict-of-laws friction, but it concentrates still more exposure on the Member State least willing to bear it. France and Germany offer deep capital markets and, for Frankfurt, proximity to the supervisor, but each is politically conspicuous. A two-tier design — a regulated layer where the assets are, and an investment layer wherever the fund tooling is best — can combine the advantages. Because the willingness of the host State to carry residual risk is decisive, this paper does not recommend a single jurisdiction; the domicile is best settled by the participating governments as part of the overall bargain on risk-sharing, and kept open until that bargain is struck.

2.1.3 The direct pathway: establishment of the SPV by an EU act

The second pathway constitutes the Fund not through a corporate transaction but directly and solely by an act of the Union's own institutions providing not just the general demand on transferring assets but also the mechanics of establishing the Fund and details on its activities, so its distinguishing feature is therefore the legal basis of establishment. This idea was developed and is advocated by the prominent lawyers - Lee Buchheit, Daleep Singh and British journalist and entrepreneur Hugo Dixon.

⁵⁵Council Regulation (EU) No 1024/2013 (SSM Regulation), Article 4(1)(c) and Article 15, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R1024>

⁵⁶Regulation (EU) No 909/2014 (Central Securities Depositories Regulation), Article 27 (qualifying holdings in a central securities depository), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014R0909>

The instrument is a Council of the EU regulation resting on Article 122(1) TFEU, under which the Council, on a proposal from the Commission and in a spirit of solidarity between Member States, may decide upon the measures appropriate to the economic situation.

Two features make Article 122(1) the right basis. It is adopted by qualified majority, escaping the unanimity that has repeatedly left the sanctions hostage to a single government; and it is designed for temporary, exceptional responses to an economic emergency, which is what the immobilisation and transfer of the aggressor's reserves — to spare the Union's own budget and fund a partner's recovery — plainly are. This is not untested: in December 2025 the Council used Article 122 to place the general immobilisation of the CBR assets on a firmer footing than the Common Foreign and Security Policy sanctions mechanism,⁵⁷ a step so consequential that the CBR itself brought an action before the General Court of the European Union to challenge it.⁵⁸

Article 122 has become the Union's principal emergency provision. It underpinned the European Financial Stabilisation Mechanism in 2010 (Regulation (EU) No 407/2010),⁵⁹ the SURE employment-support instrument (Regulation (EU) 2020/672)⁶⁰ and the European Union Recovery Instrument that financed NextGenerationEU (Regulation (EU) 2020/2094)⁶¹ during the pandemic, the emergency energy measures of 2022 (Regulation (EU) 2022/1854)⁶² and the SAFE defence-loans instrument of 2025 (Regulation (EU) 2025/1106),⁶³ as well as the December 2025 immobilisation. Its limits are nonetheless real and must be respected. In *Pringle* the Court of Justice held that Article 122 cannot find a permanent mechanism (Case C-370/12),⁶⁴ so the immobilisation and transfer must be framed as a temporary and exceptional measure, kept under review and capable of being lifted. Article 352 TFEU, the general "flexibility" clause, is not an alternative, because it requires unanimity and would restore the very veto that Article 122(1) removes.

Because the operation has two legal characters, it is best carried by two linked instruments rather than forced into one. The immobilisation, transfer and protection of the assets, as an emergency measure governing assets inside the Union, rest on Article 122(1) TFEU. The financial assistance to Ukraine as a third country — the loan backed by Russian reparation and the relationship with Kyiv — rests on Article 212 TFEU, the basis of the Ukraine Facility (Regulation (EU) 2024/792)⁶⁵ and of the €90 billion loan of December 2025; where a budgetary guarantee is required, Articles 311 and 312 TFEU, on own resources and the multiannual

⁵⁷Council Regulation (EU) 2025/2600 concerning the immobilisation of the assets of the Central Bank of Russia, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L_202502600

⁵⁸"Russian Central Bank sues EU for immobilising €210 billion in assets", Euronews, 3 March 2026, <https://www.euronews.com/my-europe/2026/03/03/russian-central-bank-sues-eu-for-immobilising-210-billion-in-assets>

⁵⁹Council Regulation (EU) No 407/2010 establishing a European Financial Stabilisation Mechanism, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32010R0407>

⁶⁰Council Regulation (EU) 2020/672 (SURE), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R0672>

⁶¹Council Regulation (EU) 2020/2094 establishing a European Union Recovery Instrument, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R2094>

⁶²Council Regulation (EU) 2022/1854 on an emergency intervention to address high energy prices, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022R1854>

⁶³Regulation (EU) 2025/1106 (Security Action for Europe, SAFE), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32025R1106>

⁶⁴Case C-370/12 *Pringle v Government of Ireland*, Court of Justice of the European Union, 27 November 2012, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:62012CJ0370>

⁶⁵Regulation (EU) 2024/792 establishing the Ukraine Facility, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32024R0792>

financial framework, are engaged. The end result is the same as under the corporate pathway — the assets are partly invested in a reparation loan, and partly – to profit-making assets, Russia retains title, and its own resources are put to work in the service of its own obligation under international law — but the Fund is constituted by a European legislative act rather than by a company-law transaction, and that is the essential difference between the two models.

Because the immobilisation of the assets began life as a sanction, the most natural alternative to Article 122(1) is to build the transfer on the same basis as the sanctions themselves — the Common Foreign and Security Policy (CFSP). The immobilisation of the Russian reserves rests on a CFSP decision of the Council under Article 29 of the Treaty on European Union (TEU),⁶⁶ implemented, so far as it binds economic operators, by a regulation under Article 215 TFEU. On this route the transfer would be cast as a further restrictive measure: a CFSP decision would authorise moving the assets into the Fund, and an Article 215 regulation would carry it into effect. The attraction is continuity, and the route frames the act unambiguously as a foreign-and security-policy response to Russia's aggression. It is striking, however, that the Union has in fact moved in the opposite direction: the December 2025 regulation deliberately shifted the immobilisation from the CFSP (sanctions) mechanism onto Article 122. Understanding why is the key to the correlation between the two bases.

The two bases differ in three respects that matter. The first, and decisive, is the decision rule. A CFSP decision under Article 29 TEU requires unanimity in the Council, so that a single government can block it or refuse to renew it — exactly the vulnerability that repeatedly threatened the six-monthly renewal of the sanctions, and exactly what the move to Article 122(1), which operates by qualified majority, was designed to overcome. The regulation implementing the CFSP decision under Article 215 TFEU is itself adopted by a qualified majority but it cannot exist without the unanimous CFSP decision itself behind it, so the unanimity bottleneck remains.

The second is scope and purpose. The CFSP and Article 215 basis is designed for restrictive measures — immobilisation, prohibiting, restricting — not for constituting a fund, holding a bank and lending to a third country; stretching it to cover the mobilisation of the assets and the assistance to Ukraine would invite challenge, and the assistance limb would in any event still require Article 212 TFEU.

The third concerns the character of the measure: framing the transfer as a “sanction” rather than as a distinct economic-emergency measure and countermeasure risks entangling it with the contested question whether sanctions may extend to the outright deprivation of property — the very debate that the transfer-not-confiscation design is meant to avoid.

The better course, and the one this paper recommends, is therefore not to choose the CFSP over Article 122 but to let each of the legal modes do its proper work. The CFSP framework should continue to maintain the underlying sanctions and the designation of Russia and the CBR — the predicate on which everything else rests. Article 122(1), by qualified majority, should carry transfer, as it already carries the immobilisation. And Article 212 should carry the assistance to Ukraine. The CFSP basis for the transfer itself is available and not unarguable; but it is the second-best route, and its unanimity requirement alone is reason enough to prefer Article 122(1).

⁶⁶Treaty on European Union (consolidated version), Article 29, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:12016M/TXT>

2.1.4 Putting the countermeasure into effect: international and national instruments

A countermeasure of this scale is not the act of one state but of many acting together, and its lawfulness partly depends on that concerted character. A practical question therefore arises: by what instrument is the countermeasure taken, and how is it coordinated among the European Union and the other jurisdictions that hold Russian assets?

Three levels of decision must fit together. At the top sits the common political decision of the coalition. The most likely — and the fastest — vehicle for it is a coordinated declaration by the European and preferably also G7 and other asset-holding States, setting out the shared legal position, namely that the transfer is a lawful collective countermeasure in response to Russia's aggression, and the agreed design of the Ukraine Fund. Such a declaration is not itself legally binding, but it establishes the concerted action on which the legality of a third-party countermeasure partly depends, and it gives each jurisdiction the mandate to legislate. It also showed its practical efficiency giving birth to the ERA Loan in 2024.

Whether a firmer foundation than a declaration is required is a question of degree. An international agreement among the participating States — establishing the Fund, its governance and the mutual recognition of each other's measures — would be the most robust and durable instrument, but it is also the slowest, because it must be negotiated and ratified, and it should not be allowed to hold up the measures that can be taken now. The recommended course is therefore to combine the three: a coalition declaration to establish the common countermeasure and unlock legislation quickly; binding legal acts at the European Union and national levels to carry it into effect; as for the non-EU participants of the Fund the involvement should be established through an intergovernmental agreement with the EU to give the Fund a durable multilateral footing. The basic decision, in short, is political and collective; its binding force comes from the legal acts that implement it.

At the level of the European Union, the operative acts are those described above: a Council of the EU regulation under Article 122(1) TFEU to immobilise and authorise the transfer of the assets and to carry the shield against the enforcement of Russian claims, and an instrument under Article 212 TFEU for the assistance to Ukraine, supported where necessary by the budgetary provisions of Articles 311 and 312 TFEU and, for any Member State unwilling to take part, by enhanced cooperation under Article 20 TEU — the device already used for the €90 billion loan of December 2025. These are Union acts, binding in every Member State, and they do the heavy lifting for the great majority of the assets, which sit within the Union: some €180–190 billion of the roughly €290 billion is held at Euroclear in Belgium alone.

At the national level, three kinds of steps are required. In Belgium, the EU decisions shall be implemented through the company-law carve-out of the assets from Euroclear, regardless of the legal pathway chosen, and the associated supervisory approvals are matters of Belgian and, for the licence and the change of control, Union supervisory law. In the other Member States, the collective guarantees and any national implementing or budgetary measures are enacted domestically. And in the non-EU States that hold Russian assets — the United States, the United Kingdom, Canada, Japan, Switzerland and others — each acts through its own legislation to move the assets within its jurisdiction into the common structure or into a coordinated parallel vehicle. Two such States have already legislated: the United States,

through the REPO for Ukrainians Act,⁶⁷ and Canada, through its Special Economic Measures Act, which now provides for the seizure and forfeiture of the assets of sanctioned States.⁶⁸ The coalition's task is to keep these measures consistent in design and proportionate in scale, so that they read together as the concerted response of many injured and interested States rather than as a series of unilateral acts — which is not only politically stronger but legally important, since it is the collective character of the response that most firmly grounds the countermeasure.

None of these pathways involves full confiscation, only the transfer which is what makes them acceptable to partners; each centres on compelling Russia to respect its obligation to compensate Ukraine while putting the assets to better use in the meantime. The two domestic models are not rivals but components of a single operation: the Article 122(1) regulation supplies the authority, the compulsion and the enforcement shield, while the corporate carve-out most fully relieves Belgium and Euroclear. Used together, and set in motion by the coordinated action of the coalition, they offer the most robust route to the transfer. What matters, finally, is that the assets should not become a one-off pool of money to be exhausted on immediate budgetary needs, but a durable, long-term financial guarantee for Ukraine's recovery and Europe's security.

2.2. Norway Case Study: Professional Asset Management and the Power of Compound Returns

The Government Pension Fund of Norway – hereinafter GPFNG – demonstrates that active long-term management of assets can generate capital far exceeding the original resource base, providing for sufficient resources for generations to come.

2.2.1. Governance and Management

One of the key strengths of the Norwegian model⁶⁹ is the clear separation between political oversight, strategic decision-making, and the professional management of assets.

The GPFNG belongs to the Norwegian people and operates within a legal framework established by the Norwegian Parliament (Storting). The Ministry of Finance holds formal responsibility for the Fund and determines its overall investment mandate, including the strategic asset allocation, benchmark indices, acceptable levels of risk, reporting requirements, and responsible investment framework. Major decisions affecting the Fund's risk profile are subject to political consideration and parliamentary scrutiny.

Operational asset management, however, is deliberately separated from the political authorities. The Ministry of Finance has delegated the management of the Fund to Norges Bank, Norway's central bank. The Executive Board of Norges Bank is responsible for the overall management framework and has delegated day-to-day investment management to Norges Bank Investment Management (NBIM), a specialised investment management organisation within the central bank. Importantly, Norges Bank makes individual investment decisions and exercises ownership rights independently of the Ministry of Finance.

⁶⁷Rebuilding Economic Prosperity and Opportunity for Ukrainians ("REPO for Ukrainians") Act, enacted as part of Public Law 118-50 (2024), <https://www.congress.gov/118/plaws/publ50/PLAW-118publ50.htm>

⁶⁸Special Economic Measures Act (Canada), R.S.C. 1992, c. 17, as amended, <https://laws-lois.justice.gc.ca/eng/acts/s-14.5/>

⁶⁹Norges Bank Investment Management, "Governance Structure," <https://www.nbim.no/en/about-us/about-the-fund/governance-structure/>.

NBIM operates as a professional institutional investor. Within the strategic framework established by the Ministry of Finance and the risk limits established by Norges Bank, investment responsibilities are further delegated to professional portfolio managers. This creates a chain of delegation in which political institutions determine the Fund's objectives and acceptable level of risk, while investment professionals determine how the portfolio should be managed within those parameters. The model also incorporates segregation between investment management, trading, operations, risk management and compliance functions.

The Norwegian model therefore combines democratic legitimacy with operational independence. Political authorities determine what the Fund is expected to achieve and how much risk it may assume, while professional asset managers determine how these objectives should be implemented in financial markets. This separation helps protect long-term investment decisions from short-term political interference while maintaining clear public accountability.

2.2.2. GPF Performance

As of September 2026, the GPF total value reached record high NOK 22,695 billion⁷⁰ (approx. €2.01 trillion at the exchange rate of September 3, 2026: EUR 1 = NOK 10.81⁷¹). Total government contributions from oil and gas revenues amounted to NOK 5,509 billion (approx. €509.6 billion), while cumulative investment returns reached NOK 15,210 billion (approx. €1.4 trillion)⁷² or 2.7 times the total capital ever contributed. NOK 1,965 billion (approx. €187 billion) came from currency⁷³.

As of 2026, the Fund's investment portfolio is structured as follows: 72.1% equities, 25.8% fixed-income securities, 1.6% real estate, and 0.5% renewable energy infrastructure⁷⁴, allowing the Fund to deliver an average annual return of 6.9% between 1998 and first half of 2026⁷⁵, with compound interest increasingly amplifying the Fund's value over time.

Under Norway's fiscal rule, the government may spend no more than 3% of the Fund's value annually through the state budget, while the remaining returns are retained and reinvested to preserve the fund's long-term value for future generations.

As seen in the graph 4, while for the first 10 years the fund was replenished primarily through revenue from oil and gas sales (black), in recent years investment income has significantly exceeded oil revenues (blue). Critically, it took the Fund approximately 18 years for investment returns to match accumulated inflows, after which returns began growing exponentially, with the most dramatic gains recorded over the last decade.

⁷⁰ Norges Bank Investment Management, "All Investments," accessed 3 September 2026, <https://www.nbim.no/en/investments/all-investments/>

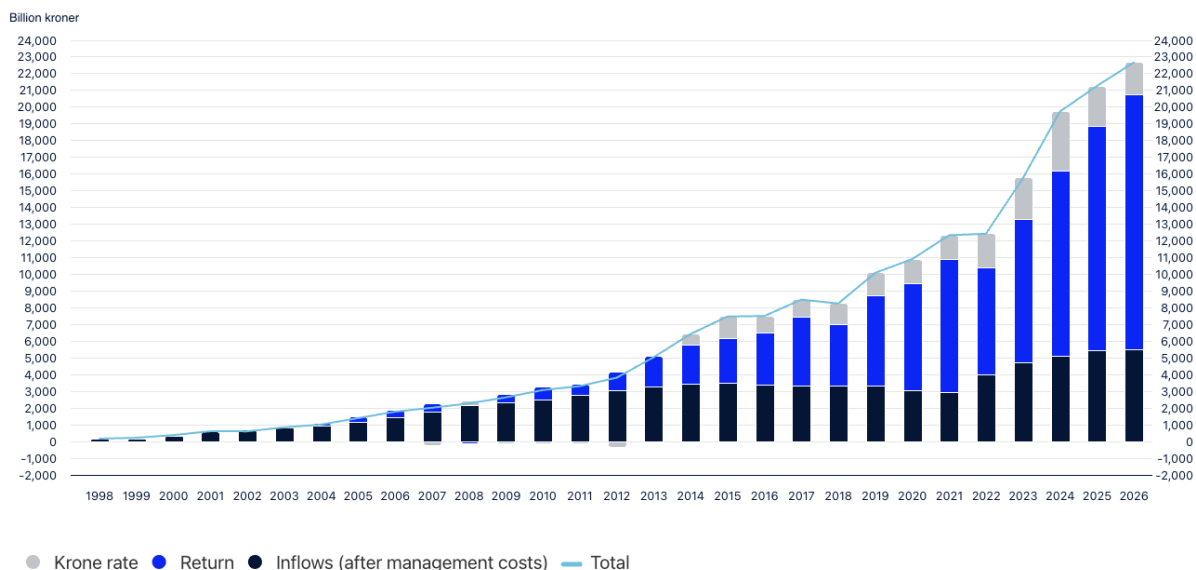
⁷¹ European Central Bank, "Norwegian Krone (NOK): ECB Euro Reference Exchange Rate," accessed 3 September 2026, https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/eurofxref-graph-nok.en.html

⁷² Norges Bank Investment Management, "Returns," accessed 3 September 2026, <https://www.nbim.no/en/investments/returns/>.

⁷³ Norges Bank Investment Management, "The Fund's Value," accessed 3 September 2026, <https://www.nbim.no/en/investments/the-funds-value/>

⁷⁴ Norges Bank Investment Management, "All Investments"

⁷⁵ Norges Bank Investment Management, "Returns"



Graph 4. Assets of the GPF of Norway⁷⁶

Nicolai Tangen, NBIM CEO, considers that this exceptional historical performance of the GPF was both the consequence of good decisions but also “a great deal of luck”. In his speech at the Arendalsuka event on August 11, 2026, he offered a cautionary assessment, concluding that his job was to remind everyone that we cannot rely on the future being just as bright.⁷⁷

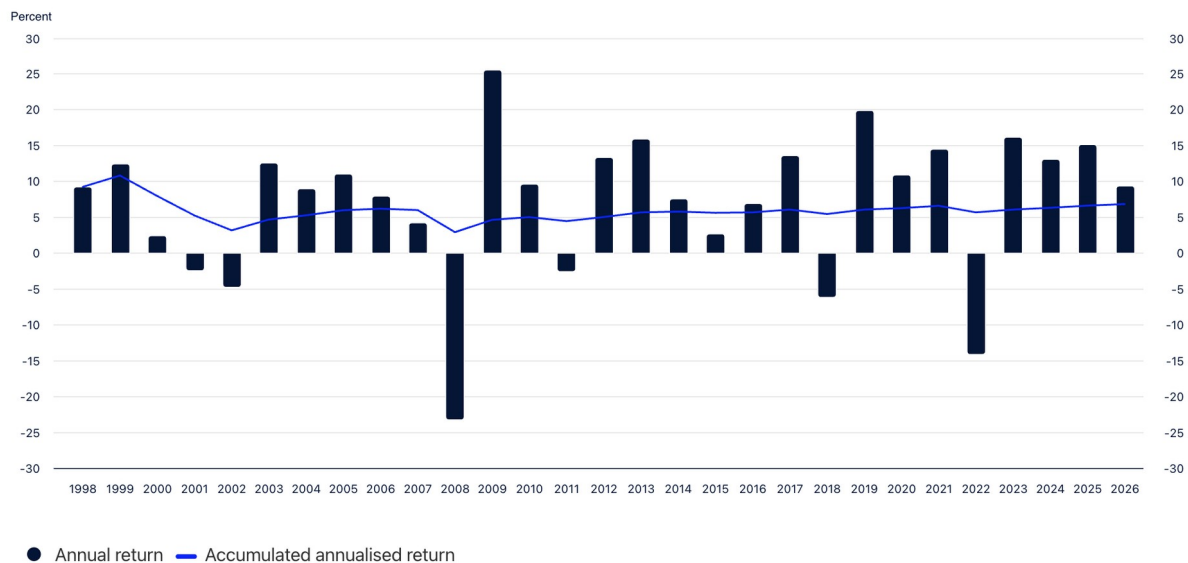
The GPF did experience years of negative investment returns. Its historical performance illustrates that annual returns have fluctuated considerably, with substantial losses during major market downturns, like the 2008 global financial crisis when it recorded a return of -23.3% in 2008 that was nevertheless followed by a 25.6% return in 2009 (graph 5). Despite these periods of negative performance, the Fund has generated strong average returns over the long term, making use of a long investment horizon which allowed it to withstand short-term market volatility and benefit from long-term global economic growth, serving as a buffer between temporary economic shocks and the state budget.

⁷⁶ Norges Bank Investment Management, “*The Fund’s Value*”

⁷⁷ Nicolai Tangen, “*The Finance Speech*,” speech at Arendalsuka, 11 August 2026, Norges Bank Investment Management, <https://www.nbim.no/contentassets/08c48a7435fd4e3db82f0ea6801b5ea7/the-finance-speecharendalsuka-2026.pdf>

Yearly annual return since 1998

As at 30 June 2026



Graph 5. Yearly annual return of GPF since 1998⁷⁸

Tangen was not particularly concerned about short-term market downturns, but elaborated on whether he believed the GPF could ultimately run out of money. While noting that extreme events such as nuclear war or biological terrorism could render a financial fund effectively worthless, he focused primarily on more plausible financial risks. A more difficult test, he argued, would be a prolonged crisis in which markets take a decade or more to recover.⁷⁹

Such a “lost decade” could indeed simultaneously reduce investment returns and government revenues while increasing public expenditure on unemployment benefits and social security, potentially creating pressure for larger withdrawals from the Fund precisely when its market value is depressed. But then he added that “The most important thing with a long-term investment fund is not to make bad decisions when markets are falling and turbulent. But that is precisely when it tends to happen, often in a bit of a panic.”⁸⁰

One of the key lessons of Norway’s experience for the Ukraine Fund is that long-term success depends not only on investment returns, but also on institutional discipline, clear governance rules, professional management, transparency and insulation from short-term political pressures. The GPF’s assets are managed under a framework that limits political interference in individual investment decisions and helps prevent the use of strategic capital for short-term political objectives. The Fund enjoys a high degree of institutional credibility precisely because it operates under clear governance rules, is subject to rigorous oversight and auditing, and maintains an exceptional level of transparency regarding its investments and operations.

While future investment returns may, of course, differ from historical performance and periods of losses should be expected, the key lesson from Norway’s experience should not be a specific

⁷⁸ Norges Bank Investment Management, “Returns”

⁷⁹ Nicolai Tangen, “The Finance Speech”

⁸⁰ Nicolai Tangen, “The Finance Speech”

rate of return, but the recognition that **long-term, professionally managed sovereign assets can generate substantial additional value over time. The greatest risk may therefore not be investment volatility itself, but the continued failure to put these assets to productive use.**

2.3. Designing a Ukraine Fund Model

2.3.1. Institutional Model and Safeguards

Therefore, the establishment of the Ukraine Fund cannot wait until the end of the war. On the contrary, it can and should become an active vehicle of Ukraine's victory, recovery, and Europe's long-term security already today.

Over time, as Ukraine progresses with EU integration, the Ukraine Fund could gradually evolve towards a more conventional sovereign wealth fund model, with an increasing role for Ukrainian institutions in its governance, but at the start it could have a hybrid institution run by the EU.

It is proposed to establish it within an EU jurisdiction to enhance governance and credibility, as well as serve as a potential mechanism to address legal and financial risks voiced by Belgian governments or Euroclear. As stated above, this paper does not offer a single specific jurisdiction; the domicile is best settled by the participating governments as part of the overall bargain on risk-sharing, and kept open until that bargain is struck.

The Ukraine Fund governance would need to reflect the interests of Ukraine, the EU and its member states, the G7 states transferring or assuming risks associated with CBR assets, and potentially other international contributors. A multi-layered governance structure should nevertheless preserve the Norwegian distinction between political oversight and professional asset management.

At the highest level, participating parties should establish the Fund's legal mandate, objectives, governance principles, and rules governing the use of its capital. These rules should determine the division of resources between immediate defence, reconstruction and compensation, investment mobilisation, the long-term endowment, debt servicing. They should also establish the permissible level of investment risk, withdrawal rules, transparency requirements, and safeguards against political interference.

A Board of Directors representing Ukraine, the EU and participating states should provide strategic oversight. Its responsibilities should include approving the Fund's long-term strategy, strategic asset allocation, risk framework, annual withdrawal parameters, and major policies. The Board should not, however, make individual investment decisions.

Operational management of the endowment part should instead be delegated to an independent professional investment management entity. This institution should operate under a clearly defined investment mandate approved by the Board and should be responsible for portfolio construction, security selection, trading, risk management and the appointment of external asset managers where specialised expertise is required.

Independent audit, compliance and risk-management functions should complement this structure. An independent ethics and investment eligibility mechanism should ensure that the portfolio remains consistent with the Fund's objectives and European security interests.

Such an institutional architecture would address one of the central challenges facing any large fund: reconciling international political oversight with professional investment management. The principle should be clear: governments determine the mandate while professionals manage the assets.

2.3.2. The Fund's Wider Portfolio Beyond the CBR Assets

Moreover, the Ukraine Fund should not be viewed solely as a vehicle for managing immobilised CBR assets. It can become a platform for building a much broader international coalition around Ukraine's reconstruction and long-term security.

In previous rounds of discussions on the use of CBR assets for Ukraine, some political concerns were raised by external partners, including Gulf countries.⁸¹ However, as the geopolitical environment continues to evolve fast with Ukraine recently signing 10 year defence cooperation agreements with Saudi Arabia, Qatar and UAE, there is growing scope to re-engage with these countries in the respective dialogue.

Ukraine and the EU should therefore consider taking proactive measures and inviting the Gulf countries and others to participate in the Ukraine Fund — including through investment contributions, potential representation in its governance structures, and involvement in reconstruction efforts. This would also provide opportunities for their investors and companies to engage in Ukraine's recovery, benefiting from the Fund's risk-mitigation instruments and investment platforms described below.

Even though these countries do not hold CBR assets, their participation in the Fund could serve as an important signal to global financial markets, broadening international engagement in Ukraine's reconstruction process, strengthening confidence in the Fund's governance, and creating a wider coalition of stakeholders interested in Ukraine's long-term stability and success.

In this sense, the Ukraine Fund should be understood not merely as a financial instrument, but as a geostrategic platform capable of linking Ukraine's recovery to a broader network of international partners with a long-term interest in European and global stability. Having CBR funds as a basis, the Ukraine Fund will be able to administer other flows of Ukraine reconstruction aid, amplifying the funding by scale. There are already a number of states which prefer not to develop alternative pipelines for their civilian and reconstruction aid for Ukraine and instead use international platforms like the World Bank funds or UN programs due to various reasons, including limited domestic staff to oversee massive humanitarian budgets or some legal limitations.

Therefore, rather than managing dozens of parallel bilateral aid streams with separate reporting requirements and disbursement mechanisms, the Ukraine Fund will be able to consolidate all reconstruction assistance under one transparent architecture. This will reduce administrative overhead, eliminate duplication, and ensure that every euro is deployed according to a unified strategic framework. The experience of post-conflict reconstruction in Iraq demonstrated that fragmented aid delivery was one of the primary drivers of inefficiency and corruption.

⁸¹ <https://www.bloomberg.com/news/articles/2024-07-09/saudi-arabia-veiled-threat-to-g7-over-russia-assets>

Moreover, a fund capitalized at more than €290 billion operates in a fundamentally different league than smaller reconstruction vehicles, gaining access to asset classes, geographies, and investment structures unavailable to smaller funds. At this scale, the fund can negotiate better terms, co-invest alongside the world's largest institutional investors like sovereign wealth funds, pension funds, endowments and build a diversified portfolio that balances liquidity needs with long-term return maximization.

International donors – whether governments, multilateral institutions, or even private philanthropies – are significantly more willing to commit large sums when a credible, transparent governance structure with international oversight is already in place. A single Fund with clear reporting standards, independent auditing, and international representation on its board removes the principal concern that has historically slowed reconstruction aid: the fear that funds will be misallocated or lost to corruption. This will transform the Fund into an active magnet for extra funding beyond the CBR assets.

2.3.3. Managing the Risk of Negative Returns and the “Lost Decade”

To date, Ukraine’s partners have been reluctant to pursue active management of the immobilised CBR assets, in part because of concerns about potential losses resulting from poor investment decisions or market downturns. As a result, the debate over the future of CBR assets continues to be framed largely as a choice between investment risk and a risk-free status quo, fully ignoring that conservative management carries a different set of risks, including inflation, periods of low or negative interest rates, reinvestment risk and the opportunity cost of foregone compound returns explained already above.

Active investment management inevitably involves market risk, and the Ukraine Fund would experience periods of negative returns. However, the historical performance of Norway’s GPFG demonstrates that long-term institutional investors can withstand short-term market downturns, including those associated with severe shocks such as the 2008 global financial crisis, the COVID-19 pandemic and Russia’s full-scale invasion of Ukraine, provided that temporary losses do not trigger panic-driven changes in investment strategy.

Extreme scenarios such as nuclear war or biological terrorism are excluded from this analysis, as under such circumstances the financial performance of the Ukraine Fund would cease to be a meaningful policy consideration.

A more significant risk indeed remains the “lost decade” mentioned by NBIM’s Nicolai Tangen: a prolonged crisis in which markets take a decade or more to recover. Depending on its severity, such a scenario could affect the Ukraine Fund, too. However, this risk should not be considered in isolation, since a prolonged global economic crisis would simultaneously affect all other alternative long-term financing options available to Ukraine and Europe.

In that scenario, European economic growth and public revenues would likely come under pressure too, fiscal space would become more constrained, borrowing conditions could deteriorate and private investment could weaken, further driving the popularity of the far-right parties. Ukraine would simultaneously continue to face substantial reconstruction, defence and social expenditure while being exposed to the same, or potentially even more severe, adverse global economic conditions. Leaving Ukraine severely underfunded, meanwhile, would generate the much broader security consequences for Europe described above.

In an extreme downside scenario, the stakes for Ukraine would be fundamentally different from those facing Norway. For Norway, a prolonged decline in the value of the GPFG would reduce the wealth available to future generations. For Ukraine, insufficient financing for defence, reconstruction and long-term resilience could threaten the country's ability to survive as a sovereign state. Tangen's warning should therefore be taken seriously, but it should not become a justification for inaction. **On the contrary, Ukraine and Europe cannot afford to sacrifice a financial resource essential to Ukraine's defence, reconstruction and long-term survival in order to protect against an extreme economic scenario that may never even materialise.**

Moreover, should the most severe scenario happen, the existence of a pre-funded pool of professionally managed assets could provide Ukraine and Europe with an additional financial buffer to absorb their consequences. Tangen's warning underlines the importance of ensuring that a sovereign fund can withstand prolonged periods of market stress through adequate liquidity buffers, diversification, conservative return assumptions and withdrawal rules that minimise the risk of forced asset sales during downturns. Several safeguards could mitigate this risk.

First, the Fund should maintain sufficient liquidity reserves to cover several years of expected withdrawals. Reconstruction expenditure should therefore not depend on the sale of equities or other volatile assets during periods of severe market stress.

Second, withdrawal rules should incorporate a degree of flexibility. While the illustrative modelling in this paper applies predetermined annual withdrawal rates, the Fund's actual governance framework could allow withdrawals to be smoothed over several years or temporarily adjusted during exceptional market downturns.

Third, the Fund should maintain a diversified portfolio across asset classes, geographies and currencies; preserve a substantial allocation to highly liquid and low-risk assets; and establish strict limits on concentration, credit and counterparty exposures. The objective would then be not to maximise short-term returns, but to achieve sustainable long-term returns at an acceptable level of risk.

The initial deployment of the Fund's capital could also be phased over time rather than invested in risk assets at a single point. A staggered investment strategy — conceptually similar to dollar-cost averaging — would reduce entry-point risk, including the risk of deploying a substantial share of the portfolio during a period of unusually high market valuations, and would allow the Fund gradually to build its strategic asset allocation as market conditions evolve.

The Fund should also operate under a rules-based rebalancing framework, periodically restoring the portfolio towards its strategic asset allocation when significant market movements cause asset weights to diverge from their targets. This would impose investment discipline, limit excessive exposure following prolonged market appreciation and allow the Fund to increase exposure to asset classes whose weights have fallen below their strategic targets, without relying on discretionary attempts to time the market.

Finally, the Fund's different functions should be reflected in its asset allocation. Resources required for immediate reconstruction, compensation and near-term debt servicing could be

held in relatively liquid and low-risk instruments, while the long-term endowment could assume greater market risk in pursuit of higher long-term returns.

The possibility of negative years, or even a prolonged economic downturn, could therefore not be in itself an argument against professional investment management. It is an argument for appropriate risk management, sufficient liquidity, diversification, prudent withdrawal rules and a sufficiently long investment horizon. Other criteria must be taken into account like what leaving Ukraine underfunded would mean in terms of Ukraine's vulnerability for Russia's conquest and future wars. **That is why for the "lost decade" scenario the relevant policy question should be how to manage the CBR assets in a way that leaves Ukraine and Europe best equipped to absorb it.**

2.4 Strategic Use of the Funds

The purpose of studying Norway's experience is not to fully replicate its model. The GPF was designed to preserve wealth generated by natural resources for future generations. Ukraine, by contrast, already faces immediate and large-scale financing demands for recovery, reconstruction, and security which will keep growing as the war continues. A strict endowment model aimed at preserving capital and spending only returns would therefore be economically inefficient in the Ukrainian context. For Ukraine, therefore the model shall be a hybrid one.

For comparison, €290 billion in CBR assets already represents nearly 60% of the total oil and gas revenues Norway transferred to its fund over 30 years — making it a solid financial foundation. The real capital for Ukraine's reconstruction and future growth is already there, but still being immobilized and idle. Every year of delay in applying active investment management to these assets represents billions of euros in lost compound returns — an opportunity cost that grows larger as time passes.

For the Ukraine Fund, it is important to build the model in which it will not be treated as a one-off pool of money to be exhausted for different immediate budgetary initiatives. It must play a role as a long-term financial instrument capable of covering a large portion of Ukraine's reconstruction needs, generating ongoing returns and leverage for private investments.

The Ukraine Fund shall combine the following objectives:

a) Immediate financing of defence, reconstruction, recovery needs and compensation for victims

As was mentioned above, Ukraine will require between \$588 billion and \$800 billion over the next decade for post-war recovery and modernization. Even under optimistic assumptions, this gap cannot be closed through grants, loans or investments alone, making the use of CBR assets an inevitable component of the financing architecture of Ukraine.

It is important to stress that even before confiscation decisions are finalized, the Fund could generate money for covering Ukraine's pressing needs and compensation to the victims. If profits from active management are not sufficient while the principal cannot be directly utilized, creative financial engineering can be implemented again like the reparation loan, ERA Loan 2.0, or investing into the Ukrainian war bonds.

Access to reconstruction financing should be accompanied by robust transparency, audit and anti-corruption safeguards, with major disbursements linked to clearly defined projects, procurement standards and, where appropriate, Ukraine's EU accession and reform benchmarks.

The compensation to the victims of the Russian aggression should be held through the Compensation Mechanism which is being within the institutional framework of the Council of Europe. It includes the Register of Damage, established in 2023 in the Hague, that collects, verifies and records the claims by individuals, businesses and the Ukrainian state; the Claims Commission that is being established through the international convention and will be tasked with reviewing the claims and deciding on the compensation, and the Compensation Fund that will pay out the compensation awarded by the Commission. The Compensation Fund can be a part of the Ukraine Fund or a separate entity funded through it.

While it is fair and important to aim for the fastest compensation to the victims, the experience of the United Nations Compensation Commission (UNCC), established after Iraq's invasion of Kuwait in 1990, demonstrates that international compensation mechanisms can last for decades. Although the Commission was established in 1991, Iraq completed its final reparation payment only in 2022, more than 30 years later. About 2.7 million claims, with an asserted value of \$352.5 billion, were filed with the Commission. The Commission concluded claims-processing in 2005, and the total compensation awarded was \$52.4 billion to approximately 1.5 million successful claimants.⁸² That means that while the Claims Commission will be processing the claims of victims, the CBR assets can generate more funds.

b) Leveraging capital to mobilize private and institutional investment

The Fund should also serve as an anchor for mobilizing private capital for reconstruction through guarantees, risk-sharing instruments, war-risk insurance schemes, and blended finance structures. Rather than being deployed solely as direct spending, a portion of the assets can be used to de-risk private investments and provide war insurance for businesses that would otherwise be reluctant to enter Ukrainian markets.

This approach would allow each euro committed by the Fund to mobilise additional private financing. Depending on the structure of the instruments used and prevailing market conditions, international experience suggests that public capital can often attract multiple euros of private investment.

For example, allocating approximately \$50 billion of the Fund's assets to guarantees and blended finance mechanisms could, under conservative leverage assumptions of 2x-4x, mobilise an additional \$100-200 billion in private investment for reconstruction, infrastructure, energy, and miltech development.

As Ukraine's security environment stabilises and the country advances towards EU membership, higher leverage ratios may become achievable, further increasing the Fund's capacity to crowd in private capital and reduce reliance on direct public financing.

⁸² United Nations Compensation Commission, "United Nations Compensation Commission," accessed 11 September 2026, <https://uncc.un.org/en>

c) Preserving a portion of assets for endowment

At the same time, a portion of the Fund should be preserved and actively invested as a long-term sovereign wealth component in order to ensure the work of the compound interest and funding of Ukraine's defence and reconstruction needs in the long run. Maintaining a capital base that generates returns over years will be essential for ensuring fiscal sustainability and reducing reliance on external assistance in the future.

d) Paying back the debts and holding a reserve for indemnification of Euroclear, Belgium, and other states which will transfer CBR assets to the Ukraine Fund

It is important to include the gradual servicing of Ukraine's existing and newly incurred sovereign obligations linked to wartime financing mechanisms, including the ERA Loan worth €45 billion and the EU Ukraine Support Loan of €90 billion that are both tied either to CBR assets or Russia's future reparations.

However, rather than being used for immediate or full debt repayment, the Fund should enable a phased predictable debt servicing strategy over significant time. The exceptionally long maturity profile of the ERA Loan (up to 45 years) demonstrates that war-related financing can be serviced gradually over several decades without undermining reconstruction spending. The approach of gradual increase of the percentage of servicing could allow Ukraine to preserve a primary focus on reconstruction, compensation, defence and deterrence along with long-term fiscal sustainability. A similar approach could be adopted for other sovereign obligations, including the Ukraine Support Loan. Aligning both instruments under a comparable repayment horizon would smooth Ukraine's debt obligations, reduce fiscal pressure during the critical reconstruction period, and allow a greater share of Fund resources to be directed toward more pressing needs.

The Fund's tax treatment would require separate consideration. At present, profits generated from CBR assets immobilised in Euroclear are subject to Belgian corporate taxation. Depending on the Fund's legal structure and jurisdiction, policymakers could consider either granting a special tax-exempt status similar to that enjoyed by certain international financial institutions or allowing tax revenues generated by the Fund to remain with the host jurisdiction as a mechanism for sharing risks and benefits. For example, if the Ukraine Fund were to remain domiciled in Belgium, part of these tax revenues generated by the Fund's investment activities could serve as a reserve mechanism to address legal or financial risks borne by Belgium and other participating states, making sure that Belgium benefits economically from not blocking the transfer and hosting the Fund.

The Ukraine Fund should not be viewed primarily as a mechanism for distributing a fixed pool of approximately €290 billion. Its principal financial advantage would be the ability to combine immediate expenditure with long-term investment, private-capital mobilisation and debt servicing, thereby generating substantially greater economic value over time than the nominal value of the assets transferred to it.

To assess this potential, this paper models several illustrative approaches to allocating CBR assets between four principal functions: immediate reconstruction and compensation; instruments designed to mobilise private investment; a professionally managed long-term endowment; and servicing of Ukraine-related financial obligations associated with the CBR assets. Detailed assumptions, methodology and calculations are presented in Annex A.

The modelling produces several policy-relevant conclusions.

First, there is no single optimal allocation between immediate spending and long-term investment. The appropriate balance will depend on Ukraine's reconstruction and defence requirements, the pace of compensation payments, conditions in financial markets and the availability of other international financing. A reconstruction-intensive model could provide substantially more resources during the critical first years after the war, while a larger preserved endowment would generate greater financial capacity over subsequent decades.

Second, preserving a substantial share of the assets as an endowment can materially increase their cumulative economic contribution. Under the central assumptions used in the modelling — a 30-year investment horizon and an average annual return of 6.5% — different allocation strategies could generate approximately \$585–677 billion in cumulative economic value, including immediate reconstruction and compensation funding, resources mobilised from private investors, long-term withdrawals and residual capital remaining in the Fund.

Third, the capacity to mobilise private investment is potentially as important as the Fund's direct expenditure. In the illustrative scenarios, \$50 billion allocated to guarantees, risk-sharing and other investment-mobilisation instruments could support approximately \$100-200 billion of investment at leverage ratios of 2x-4x. The central 3x assumption would mobilise approximately \$150 billion. These figures should be understood as illustrative financing capacity rather than guaranteed investment flows.

Fourth, the modelling demonstrates an important trade-off between front-loading reconstruction and preserving long-term financial capacity. For example, under the central 6.5% return assumption, a model preserving \$150 billion as an initial endowment generates \$226.7 billion in long-term reconstruction and security withdrawals while retaining \$112.3 billion after 30 years. A more reconstruction-intensive model starting with a \$250 billion endowment but withdrawing 10% annually during the first 15 years generates \$359.7 billion in reconstruction and security withdrawals while retaining \$82.4 billion after 30 years.

Illustrative modelling: central case	30-year result
Initial CBR asset base	\$300bn
Potential cumulative economic value across modelled strategies	\$585–677bn
Private capital mobilised at 3x leverage	\$150bn
Capital remaining after 30 years	\$36–112bn

Table 2. Illustrative Modelling: Central Case

This illustrates why the Fund should be designed as a hybrid rather than a conventional sovereign wealth fund. Ukraine cannot simply preserve the entire capital base for future generations: reconstruction, compensation and security requirements create substantial immediate financing needs. At the same time, exhausting the principal during the first years would sacrifice decades of potential investment returns and leave Ukraine without a permanent financial asset supporting its future security and economic resilience.

Fifth, the Fund could also make a meaningful contribution to servicing Ukraine-related international financing obligations. Depending on the allocation model, the scenarios generate approximately \$59-88 billion in debt-servicing withdrawals under the central return assumption, substantially reducing the future repayment burden without making debt servicing the Fund's dominant purpose.

Finally, even the most favourable scenarios do not eliminate Ukraine's broader financing gap. The Ukraine Fund should therefore complement rather than replace financing from the Ukrainian state budget, the EU Multiannual Financial Framework, bilateral assistance, international financial institutions, private investment and eventual Russian reparations.

The central policy implication is that approx. €290 billion in immobilised CBR assets should be treated as a productive financial base capable of supporting Ukraine for decades, rather than as a finite stock of capital to be either indefinitely immobilised or spent once. The ultimate allocation between immediate expenditure, investment mobilisation and long-term capital preservation should remain adaptable to Ukraine's evolving reconstruction and security needs.

2.5. Indemnification for Euroclear and Belgium

Whichever legal pathway for the transfer is chosen, the institutions that take on the legal and reputational burden — Euroclear and the Belgian government — must be comprehensively protected, and the risk they now bear alone must be moved onto the coalition as a whole.

Belgium's concerns are concrete and have been stated publicly: that the sanctions regime might collapse and trigger an obligation to repay Russia at a moment when the cash has been deployed; that Russia might sue and recover the assets, including under the 1989 bilateral investment treaty between the Belgo-Luxembourg Economic Union and the then Soviet Union;⁸³ and that the eventual peace settlement might not require full reparations. A workable indemnification framework must answer each of these worries rather than dismiss them.

It is often underreported that the core legal protection already exists. The Union's sanctions law contains Article 11 of Council Regulation (EU) No 833/2014⁸⁴ — **a “no-claims” clause under which no claim brought by the Russian State, the CBR, or Russian persons or entities in connection with any transaction affected by the sanctions is to be satisfied, expressly including claims for indemnity, for compensation, or under a guarantee, and the burden of proving that a claim is not barred falls on the party seeking to enforce it.** In plain terms, this means that even if Russia or the CBR were to obtain a judgment from a Russian court, or an award from an arbitral tribunal, they could not turn that paper victory into money inside the EU.

⁸³On the 1989 agreement and investment-treaty protection generally, see UNCTAD, International Investment Agreements Navigator, <https://investmentpolicy.unctad.org/international-investment-agreements>

⁸⁴Council Regulation (EU) No 833/2014, Article 11, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014R0833>

To place the protection beyond doubt for the transfer, the clause should be amended and extended in three specific ways.⁸⁵ First, it should state expressly that it covers not only claims arising from the immobilisation but any claim, judgment or arbitral award relating to the immobilisation, transfer or use of the assets, including any brought against Euroclear, the Ukraine Fund, the participating States or their officials. Second, it should direct the courts and enforcement authorities of the Member States to refuse the recognition and enforcement of any such foreign judgment or arbitral award, treating it as contrary to the public policy (*ordre public*) of the Union — a ground on which both the recognition of foreign judgments and, under the 1958 New York Convention, the enforcement of arbitral awards may already lawfully be refused.⁸⁶ Third, it should confirm that no liability attaches to any person for complying with the measure. These are supplements to improve the efficiency of instruments that have already been proposed above - the EU Regulation under the Article 122(1) itself, so that the authority to move the assets and the shield against enforcement travel together in a single instrument.

Beyond the statutory shield, the participating states should determine the appropriate level of resources to be set aside for the indemnification of Euroclear and other institutions assuming legal or financial risk. Such indemnification could be financed partly by: the buffer that was already set aside by the Euroclear mostly with the 2022-2023 windfall profits; directly through the Ukraine Fund's returns, or/and through the EU MFF 2028-2034.

The ongoing negotiations on the 2028-2034 EU MFF offer an opportunity to establish a dedicated indemnification and risk-sharing facility for the Fund in advance.⁸⁷ This would differ markedly from the situation during the Reparations Loan discussions of December 2025, when the Union faced the choice between securing *ad hoc* national guarantees from Member States and reopening an already-agreed MFF to let the Union budget back the new contingent liabilities — the latter a condition of support for some Member States and a source of reluctance for others. Embedding the mechanism in the next MFF from the outset would not remove the need for political agreement, since the MFF itself requires unanimous approval; but it would allow the Union to agree collectively and in advance on the scale and distribution of the risk, rather than assembling guarantees under pressure once a liability has already arisen.

There are strong precedents for embedding substantial contingent liabilities and collective risk-sharing mechanisms within the EU budgetary architecture, although the scale and legal nature of the risks associated with the CBR assets indeed would be bigger. The 2021-2027 MFF already incorporates significant budgetary guarantees, including the €26.2 billion InvestEU guarantee, while the Common Provisioning Fund was established specifically to hold provisions against liabilities arising from EU budgetary guarantees and financial-assistance programmes. Similar mechanisms have already been used to manage exceptional financial exposure to Ukraine.

⁸⁵On the treatment of the no-claims clause and its extension in successive packages, see European Commission, consolidated guidance (FAQs on sanctions against Russia), https://finance.ec.europa.eu/publications/faqs-sanctions-russia_en

⁸⁶Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York, 1958), Article V, https://uncitral.un.org/en/texts/arbitration/conventions/foreign_arbitral_awards

⁸⁷On the choice, during the December 2025 Reparations Loan discussions, between *ad hoc* national guarantees and amending the agreed MFF, see European Parliament Research Service, “Financing Ukraine in 2026 and 2027”, PE 779267 (2025), [https://www.europarl.europa.eu/RegData/etudes/BRIE/2025/779267/EPRS_BRI\(2025\)779267_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2025/779267/EPRS_BRI(2025)779267_EN.pdf)

The Union has also demonstrated that systemic crises can justify much larger forms of collective financial risk-sharing. During the COVID-19 crisis, NextGenerationEU was backed by an exceptional increase in the EU own-resources ceiling, creating additional budgetary headroom to guarantee Union borrowing; SURE used €25 billion in Member-State guarantees to support up to €100 billion in lending; and the EIB's €25 billion Pan-European Guarantee Fund was designed to support up to €200 billion in financing.⁸⁸ The Russian aggression on European soil is a much larger systemic crisis.

The proposed mechanism for the Ukraine Fund would not therefore introduce the principle of collective EU financial risk-sharing. Its novelty would lie in applying established budgetary techniques to a larger and legally distinct geopolitical risk.

Moreover, the scale of guarantee required is smaller than the headline figures suggest, because most of the exposure is contingent and remote: it arises only if Russia both prevails in a claim and can enforce it within the EU, which the shield and the immunity of the counterparties' own assets make unlikely. What is needed is a calibrated backstop sized to the realistic tail risk, not a euro-for-euro guarantee of the whole sum.

Taken together, these layers answer each of Belgium's worries. The fear of a Russian lawsuit is met by the enforcement shield, and by the collective guarantees that spread any residual liability — while the transfer design weakens any expropriation or investment-treaty claim at its root, because Russia's title is preserved. The fear of an incomplete settlement is met by the netting structure, under which the assets are held against Russia's reparation debt. Two further points complete the framework.

The host state may also receive a defined share of the tax and revenue the Fund generates, so that the state carrying the residual exposure is turned from a reluctant risk-bearer into a stakeholder with something to gain. And one boundary must be observed: the European Central Bank cannot serve as the ultimate backstop, because Article 123 TFEU prohibits monetary financing; the chain of protection must therefore rest on EU-budget guarantees, exactly as the December 2025 loan did.

The effect of this framework is to convert a risk that today frightens a single Member State into a diversified, largely pre-funded and mostly self-liquidating exposure carried by the Union as a whole. That shift — from Belgium alone to the coalition — is not a technical detail but the political heart of the matter: it is the condition on which the host State's consent depends, and it is well within the Union's demonstrated capacity, as both the pandemic instruments and the December 2025 loan show. Properly designed, the indemnification framework removes the last substantial obstacle to transforming the immobilised CBR assets into a strategic instrument for Ukraine's recovery and Europe's security.

2.6. Aligning the Ukraine Fund with European Economic and Security Interests

Moreover, when thinking outside the box about the Ukraine Fund's investment, as the EU and its Member States assume legal and financial risks associated with the transfer and use of CBR

⁸⁸European Investment Bank, Pan-European Guarantee Fund (EGF), <https://www.eib.org/en/products/egf/index.htm>

assets, the Fund could be structured in a way that strongly aligns with broader European economic interests.

First, the Fund should be viewed not only as a mechanism for financing Ukraine's recovery, but also as a long-term instrument for aligning the economic interests of Ukraine and its European partners. **A portion of the Fund's portfolio could therefore be invested in high-quality European assets, including sovereign bonds of the European states like France, Italy and Germany, infrastructure projects, energy security initiatives, and strategically important industries.** Such investments would ensure that part of the economic activity generated by the Fund remains embedded within the European economy, creating a broader coalition of stakeholders interested in its success.

Second, the Fund could contribute in particular to strengthening Europe's defence and industrial resilience. Returning CBR assets to Russia would inevitably strengthen Russia's fiscal position and accelerate its military rearmament for future rounds of territorial conquest. By contrast, allocating part of the **Fund's long-term investment portfolio to the European defence industrial base** would produce the opposite effect.

Investments in joint European-Ukrainian defence production, R&D and development of new programs, dual-use technologies, decrease of dependency on weapons components and raw materials from third countries, including China, and critical industrial capacity would simultaneously support Ukraine's security and reinforce Europe's ability to deter future aggression.

Third, another example of thinking outside the box when planning the Ukraine Fund is to look for **synergy between Ukraine's reconstruction and EU integration.** There is a degree of internal opposition within the EU linked to concerns about the redistribution of EU resources that will be triggered by the integration of a large, war-torn Ukraine.

The Ukraine Fund can provide a partial response to these concerns by reducing the future burden on cohesion funding, as Ukraine's post-war recovery will largely coincide with its convergence process within EU integration.

Investments in Ukrainian infrastructure, regional development, border management, logistics, energy system reconstruction, and environmental modernization – typically financed through cohesion policy for new EU Member States – to a large extent will already be part of Ukraine's post-war recovery, funded partially through the Ukraine Fund. In practice, this means that the Fund can pre-finance Ukraine's convergence needs, making Ukraine actually enter the EU with its own financial resources, reducing pressure on the cohesion envelope for existing Member States that are reluctant to shift from net beneficiaries to net contributors following enlargement.

While it is important to recognize that the Ukraine Fund will not be able to replace EU cohesion policy fully and additional funding through the policy, the EU budget, including the 2028-2034 MFF, and bilateral aid will remain necessary — it can significantly reduce part of the financial burden and address some of the political constraints related to funding redistribution, helping to remove some of the obstacles on Ukraine's path toward EU membership, delivering on a long-standing and widely supported aspiration of Ukrainian society.

CONCLUSIONS

The debate over immobilised CBR assets has largely been framed as a choice between continued immobilisation and confiscation. This paper argues that Europe does not need to wait for the final resolution of that debate. A dedicated Ukraine Fund could provide a transitional architecture allowing the assets to be consolidated, transferred, professionally managed and gradually put to productive use even before a final decision on ownership is reached.

Such an approach would also address a structural weakness of the current arrangements: the concentration of CBR assets — and much of the associated legal, financial, political and security exposure — in Belgium and Euroclear. Transferring the assets into a collectively governed special-purpose vehicle would change the allocation of risk itself, while an EU-level indemnification mechanism, potentially incorporated into the 2028–2034 Multiannual Financial Framework, could provide a collective backstop for residual liabilities.

The economic case is equally important. The status quo is not risk-free: conservative management entails inflation, interest-rate and reinvestment risks, as well as the opportunity cost of foregone compound returns. Active management would introduce market volatility, but these risks can be mitigated through diversification, liquidity buffers, phased investment and flexible withdrawal rules.

The modelling undertaken in this paper illustrates the scale of the opportunity that is currently being lost. Under its central assumptions, different allocation strategies could *generate approximately \$585–677 billion in cumulative economic value over 30 years*, while preserving substantial residual endowment capital. The purpose of these scenarios is not to predict future returns, but to demonstrate that the economic potential of the assets is substantially greater than their nominal value if they are treated as a productive financial base rather than a finite pool to be frozen indefinitely or spent once.

The Ukraine Fund could consequently become much more than a reconstruction vehicle. By combining reconstruction and compensation financing, private-capital mobilisation, long-term investment management and alignment with European economic and security priorities — while opening participation to partners beyond the G7, including Gulf states — it could develop into a durable international financial platform for Ukraine’s recovery.

The objective is to transform €290 billion in CBR assets into a long-term financial resource capable of helping Ukraine secure its victory, compensate the victims of Russian aggression, rebuild the country and sustain the economic and defence capabilities required to make that victory durable.

Europe has a window of opportunity to do so while the necessary political consensus exists. The alternative — an underfunded Ukraine alongside the possibility that these assets may eventually return to Russia — carries substantially greater long-term risks for European security. Russian sovereign assets can therefore serve not only as compensation for past aggression, but as an investment in ensuring that the aggression ultimately fails and cannot simply be repeated by the next generation.

POLICY RECOMMENDATIONS FOR THE EUROPEAN UNION AND MEMBER STATES

1. Treat Ukraine's victory and successful recovery as core European strategic interests.

EU policy should aim not merely to sustain Ukraine or manage the consequences of the war, but to ensure that Russian aggression fails and that Ukraine emerges sovereign, secure, economically viable and increasingly integrated into Europe. Military victory, reconstruction, long-term defence and deterrence, compensation and economic convergence should be treated as interconnected components of a sustainable European security strategy.

2. Recognise immobilised CBR assets as a primary strategic resource for Ukraine's long-term recovery.

The approximately €290 billion in immobilised CBR assets constitute the only currently available pool of capital comparable in scale to Ukraine's long-term financing needs. Europe should move from indefinite immobilisation towards their maximum lawful and productive use while the necessary political consensus exists.

3. Establish a dedicated Ukraine Fund without waiting for a final decision on confiscation.

The EU and participating partners should develop the quickest and the most mutually profitable legal pathway for transferring immobilised CBR assets into a dedicated special-purpose vehicle that is possible before any peace settlement or definitive decision on ownership. Being either created based on a mix of EU regulation and national corporate law or just directly through the EU act, the Fund should serve as a transitional architecture enabling the assets to be consolidated and put to productive use, without prejudicing eventual confiscation or Russia's obligation to pay reparations. Beyond the EU members, it should foresee and include legal mechanisms to encourage non-EU asset holding states and others willing to invest and earn.

4. Transfer CBR-related risk away from its current concentration in Belgium and Euroclear and establish collective indemnification.

Moving the assets into a collectively governed structure should reduce the legal, financial, political and security exposure currently concentrated in a single institution and jurisdiction. Residual liabilities should be shared among participating states and institutions rather than borne disproportionately by Belgium and Euroclear.

5. Use the 2028–2034 EU Multiannual Financial Framework to establish an ex-ante financial backstop.

The next MFF should incorporate a mechanism covering a defined share of potential liabilities associated with the transfer and management of CBR assets. Negotiating such risk-sharing from the outset would avoid reliance on ad hoc national guarantees and address one of the principal weaknesses exposed by the Reparations Loan debate in December 2025.

6. Establish independent professional governance modelled on the principles of successful sovereign wealth funds like Norway's Government Pension Fund Global.

Participating governments should determine the Ukraine Fund's mandate, strategic asset allocation, risk tolerance and withdrawal framework, while individual investment decisions

should be delegated to professional managers and insulated from political interference. Strong transparency, independent audit, compliance and anti-corruption safeguards should apply both to asset management and disbursement.

7. Adopt a hybrid investment and withdrawal strategy.

The Fund should combine liquid resources for near-term reconstruction, defence, compensation and debt-related needs with a substantial long-term investment portfolio. Diversification, liquidity buffers, phased deployment, rules-based rebalancing and flexible withdrawals should protect against forced asset sales during severe market downturns.

8. Use the Fund to mobilise private capital rather than relying primarily on direct public expenditure.

A dedicated share of the assets should support guarantees, war-risk insurance, first-loss mechanisms, blended finance and co-investment structures. The Fund should complement the EIB, EBRD, World Bank Group and other international financial institutions, using its balance sheet to crowd in substantially larger volumes of private and institutional investment.

9. Build a broader international coalition around the Fund, including Gulf states and sovereign investors.

Ukraine and the EU, along with G7 partners should proactively engage Saudi Arabia, the United Arab Emirates, Qatar, Kuwait and other partners as potential contributors, co-investors and participants in the Fund's broader investment ecosystem. This could broaden international engagement into Ukraine's recovery and turn states that have expressed reservations about the use of Russian sovereign assets into stakeholders in a transparent, internationally governed structure.

10. Align the Fund with European economic, security and enlargement priorities.

Subject to appropriate diversification and risk limits, the Fund should be able to invest in European sovereign assets, defence-industrial capacity, energy infrastructure, critical and dual-use technologies and joint EU-Ukraine production. Reconstruction investments should simultaneously support Ukraine's EU convergence, pre-financing part of the infrastructure, energy, border and regional-development needs that would otherwise place additional pressure on future EU budgets.

11. Integrate compensation for victims into the Fund's long-term financial architecture.

The Fund should provide a sustainable financial source for the international compensation mechanism being developed through the Council of Europe, while allowing the underlying assets to continue generating value as claims are processed and awards are determined over time.

12. Develop the Ukraine Fund as a durable international financial platform rather than another temporary aid instrument.

Over time, it should connect reconstruction and security financing, compensation, private-capital mobilisation, long-term investment management and international co-investment within a single strategic architecture capable of supporting Ukraine for decades.

ANNEX A. ILLUSTRATIVE LONG-TERM MODELLING OF THE USE OF CBR ASSETS

A.1. Purpose of the Modelling

The purpose of this modelling is not to identify a single optimal allocation of CBR assets since at this point it is impossible. The principal amount in the Fund would depend on which countries would participate, whether or not all CBR assets would be pulled together, and what would be extra contributions from other donors and partner countries. The overall balance between meeting immediate needs and preserving capital for future generations would largely depend on whether active hostilities continue or cease, the pace of work of the Claims Commission and the ratio of compensation payments, market conditions,

This modelling is purposed for illustrating the scale of financial capacity that could be created if approximately \$300 billion in immobilised CBR assets⁸⁹ were transformed from a largely static pool of capital as it is now into a professionally managed long-term financial resource.

The scenarios examine different trade-offs between:

- immediate financing for defence, reconstruction and compensation;
- mobilisation of private and institutional capital;
- preservation and investment of a long-term endowment;
- financing of Ukraine's reconstruction and security needs through annual withdrawals; and
- gradual servicing of Ukraine's CBR-related sovereign obligations.

A.2. Methodology and Common Assumptions

All scenarios use a 30-year investment horizon and an initial CBR asset base of \$300 billion.

The \$300 billion is divided differently among three possible functions:

1. Immediate defence, reconstruction and compensation financing — capital deployed at the outset;
2. Investment mobilisation instruments — capital allocated to guarantees, war-risk insurance, blended finance, first-loss mechanisms and other instruments aimed at attracting additional private and institutional investment;

⁸⁹ The modelling in this paper uses \$300 billion as its baseline capital assumption, reflecting the widely cited international estimate by the REPO Task Force that participating jurisdictions had immobilised approximately \$300 billion in Russian Central Bank assets. Elsewhere, the paper generally uses an approximate value of €290 billion for the global pool of immobilised CBR assets, reflecting its primary European policy focus and most recent euro-denominated estimates.

The two figures should not be interpreted as separate asset pools or as precise contemporaneous currency conversions. Given differences in reporting dates, valuation methods and exchange rates, and lack of official information, no single continuously updated official valuation of the global pool is available. At the exchange rate of 10 September 2026 (€1 = \$1.1616), €290 billion would be equivalent to approximately \$337 billion.

The modelling nevertheless retains the established \$300 billion international benchmark rather than mechanically converting the more recent euro-denominated estimate. This provides a consistent and comparatively conservative baseline for illustrating the Fund's potential and avoids introducing false precision into an asset pool whose exact current global value is not publicly established.

3. Long-term endowment — capital retained and professionally invested to generate future returns and annual financing flows.

Investment returns

Three average annual nominal return assumptions are modelled:

- 5% — conservative scenario
- 6.5% — central illustrative scenario
- 8% — higher-return scenario

The 6.5% assumption is broadly comparable to the historical long-term nominal return of the GPFG of Norway. It should not, however, be interpreted as a forecast or guaranteed return.

For modelling purposes, the same average return is applied in each year. In reality, annual investment performance would inevitably fluctuate, including periods of negative returns. The implications of market volatility and sequence-of-returns risk should therefore be considered separately through stress testing.

Annual withdrawals

Each year is modelled in two stages:

1. the assumed investment return is applied to the endowment;
2. reconstruction/security and debt-servicing withdrawals are then calculated as percentages of the resulting endowment value.

Accordingly:

Endowment after investment return in year t

$$FV_t = \text{Capital}_{t-1} \times (1 + r)$$

Endowment after withdrawals

$$\text{Capital}_t = FV_t \times (1 - w_t - d_t)$$

where:

- r = annual investment return;
- w_t = reconstruction/security withdrawal rate;
- d_t = debt-servicing withdrawal rate.

Reconstruction/security withdrawals and debt-servicing withdrawals are therefore additional to each other rather than one being financed from within the other.

Debt servicing

The models assume a phased contribution by the Fund towards approximately €135 billion in Ukraine-related obligations associated with CBR assets, including relevant wartime financing mechanisms.

The assumed annual allocation is:

- Years 1–15: 1% of the endowment value
- Years 16–30: 3% of the endowment value

The rationale is to avoid prioritising accelerated debt repayment during the period in which Ukraine’s reconstruction and defence financing requirements are likely to be greatest, while allowing the Fund to assume a larger fiscal-stabilisation role over time. These calculations do not attempt to reproduce the contractual amortisation schedules, interest rates or currency structure of individual loans. They illustrate the scale of resources that the Fund could contribute towards debt sustainability.

Private investment mobilisation

Each scenario allocates \$50 billion to investment-mobilisation instruments.

Illustrative leverage assumptions are:

<i>Leverage assumption</i>	<i>Capital mobilised</i>
2x	\$100 billion
3x	\$150 billion
4x	\$200 billion

The 3x leverage ratio is used as the central illustrative assumption in the comparison of scenarios. For the purposes of this modelling, “3x leverage” means that \$50 billion in risk-bearing or anchor capital supports approximately \$150 billion in additional private and institutional financing.

The \$50 billion anchor allocation itself is not separately added to cumulative economic value in order to avoid double counting. Its ultimate residual value would depend on the design of guarantees, realised losses, recoveries and the structure of individual instruments.

Cumulative economic value

The modelling uses the concept of cumulative economic value generated over 30 years, calculated as:

- immediate defence and reconstruction financing, and compensation
- capital mobilised from private/institutional investors
- cumulative reconstruction/security withdrawals
- cumulative debt-servicing withdrawals
- remaining endowment capital after 30 years

This indicator should not be interpreted as cash available at a single point in time, nor as net present value. It is an illustrative measure of the cumulative financial and economic capacity generated by the initial CBR asset base over the modelled period.

All figures are nominal and expressed in US dollars unless otherwise stated.

It is important to acknowledge separately that no realistic allocation scenario would fully cover Ukraine's vast reconstruction and security needs. The purpose of the Ukraine Fund is therefore not to replace other sources of financing, but to significantly reduce the financing gap and create a long-term financial foundation for Ukraine's recovery and defence. Additional resources would still be required from Ukraine's state budget, the EU Multiannual Financial Framework, bilateral assistance, private investment, and future reparations from Russia.

Scenario A: Long-Term Sustainability Model

This scenario seeks to balance substantial immediate reconstruction financing with preservation of a relatively large long-term endowment.

Calculation input data:

- Total asset base: \$300 billion
- Immediate reconstruction and compensation: \$100 billion
- Investment mobilisation instruments: \$50 billion
- Initial endowment: \$150 billion
- Reconstruction/security withdrawal rate: 5% annually
- Debt servicing: 1% in years 1–15; 3% in years 16–30

Endowment performance

Annual return	Reconstruction and security withdrawals over 30 years	Debt servicing over 30 years	Total withdrawals	Remaining capital after 30 years
5%	\$185.0 B	\$67.8 B	\$252.8 B	\$73.4 B
6,5%	\$226.7 B	\$87.7 B	\$314.5 B	\$112.3 B
8%	\$281.0 B	\$114.5 B	\$395.5 B	\$170.8 B

Under the central 6.5% return and 3x investment-mobilisation assumptions, the model generates:

- \$100 billion in immediate reconstruction and compensation financing;
- \$150 billion in mobilised private and institutional investment;
- \$226.7 billion in reconstruction and security withdrawals over the next 30 years;
- \$87.7 billion in debt-servicing withdrawals; and
- \$112.3 billion in remaining endowment capital after 30 years.

The resulting cumulative economic value is approximately \$676.7 billion.

The principal advantage of Scenario A is that it combines significant near-term financing with a substantial residual capital base. The endowment does not preserve its full initial nominal

value under the central scenario, but remains large enough to continue functioning as a long-term sovereign financial asset for Ukraine.

Scenario B: Accelerated Reconstruction and Compensation Model

Scenario B shifts an additional \$50 billion from the endowment towards immediate reconstruction and compensation. It therefore provides greater fiscal capacity at the outset, at the cost of lower long-term investment capacity.

Calculation input data:

- Total asset base: \$300 billion
- Immediate reconstruction and compensation: \$150 billion
- Investment mobilisation instruments: \$50 billion
- Initial endowment: \$100 billion
- Reconstruction/security withdrawal rate: 5% annually
- Debt servicing: 1% in years 1–15; 3% in years 16–30

Endowment performance

Annual return	Reconstruction and security withdrawals over 30 years	Debt servicing over 30 years	Total withdrawals	Remaining capital after 30 years
5%	\$123.3 B	\$45.2 B	\$168.6 B	\$48.9 B
6,5%	\$151.2 B	\$58.5 B	\$209.7 B	\$74.9 B
8%	\$187.4 B	\$76.3 B	\$263.7 B	\$113.9 B

Under the central assumptions, Scenario B generates:

- \$150 billion in immediate reconstruction and compensation;
- \$150 billion in mobilised private and institutional capital;
- \$151.2 billion in reconstruction/security withdrawals;
- \$58.5 billion in debt-servicing withdrawals; and
- \$74.9 billion in remaining capital.

Cumulative economic value over 30 years is approximately \$584.6 billion.

Scenario B demonstrates the opportunity cost of reducing the initial endowment: an additional \$50 billion becomes available immediately, but substantially less capital and investment income are generated over the subsequent three decades.

Scenario C: Aggressive Withdrawal Model

Rather than withdrawing a large amount at the outset, Scenario C places \$250 billion into the endowment but subjects it to a high annual withdrawal rate throughout the 30-year period.

Calculation input data:

- Total asset base: \$300 billion
- Immediate reconstruction financing: none
- Investment mobilisation instruments: \$50 billion
- Initial endowment: \$250 billion
- Reconstruction/security withdrawal rate: 10% annually
- Debt servicing: 1% in years 1–15; 3% in years 16–30

Endowment performance

Annual return	Reconstruction and security withdrawals over 30 years	Debt servicing over 30 years	Total withdrawals	Remaining capital after 30 years
5%	\$337.3 B	\$50.0 B	\$387.3 B	\$23.3 B
6,5%	\$392.6 B	\$61.4 B	\$453.9 B	\$35.7 B
8%	\$461.4 B	\$76.1 B	\$537.6 B	\$54.2 B

Under the central assumptions, the scenario generates:

- \$392.6 billion in reconstruction/security withdrawals;
- \$61.4 billion in debt-servicing withdrawals;
- \$150 billion in mobilised private/institutional capital; and
- \$35.7 billion in remaining endowment capital.

Cumulative economic value is approximately \$639.7 billion.

Scenario C maximises recurring fiscal flows but considerably erodes the long-term capital base. It therefore illustrates the limits of maintaining consistently high withdrawal rates even where the initial endowment is large.

Scenario D — Reconstruction-First, Gradual Normalization Model

Scenario D seeks to reflect the likelihood that Ukraine’s reconstruction and defence financing needs will be most acute during the first 15 years and gradually decline thereafter. It therefore combines aggressive early withdrawals with a lower withdrawal rate during the second half of the investment horizon.

Calculation input data:

- Total asset base: \$300 billion
- Immediate reconstruction financing: none
- Investment mobilisation instruments: \$50 billion

- Initial endowment: \$250 billion
- Reconstruction/security withdrawals: 10% annually in years 1–15; 5% annually in years 16–30
- Debt servicing: 1% annually in years 1–15; 3% annually in years 16–30

Endowment performance

Annual return	Reconstruction and security withdrawals over 30 years	Debt servicing over 30 years	Total withdrawals	Remaining capital after 30 years
5%	\$312.3 B	\$59.5 B	\$371.8 B	\$53.9 B
6,5%	\$359.7 B	\$74.9 B	\$434.6 B	\$82.4 B
8%	\$418.5 B	\$95.3 B	\$513.8 B	\$125.4 B

Under the central assumptions, Scenario D generates:

- \$359.7 billion in reconstruction/security withdrawals;
- \$74.9 billion in debt-servicing withdrawals;
- \$150 billion in mobilised private/institutional capital; and
- \$82.4 billion in remaining endowment capital.

Cumulative economic value is approximately \$667.0 billion.

Scenario D illustrates a potentially important policy principle: high withdrawals during the intensive reconstruction phase do not necessarily need to become permanent. Reducing withdrawals once the most capital-intensive phase of recovery has passed can materially improve long-term capital preservation.

Comparison of scenarios

Central illustrative case: 30 years, 6.5% average annual return, 3x investment mobilisation

Indicator	Scenario A	Scenario B	Scenario C	Scenario D
Immediate reconstruction and compensation	\$100 billion	\$150 billion	0	0
Investment mobilization instruments	\$50 billion	\$50 billion	\$50 billion	\$50 billion

Additional capital mobilized	\$150 billion	\$150 billion	\$150 billion	\$150 billion
Initial endowment	\$150 billion	\$100 billion	\$250 billion	\$250 billion
Reconstruction/ defence withdrawals	\$226.7 billion	\$151.2 billion	\$392.6 billion	\$359.7 billion
Debt servicing withdrawals	\$87.7 billion	\$58.5 billion	\$61.4 billion	\$74.9 billion
Capital remaining after 30 years	\$112.3 billion	\$74.9 billion	\$35.7 billion	\$82.4 billion
<i>Cumulative economic value generated</i>	<i>\$676.7 billion</i>	<i>\$584.6 billion</i>	<i>\$639.7 billion</i>	<i>\$667 billion</i>

The comparison demonstrates that the primary policy choice is not simply between “spending” and “saving” the CBR assets. Different combinations of initial expenditure, annual withdrawals and long-term investment can produce fundamentally different timing and sustainability profiles.

Scenario A generates the highest cumulative value in the central case while preserving a substantial long-term capital base.

Scenario B maximises immediate financing but produces the lowest cumulative long-term value because the smaller initial endowment has less time and capital on which to generate compound returns.

Scenario C produces very large cumulative cash flows but substantially depletes the endowment.

Scenario D offers a middle path: reconstruction financing is heavily front-loaded through higher withdrawals during the first 15 years, but subsequent moderation of withdrawals preserves considerably more capital than under Scenario C.

No scenario should therefore be understood as inherently optimal. The appropriate model would depend on Ukraine’s actual financing requirements and the availability of complementary external resources.

At the same time, even the most favourable model would not fully finance Ukraine’s reconstruction, defence and convergence needs. The Ukraine Fund should therefore complement rather than replace financing from Ukraine’s state budget, the EU Multiannual Financial Framework, bilateral assistance, international financial institutions, private investment and eventual Russian reparations.

Limitations and Further Stress Testing

These scenarios are deliberately simplified and should be interpreted as illustrations of financial capacity rather than forecasts. In particular, the models:

- assume constant average annual returns rather than year-to-year market volatility;
- do not model the sequence of positive and negative investment returns;
- do not incorporate inflation or distinguish nominal from real returns;
- do not deduct asset-management costs, taxes or transaction costs;
- do not model exchange-rate fluctuations between USD, EUR and other currencies;
- do not estimate potential losses or recoveries on guarantees and war-risk instruments;
- do not apply a present-value discount rate to future flows etc.

Any professionally managed portfolio will experience periods of market losses. The Fund should therefore maintain adequate liquidity buffers, diversification and flexible withdrawal rules to avoid forced asset sales during downturns.