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## **The immobilization and use of the assets of the Central Bank of Russia as a specific type of Western sanctions against Russian Federation**

### **Abstract**

This article aims to examine immobilization and utilization of the assets of the Central Bank of Russia (CBR) in support of Ukraine. The freezing<sup>1</sup> of these assets constitutes a distinctive form of the European Union's sanctions regime against the Russian Federation. While legal scholarship generally concurs that the decision to immobilized the assets was justified and that Russia should remain deprived of access until the cessation of hostilities and compensation for damages inflicted on Ukraine, the question of whether these funds can be seized<sup>2</sup> or alternatively deployed through loan mechanisms remain open. While legal and financial frameworks appear to permit either approach, the decisive factor will be political. The willingness of the European Union and G7 states<sup>3</sup> to mobilize these resources in support of Ukraine is likely to be heavily influenced by the progress and outcome of peace negotiations between Kyiv and Moscow.

**Keywords:** Ukraine, Russia, sanctions, European Union, G7, freezing of the Russian Central Bank's assets, confiscation / seizure, repressions

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<sup>1</sup> The terms "immobilization" and "freezing" are used synonymously in this article.

<sup>2</sup> The term "seizure" is interchangeable in this text with the term "confiscation" or "expropriation".

<sup>3</sup> While the article focuses primarily on the European Union sanctions against Russia (most of the CBR assets are frozen in the EU jurisdictions), the centre of gravity of the debate concerning the further use of the Russian sovereign assets lies within the purview of the G7.

## Introduction

Sanctions have emerged as a central instrument of contemporary foreign and security policy. They constitute the principal coercive tool employed by the Western states to stop Russia's aggression in Ukraine and restore its sovereignty and territorial integrity. In the short and mid-term - while Moscow is not inclining to change its aggressive policy – the strategic focus of these restrictive measures<sup>4</sup> lies in escalating the costs of aggression. Specifically, sanctions aim to erode Russia's economic resilience and undermine the capabilities of its military-industrial complex, thereby constraining its ability to sustain prolonged armed conflict and exert regional dominance.

Immobilization of the CBR assets is a specific sanction against Moscow. The freezing of approximately 300 billion USD of the CBR assets has significantly undermined Kremlin's financial resilience and curtailed its operational capacity in light of the immense costs associated with its ongoing war of aggression. While there is a broad international consensus on the necessity of restricting Russia's access to these resources, uncertainty persists regarding the lawful and effective means of repurposing the immobilized funds to support Ukraine. At present, these assets have been utilized only to a very limited degree.

This article seeks to explore the legal, political, and financial dimensions of the immobilization of the CBR assets and the potential avenues for their use to support Ukraine. The analysis begins with a conceptual overview of sanctions, with particular attention to the role of restrictive measures adopted by the European Union against the Russian Federation. The paper examines both the scope of the CBR assets frozen in Western jurisdictions and the relevant decisions under current (*de lege lata*) and potential future (*de lege ferenda*) legal pathways.

To this end, the article formulates the hypothesis that a decision to deploy these assets for Ukraine's benefit may be taken either through expropriation as a form of countermeasure or via a reparation loan mechanism that does not require formal transfer of ownership – although other modalities may also be viable. Such options are supported by both legal and financial rationales. However, the decisive factor will be the political will of key actors, particularly as shaped by the trajectory of peace negotiations between Russia and Ukraine.

In order to test this hypothesis, the study poses several research questions:

- What is the nature of international sanctions, and what restrictive measures has the EU imposed on Russia?

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<sup>4</sup> The terms “sanctions” and “restrictive measures” are used synonymously in this article.

- What role does the immobilization of CBR assets play within the broader sanctions regime?
- What legal and financial mechanisms are already in place (*de lege lata*) and what pathways could be developed (*de lege ferenda*) for effectively utilizing CBR assets to support Ukraine, and how significantly do political considerations influence this process?

The analysis presented in this publication employed legal and political science methodologies, including document and content analysis, comparative evaluation, and the examination of international and domestic legal frameworks.

## The concept of sanctions

The term ‘sanction’ originates from Latin and denotes “the establishment of a penalty; a clause; a reservation” or “the consecration, affirmation, coercion, or a part of a law specifying the consequences of non-compliance with its provisions”<sup>5</sup> (Dziedziak, 2015, p. 68). Sanction constitutes a form of a coercive measure applied in response to violations of a legal order based on a system that mandates specific patterns of behaviour (Lis, 2015, pp. 358–359) and should be understood as a permanent element of the social order<sup>6</sup> (Laswell, Arens, 1967, p. 27).

In the context of public international law, sanctions are defined as “a negative response by the international community directed at a state that violates the norms of international law” (Bierzanek, Symonides, 2003, p. 24), with their primary objective being the restoration of the legal order disrupted by such violations and the reinforcement of effectiveness of international obligations (Kociołek-Pęksa, Menkes, 2017, pp. 92–93). Sanctions may also be interpreted as instruments of economic coercion, methods of exercising power, or tools for the pursuit of foreign policy objectives<sup>7</sup> (Nossal, 1989, p. 304).

<sup>5</sup> The term “sanction” is commonly used not only in reference to violations of legal norms, but also to breaches of social norms.

<sup>6</sup> Scholars have pointed out, that despite the diversity of sanction concepts, they share a common semantic core that links sanctions to their role in influencing the degree of conformity between social norms and individual behaviour.

<sup>7</sup> Klaus Knorr defines sanctions as “means of law enforcement,” Donald Losman primarily characterizes them as “instruments of economic pressure,” while Gary Hufbauer and Jeffrey Schott associate economic sanctions with the achievement of foreign policy objectives. See also Anthony Blinken emphasized that “competing vigorously means using all the instruments of U.S. power to advance U.S. interests. It means enhancing the United States’ force posture, military and intelligence capabilities, sanctions and export control tools, and mechanisms for consulting with allies and partners so that the country can credibly deter—and, if necessary, defend against—aggression” (Blinken, 2024).

Sanctions have emerged as one of the main instruments of international politics (Rosińska-Bukowska, 2015, p. 184). While they are implemented under specific circumstances – namely, in response to acts that breach international law – they are intended to serve broadly understood repressive functions. These include not only exerting pressure on particular actors to bring their conduct back into alignment with international norms, but also effectively deterring (preventing) the recurrence of similar actions in the future, whether by the same or by other actors (Nossal, p. 314).

The United Nations (UN) holds a special position in the decision-making process regarding sanctions. As an universal organization, the UN's primary objective is to maintain international peace and security and to promote friendly relations among its member states. Its foundational document, the Charter of the United Nations, sets out the principles and procedures accepted by all members, thereby providing a fundamental code of conduct (Doxey, 1975, p. 54). Art. 41 of the UN Charter stipulates that "the Security Council may decide what measures not involving the use of armed force are to be employed to give effect to its decisions, and it may call upon the Members of the United Nations to apply such measures. These may include complete or partial interruption of economic relations and of rail, sea, air, postal, telegraphic, radio, and other means of communication, and the severance of diplomatic relations." (United Nations, 1945). This norm empowers the United Nations Security Council to take extensive non-military actions that promote the development of international peace, including the imposition of sanctions (through legally binding resolutions). As Kristen Boon points out, UN sanctions are, on the one hand, political tools used to "overcome the will of recalcitrant states and non-state actors", while, on the other hand, they serve as legal instruments that bind all member states (Boon, 2014, p. 2–3).

Some other international organizations also possess the authority to impose sanctions; however, such powers are typically limited in scope and application, often confined to specific subject areas or policy domains<sup>8</sup>. Many others lack such authority focusing solely on exerting political pressure<sup>9</sup>.

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<sup>8</sup> Examples of such organizations: African Union (Art. 23 of the Constitutive Act of the African Union), Economic Community of the West African Countries (Art. 45 of Economic Community of the West African Countries Protocol on Democracy and Good Governance) or Organization of American States (Art. 9 of the Organization of American States Charter).

<sup>9</sup> Another example is the Organization for Security and Cooperation in Europe, which as noted by former Secretary General of NATO Jaap Hoop de Scheffer "cannot impose sanctions or other coercive measures. The peer pressure (...) is the only form of coercion it possesses" (de Hoop Scheffer, 2003).

The competence of the European Union are of central importance for the analysis presented in this publication. Article 29 of the Treaty on European Union provides that: „the Council shall adopt decisions which shall define the approach of the Union to a particular matter of a geographical or thematic nature. Member States shall ensure that their national policies conform to the Union positions.” (Treaty on European Union, 2016). This provision forms the legal basis for the adoption of sanctions, with its detailed elaboration set out in Article 215 of the Treaty on the Functioning of the European Union (TFEU). According to this article, restrictive measures – commonly referred to as “sanctions” in EU documents – may include “the interruption or reduction, in part or completely, of economic and financial relations with one or more third countries” as well as measures directed against natural or legal persons, groups, or non-state entities. Thus, the EU’s legal framework provides for both country-specific and targeted (individual) sanctions, reinforcing the Union’s ability to respond to threats to international peace and security through comprehensive or tailored restrictive actions” (Treaty on the Functioning of the European Union, 2016).

There are three categories of sanctions European Union can impose. First, it can implement UN sanctions adopted under Chapter VII of the UN Charter. The EU grants these measures legal standing within European law through a Council decision under the Common Foreign and Security Policy (CFSP), followed by the adoption of a regulation. Second, the European Union implements autonomous sanctions that extend beyond the scope of United Nations sanctions, often referred to as ‘supplementary’ measures. And third, the European Union imposes autonomous sanctions in the absence of United Nations sanctions, typically in situations where the UN Security Council is unable to reach consensus due to the veto of a Permanent Member (Biersteker, Portela, 2015, p. 1–2). The sanctions imposed by the European Union against the Russian Federation, in response to its aggression against Ukraine, belong to this latter category.

The detailed provisions concerning the application of sanctions are regulated in the European Union’s internal legal instruments (Giumelli, 2013, p. 9)<sup>10</sup>. Sanctions may be imposed when third countries, natural or legal persons, or non-state entities fail to comply with international law or pursue policies and actions that are contrary to the rule of law or the principles of democracy. These

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<sup>10</sup> Sanctions are also provided for in Article 96 of the Partnership Agreement between the members of the African, Caribbean and Pacific Group of States and the European Community and its Member States.

measures form an integral part of the EU's external action toolkit, enabling the Union to respond to breaches of international norms and to uphold its foundational values in the international arena (EUR-Lex, 2023).

## **EU Sanctions against Russian Federation**

Since 2014, the European Union has implemented a comprehensive set of sanctions against the Russian Federation. These restrictive measures were introduced in response to Russia's aggression against Ukraine, systemic human rights violations within Russia, and the growing hybrid threats posed by the Russian Federation to the European Union.

The most recent sanction regime adopted by the EU focuses on restrictive measures targeting Russia's destabilizing activities (introduced in 2024 under so called 'hybrid regime'). These activities, as outlined in Art. 1 par. 1 (a) of Council Decision (CFSP) 2024/2643 of 8 October, involve "(...) implementing, supporting, or benefitting from actions or policies by the Government of the Russian Federation which undermine or threaten democracy, the rule of law, stability or security in the Union or in one or several of its Member States, in an international organisation or in a third country, or which undermine or threaten the sovereignty or independence of one or several of its Member States, or of a third country (...)". The hybrid warfare tactics employed by Russia against the EU and other Western countries are rooted in the doctrine of general Valeri Gerasimov, who argued that "the very 'rules of war' have changed. The role of non-military means of achieving political and strategic goals has grown, and, in many cases, they have exceeded the power of force of weapons in their effectiveness" (Gerasimov, 2013, p. 1–2). Moscow has since amplified that concept to blur the line between peace and war (Schnauffer, 2017, p. 20–21). It is critical to note that the toolkit employed by Russia in its hybrid operations is extensive and continues to expand.

Another category of sanctions is related to human rights violations, which operates on two levels. On the one hand, there is a general sanctions regime (i.e. Decision 2020/1999), which establishes a framework for targeted restrictive measures to address serious human rights violations and abuses worldwide (which can be applied to Russians and Russia as to the other nationals and states). On the other hand, there is a specific Council decision concerning restrictive measures in view of the situation in Russia (commonly referred as the 'Navalny regime'). Art. 1 par. 1 of Council decision-CFSP 2024/1484 of 27 May 2024 links sanction to "serious violations or abuses of human rights of for the repression of civil society and democratic opposition, or whose activities otherwise seriously undermine democracy or the rule of law in Russia".

Both sanction regimes encompass individuals and entities on their respective lists. The restrictive measures include travel bans for individuals, asset freezes for both individuals and entities, and prohibitions on making funds or economic resources available to those listed (European Union Council, 2025).

The main category of sanction is connected to the Russia’s aggression on Ukraine, which has already been adopted in 2014. It comprises a broad spectrum of both sectoral and individual measures, developed incrementally over the years. The majority of sanctions have been consistently implemented by the EU member states since the end of February 2022. By May 20, 2025, a total of 17 sanction packages had been adopted. The main categories of these sanctions are outlined in the table below.

**Table 1.** EU Sanctions against Russia over Ukraine (main types and selected information)

<b>Individual Sanctions</b>	
Assets freeze and travel ban against individuals <sup>11</sup> .	Asset freeze against entities <sup>12</sup> .
<b>Sectoral sanctions – banking and finance</b>	
<ul style="list-style-type: none"><li>• SWIFT ban for selected Russian banks;</li><li>• Restrictions on Russia’s access to the EU’s capital and financial markets;</li><li>• Impose prior authorisation on any transfer of funds outside the EU by any Russian-owned or controlled entity in the EU;</li><li>• Outlawing the use of the System for Transfer of Financial Messages.</li></ul>	<p>Ban on:</p> <ul style="list-style-type: none"><li>• transactions with the Central Bank of Russia;</li><li>• supply of euro-denominated banknotes to Russia;</li><li>• provision of crypto-wallets to Russian persons.</li></ul>
<b>Other sectoral sanctions</b>	
Energy <sup>13</sup>	Transport <sup>14</sup>
Defence <sup>15</sup>	Raw materials <sup>16</sup>

<sup>11</sup> Including: political leaders, members of parliament, military staff and high-rank officials, oligarchs and propagandists.

<sup>12</sup> Including: banks, financial institutions, armed forces, companies in military and industrial complex, political parties and media organisations responsible for propaganda and disinformation.

<sup>13</sup> Including ban on: imports from Russia of oil and coal, new investment in the Russian energy and mining sector, exports to Russia of goods and technologies in the oil refining sector.

<sup>14</sup> Including ban on: Russian road transport operators, maritime transport of Russian oil to third countries and trailers and semi-trailers registered in Russia.

<sup>15</sup> Including ban on export to Russia of: dual use goods and technology for military use, semiconductor material, arms, ammunitions and other goods which could enhance Russian industrial capacities.

<sup>16</sup> Including ban on imports from Russia of steel and copper.



Other goods <sup>17</sup>	Services <sup>18</sup>
<b>Diplomatic and visa measures<sup>19</sup></b>	
<b>Countering disinformation<sup>20</sup></b>	

Source: European Union Council, 2025.

Among the sectoral sanctions, Table 1 highlights the main categories, with particular emphasis on the banking and financial sectors. One of the key elements of these sanctions is the immobilization of the assets of the CBR held within EU member states’ jurisdictions.

**Immobilization of Central Bank of Russia assets as a specific form of sanctions**

The Council of the European Union adopted a decision to immobilize the assets of the CBR as part of the third package of sanctions. At that time, Article 1(4a) of the Council Decision (CFSP) 2022/335 of 28 February 2022 amending Decision 2014/512/CFSP concerning restrictive measures in view of Russia’s actions destabilising the situation in Ukraine was introduced as follows: “(...) Transactions related to the management of reserves as well as of assets of the Central Bank of Russia (...) are prohibited” (Council of the EU, 2022). Similar decisions were taken by non-EU G7 countries (Canada, Japan, UK and US) and Australia (European Parliament, 2025).

While the issue of sanctioning the foreign exchange reserves of central banks has been discussed in the literature, the case of Russia may set a precedent that stands out due to the scale of the frozen assets. The immobilized reserves of the CBR are more than three times larger than the average reserves of countries sanctioned since 1914 in relation to global reserves. Moreover, the potential direction of their use also marks a significant deviation, as neutral states have frozen the assets of an aggressor state for the purpose of contributing to the reconstruction of the victim state (Minesso, et al., 2024).

<sup>17</sup> Including ban on: exports to Russia of luxury goods and imports from Russia of seafood, spirits, cigarettes and cosmetics.

<sup>18</sup> Including ban to provide to Russia or Russian persons: construction, architectural and engineering services, software for industrial design and manufacture and provision of software for the management of enterprises.

<sup>19</sup> Including: the visa facilitation agreement between EU and Russia is suspended.

<sup>20</sup> Including: suspension of broadcasting activities in the EU Russian media outlets.



The total worth of Russian sovereign assets immobilized by the EU and other sanctioning countries is estimated at around 260 billion euros (European Parliament, 2025). An exact estimation of this amount would be difficult due to discrepancies in data, including these presented by the CBR.

The vast majority of CBR assets belong to Euroclear, financial market infrastructure provider that specializes in central securities depository (Euroclear, 2024). At the end of the first quarter 2025 Euroclear's bank sheet possessed 195 billion euro relate to sanctioned Russian sovereign assets. 66% of them (which is approximately 130 billion euro) are held in euros (Ziskina, 2025, 9–10)<sup>21</sup>. The remaining 34% are denominated in pounds sterling (15% – 29 billion euro), US dollars (8% – 15.6 billion euro), Canadian dollars (7% – 13.6 billion euro), Australian dollars (2% – 3.9 billion euro) and other (1%) – 1.95 billion euro (Euroclear, 2025). The remaining CBR assets (at least 65 billion euros) are directly held under the jurisdiction of selected Western states (US, UK Japan, France, Canada, Australia, Switzerland and Singapore). This estimate highlights the significant scale of Russian financial holdings in Western financial systems, which plays a crucial role in the broader geopolitical and economic dynamics surrounding international sanctions and asset freezes (Ziskina, 2025, p. 12).

### **The Use of Central Bank of Russia Assets: *De Lege Lata***

The rationale underlying the decision to immobilize Russian sovereign assets was to exert pressure aimed at stopping Moscow's full scale invasion, restoring Ukraine's sovereignty and territorial integrity, and ensuring that Russia will be accountable for the crimes and damages resulting from its unprovoked acts of aggression. This policy has been reflected in official documents issued by the G7 and the EU.

On 24 February 2023 G7 leaders agreed that they are “determined, consistent with our respective legal systems, that Russia's sovereign assets in our jurisdictions will remain immobilized until there is a resolution to the conflict that addresses Russia's violation of Ukraine's sovereignty and integrity. Any resolution to the conflict must ensure Russia pays for the damage it has caused” (European Council, 2023). While they were only immobilized and was not utilized until 2024 (see below) this decision was, on the one hand, an effective blockage not to allow Russia to use this money for financing the war, and on the other hand,

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<sup>21</sup> All cash assets are held under the jurisdiction of the banks of the nation that has issued them (e.g. all cash held via Euroclear in USD are either with the Federal Reserve or US correspondent banks).

constitutes a deterrent for any third country, who would like to start any similar aggression to the Russian one.

However, at the same time this is exposed to certain limitations. First, a decision on immobilization of CBR assets has to be – as part of sanctions regime – extended by EU Council every six months. This is based on political practice, not a specific legal requirement. This procedural frame was institutionalized in 2016, when the European Council opted to synchronize the duration of the sanctions with the anticipated implementation timeline of the Minsk Agreements – initially expected to be fulfilled by December 2015. As the core provisions of the Minsk accords remained unimplemented, the Council has since maintained a biannual renewal cycle for the sanctions framework. Second, EU decisions is restricted to jurisdiction of EU member states. Immobilization of Russian sovereign assets is primarily agreed under the G7 framework and being introduced by respective member states in this group (US, United Kingdom, Canada and Japan). Since February 2022 the consensus in the group was maintained, but this is a matter of a constant political dialogue.

The first step in making use of the Russian sovereign assets was an idea to use windfall profits from the Russian sovereign assets kept in the Western jurisdictions. As the G7 Leaders agreed on 6 December 2023 “decisive progress is needed to direct extraordinary revenues held by private entities stemming directly from Russia’s immobilized sovereign assets to support Ukraine, consistent with applicable contractual obligations and in accordance with applicable laws”. For the European Union it meant twofold resolution. The first step started with a EU Council decision on 12 February 2024 that Central Securities Depositories (CSD) holding more than 1 million euro of CBR’s assets must account extraordinary cash balances accumulating due to EU sanctions separately and must keep corresponding revenues separate. CSD’s was also prohibited from disposing of the ensuing net profits (Council of the EU, 2024a). On 21 May 2025, the Council of the European Union amended its legal framework to enable the use of extraordinary revenues – generated from the immobilized assets of the Central Bank of Russia – for Ukraine’s defence, recovery, and reconstruction. These revenues accrue primarily from cash balances held by central securities depositories (CSDs) as a result of asset immobilisation. Under the revised rules, only CSDs holding over 1 million euro in Russian central bank assets are required to set aside these funds, which are not subject to restitution even after the immobilisation ends. The first disbursement of 1.5 billion euro was made in July 2024, with 90% allocated to military assistance via the European Peace Facility and 10% directed to the Ukraine Facility. A second tranche of 2.1 billion euro followed in April 2025 (Council of the EU, 2024b).

It is important to clarify the mechanism through which Euroclear generates profit. Initially, Euroclear held assets of the CBR in the form of securities; as these securities matured, they produced returns – such as bond redemptions and coupon payments – which would have accrued to the CBR, resulting in a year-on-year increase of 38 billion euro in Euroclear’s cash balances in 2023 alone. Given that Euroclear (because of sanctions) could not distribute these interests to the owner, it accumulated extraordinary cash balances in their accounts. In accordance with statutory capital requirements and established risk management frameworks, Euroclear and other central securities depositories (CSDs) do not retain substantial cash balances. Instead, these funds are routinely reinvested – most commonly in Eurobonds – thereby generating additional financial returns. As detailed in its most recent financial disclosures, Euroclear reported earnings of 4.4 billion euro in 2023 from the reinvestment of cash balances originating from frozen Russian assets. These profits no longer contribute to the portfolio of the CBR as they are now considered as the lawful property of Euroclear (Franchini, 2024)<sup>22</sup>.

The second step was an agreement to build a loan mechanism upon the windfall profits. As it was agreed by the G7 Leaders’ in Apulia “the G7 will launch Extraordinary Revenue Acceleration (ERA) Loans for Ukraine, in order to make available approximately USD 50 billion in additional funding to Ukraine by the end of the year. (...) the G7 intends to provide financing that will be serviced and repaid by future flows of extraordinary revenues stemming from the immobilization of Russian sovereign assets held in the European Union and other relevant jurisdictions” (European Council, 2024).

In 2024, the EU Council approved a comprehensive financial assistance package for Ukraine, comprising an exceptional macro-financial assistance (MFA) loan of up to 35 billion euro and a loan coordination mechanism supporting the repayment of up to 45 billion euro (or 50 billion USD) in loans provided by the EU and G7 partners. These loans, offered under the ‘Extraordinary Revenue Acceleration (ERA) Loans for Ukraine’ initiative, are to be repaid through future extraordinary revenues generated by the immobilisation of Russian sovereign assets held in EU central securities depositories. The MFA loan is tied to policy conditions aligned with the Ukraine Facility – particularly the Ukraine Plan – and incorporates standard EU safeguards, including oversight mechanisms and anti-fraud provisions (Council of the EU, 2024c).

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<sup>22</sup> See also: Sexton, J. P., & Kerr, V. (2024, September 23). *EU support to Ukraine through windfall profits: Reparative value, international law, and future pathways*. Lieber Institute. <https://lieber.westpoint.edu/eu-support-ukraine-windfall-profits-reparative-value-international-law-future-pathways/>

**Table 2.** Disbursements of ERA loan among G7 and EU

Country	Amount
USA	20 bln USD <sup>23</sup>
European Union	18.115 billion euro
Canada	5 billion CAD
UK	2.258 billion GBP
Japan	471.9 billion yen

Source: Euromaidan Press (2024). Russian asset proceeds fund new 20 billion USD US loan to Ukraine. <https://euromaidanpress.com/2024/12/10/russian-asset-proceeds-fund-new-20-billion-us-loan-to-ukraine/>

As Daleep Singh, US Deputy National Security Advisor underlined in October 2024 “nothing like this has ever been done before. Never before has a multilateral coalition frozen the assets of an aggressor country and then harnessed the value of those assets to fund the defense of the aggrieved party, all while respecting the rule of law and maintaining solidarity. And as a result, Ukraine will receive the assistance it needs now without burdening our taxpayers” (The American Presidency Project, 2024).

### **The Use of Central Bank of Russia Assets: *De Lege Ferenda***

While the 50 billion USD loan mechanism to support Ukraine is an important step forward, this may be not sufficient at least from three perspectives. First, current and prospective needs of Ukraine for maintaining defence capabilities to continue war with aggressor remains enormous. Despite the huge assistance from EU and other Western partners (Trebesch, Irto, & Nishikawa, 2024)<sup>24</sup> Ukraine’s average budget deficit since 2022 is over 22% of GDP and its budget shortfall in 2025 amounts to 41.5 billion USD (Proud, 2025). Second, any additional solution to direct the CBR assets to Ukraine may strengthen Kyiv at the negotiating table. That would ensure covering financial needs of Ukraine even if some of the biggest supporter (like e.g. US) would step away from transferring additional assistance. Third, immobilization of Russian sovereign assets can be

<sup>23</sup> US Department of Treasury, Treasury Department Announces Disbursement of 20 Billion USD Loan to Benefit Ukraine, To Be Repaid with Proceeds Earned from Immobilized Russian Sovereign Assets, 10 December, 2024 /in/ <https://home.treasury.gov/news/press-releases/jy2744> – accessed on 17 May 2024.

<sup>24</sup> Europe has already allocated 137.9 billion euros (January 2022–February 2025; and committed 97.2 billion euro more), and the US 114.6 billion euro.

reversed, if the EU would not be able to extend sanction regime (see above). To avoid such worst case scenario only the further steps, only full use of this money can be recommended.

**Table 3.** How to use Russian sovereign assets for the benefit of Ukraine

Next step	Type	Legal basis	Amount to be used
Transfer of ownership	Seizure/ Confiscation	Countermeasure	Full
No need to transfer ownership	Reparation Loan or other type of loan	Law of reparation	Partial/Full

Source: Stiglitz, Kosenko (2024) and Ziskina (2025).

In general there are two major ways to use the CBR money. One idea would be to make a transfer of ownership of assets through their seizure. Such a process is possible in international law under the instrument “countermeasure”. If the country blatantly violates international legal obligations, third states (states that have not been directly injured by the offending state’s conduct) are permitted by international law to take collective countermeasures against the offending state (in this case Russia), for grave breaches of its obligations under peremptory norms of international law that affect every state in the international system. This instrument has already been used when several states where Russian sovereign assets are located took action to freeze those assets so that they would not be available to finance Russia’s war of aggression. This instrument can be used further to fully seize the Russian sovereign assets as compensation to Ukraine (and other injured parties) for the enormous damage and destruction Russia has inflicted on Ukraine (International Institute for Strategic Studies, 2024, 7). This idea was already used by the US Congress in the “Rebuilding Economic Prosperity and Opportunity for Ukrainians Act” of 2024 (or “the REPO Act” signed by US President Joe Biden on 24 April 2024). The REPO Act designates Russia as an “aggressor state”, stipulating that “the president may seize, confiscate, transfer, or vest any Russian aggressor state sovereign assets (...) subject to the jurisdiction of the United States” and directs the president “to take such actions as the president determines appropriate to coordinate with the G7, the EU, Australia and other partners and allies of the US regarding the disposition of immobilized Russian aggressor state sovereign assets (...) for the purpose of assisting Ukraine” (Stiglitz, Kosenko, 2024, p. 4).

An alternative proposal for the utilization of CBR assets is predicated upon the expansion of the existing loan mechanism from 50 billion USD to a level

corresponding to the total value of the CBR assets (up to 300 billion USD or less). The reparation loan would be based on the law of setoff, where holders of Russian sovereign assets lend Ukraine up to 300 billion USD and Kyiv pledges its claim against Moscow for war reparations as collateral security for that loan. Simultaneously the loan would be structured as a limited recourse obligation (collateral being the sole source of repayment). The whole mechanism would also encompass: i. an international compensation commission assesses Ukraine's claim for war damages; ii. in the event of the Kremlin's refusal to provide compensation, the states holding frozen Russian assets would enforce foreclosure on their collateral, inheriting the claim against Russia; iii. subsequently, the states providing the loan to Ukraine, then set off that claim against the frozen assets, recovering in full their loan to Ukraine (Ziskina, 2025).

Beyond the two general solutions outlined above, the political debate also includes proposals for the temporary use of countermeasures (until Russia fulfils its reparations obligations to Ukraine), the provision of partial loans or other hybrid proposals. The debate remains dynamic, with ongoing negotiations and evolving geopolitical considerations shaping the contours of what is legally and politically feasible. As such, the emergence of new and innovative proposals cannot be ruled out.

### **Main determinants on the future decision concerning use of CBR assets**

The future use of frozen CBR assets has been conditionally endorsed by the G7 member states, who have agreed that these sovereign assets will remain immobilized until Russia ceases its aggression, compensates Ukraine for the damages inflicted, and Ukraine's sovereignty and territorial integrity are fully restored. However, the likelihood that the Russian government will willingly agree to pay reparations remains exceedingly low, given its current political posture. Thus the full use of CBR assets should be seriously considered as a viable mechanism for financing Ukraine's recovery. Any such decision should be guided by at least four determinants, which merit careful evaluation in both legal and geopolitical context.

First, according to the Fourth Rapid Damage and Needs Assessment (RDNA4) jointly prepared by the Government of Ukraine in cooperation with the European Commission, the United Nations and the World Bank, the cumulative direct damage to Ukraine's buildings and infrastructure caused by Russia's ongoing aggression reached approximately 176 billion USD by the end of 2024. In addition to these immediate losses, the report estimates that Ukraine will require 524 billion USD over the next decade to finance recov-

ery and reconstruction efforts (The World Bank, the Government of Ukraine, the European Union, the United Nations, 2025, 16–18). The estimated costs of Ukraine’s reconstruction significantly exceed the total value of CBR assets currently immobilized in the Western jurisdictions. Identifying alternative sources of financing would pose a considerable challenge, given the magnitude of required investment.

Second, while there is an ongoing debate within international law regarding the legal permissibility of confiscating CBR assets (de Preux, 2025), some scholars argue that, in the absence of explicit consent from Russia to address the issue of reparations (whether through a peace treaty of a United Nations resolution) the enforcement of reparations may require invoking specific circumstances (Butchard, 2024). In this context, the severity of Russia’s violations of peremptory norms – manifested through its act of aggression against Ukraine and international crimes committed by its armed forces – could justify the application of lawful countermeasures against Moscow (European Parliamentary Service, 2024). These may include the suspension of legal obligations related to state immunity and the protection of sovereign property, thereby allowing for the confiscation of frozen Russian assets. From this perspective, the use of such assets to satisfy Ukraine’s reparations claims would not constitute a violation of international law. This legal reasoning is reflected in the Regulation (EU) 2023/2675 of the European Parliament and of the Council of 22 November 2023 on the protection of the Union and its Member States from economic coercion by third countries (Official Journal of the European Union, 2023)<sup>25</sup>.

Third, the potential confiscation of CBR assets – distinct from proposals concerning a reparations loan – has raised concerns among some Western European allies, notably Belgium, regarding possible financial risks. However, there is little evidence to suggest that the expropriation of CBR assets by Western states would significantly undermine the credibility of the eurozone or the status of the euro and U.S. dollar as global reserve currencies. Both currencies continue to dominate international reserves, and substantial shifts in this dynamic are unlikely in the short to medium term. Simultaneously, while it cannot be entirely ruled out that such a measure could lead to an increase in government bond yields due to

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<sup>25</sup> Par. 13 of the preamble stipulates that: “Customary international law, as reflected in Article 22 and Articles 49 to 53 of the ARSIWA, allows, under certain conditions such as proportionality and prior notice, the imposition of countermeasures, namely measures that would otherwise be contrary to the international obligations of an injured party vis-à-vis the country responsible for a breach of international law, and that are aimed at obtaining the cessation of the breach or reparation for it (...)”.



perceived risks, the extent of this impact remains uncertain, primarily because of the unprecedented nature of the CBR asset case (Zaręba, 2025)<sup>26</sup>.

Finally, and most critically, the decisive factor in the debate over the confiscation of Russian sovereign assets – or the alternative of a reparations loan – is inherently political. As outlined above, there are no unequivocal legal or economic arguments that categorically preclude the confiscation of these assets. This shifts the focus to the political domain, where the central objective remains clear: “Russia must end its war of aggression and pay for the damage it has caused to Ukraine” (UK Government, 2024). But at the same, the trajectory of this political process directly influences the feasibility and timing of any asset confiscation. This issue has to be read in the broader context of the political debate between the West (and most importantly Washington), Moscow and Kyiv. As it is reflected in the G7 Foreign Ministers’ statement from March 2025 that the imposition of additional costs on Russia – including measures related to sovereign assets – will be contingent on developments in ceasefire negotiations. This highlights the degree to which decisions surrounding asset use are embedded within broader geopolitical considerations and the evolving dynamics of diplomatic engagement with the Russian Federation (US Department of State, 2025).

## Conclusion

The article has critically examined the concept of international sanctions with the focus on the scale of restrictive measures imposed by the European Union against Russian Federation since 2014. Within this context, the immobilization of assets held by the CBR has emerged as a particularly significant and unprecedented element of the Western sanctions regime. The analysis evaluated both the current (*de lege lata*) and prospective (*de lege ferenda*) pathways that could enable the use of these frozen assets to support Ukraine. In testing the hypothesis, the study presented two primary avenues: the expropriation of assets as a form of lawful countermeasure, and the creation of a reparation loan mechanism that would allow Ukraine to benefit from the assets without necessitating their formal transfer of ownership. While both approaches appear legally sound and financially justifiable, their implementation hinges on the political will of the key international actors. As the international community continues to respond to the war in Ukraine, it is ultimately political alignment – rather than legal or technical constraints – that will determine whether these measures can be operationalized in practice.

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<sup>26</sup> The report also comments a separate but related issue of retaliatory actions implemented by the Russian Federation (e.g. on the Western assets in Russia).

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## **Unieruchomienie i wykorzystanie aktywów Banku Centralnego Rosji jako szczególny typ sankcji zachodnich wobec Federacji Rosyjskiej**

### **Streszczenie**

W artykule przeprowadzono analizę problematyki unieruchomienia oraz wykorzystania przez Unię Europejską i państwa należące do G7 aktywów Banku Centralnego Rosji (CBR) jako elementu sankcji wobec Federacji Rosyjskiej. O ile w doktrynie prawa międzynarodowego powszechnie akceptowana jest legalność zamrożenia aktywów oraz konieczność utrzymania tego środka do zakończenia działań wojennych i wypłaty odszkodowań, o tyle kontrowersje budzi kwestia dopuszczalności ich konfiskaty bądź alternatywnego wykorzystania, na przykład jako zabezpieczenia pożyczki reparacyjnej, ukierunkowanej na wsparcie Ukrainy. Ramy prawne i ekonomiczno-finansowe dopuszczają oba rozwiązania, niemniej ostateczne rozstrzygnięcia w tym zakresie będą miały przede wszystkim charakter polityczny. Kluczowe znaczenie będzie mieć stanowisko państw UE i G7, które uzależniają mobilizację tych środków od postępów i wyniku negocjacji pokojowych między Ukrainą a Rosją.

**Słowa kluczowe:** Ukraina, Rosja, sankcje, Unia Europejska, G7, unieruchomienie aktywów Banku Centralnego Rosji, konfiskata, reparacje