EUROPEAN
COMMISSION

Brussels, 3.12.2025
COM(2025) 3501 final

2025/3501 (NLE)

Proposal for a

COUNCIL REGULATION

on emergency measures addressing the serious economic difficulties caused by Russia's actions in the context of the war in Ukraine

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

Russia's military aggression against Ukraine has marked the dramatic return of territorial conflict and high-intensity warfare on European soil. This structural change in the European security and defence and European geopolitics, has led Member States to rethink their defence plans and capacities.

This security context has further drastically and brutally deteriorated since early 2025. The EU and its Member States now face an intensifying Russian aggression against Ukraine and a growing security threat from Russia, with the recent intensification of hybrid attacks over the territory of Member States. It is also now clear that this threat will persist in the foreseeable future, considering that Russia has shifted to a war-time economy enabling a rapid scaleup of its military capabilities and replenishment of its stocks.

There is a security impact to this context but also a serious economic impact. The unjustified and unprovoked war against Ukraine triggered a shock to the Union economy through serious supply disruptions, higher uncertainty, increased risk premia, lower investment and consumer spending in the Union. In addition to the loss of economic growth and purchasing power, Russia's actions have led to significant direct fiscal costs for Member States. These fiscal costs are a result of efforts by Member States to mitigate these economic impacts and increase their own defence capabiliites in answer to the increased security threat.

Given this exceptional situation, which depends on external factors which are beyond the control of the Member States, but which seriously impacts their economies, and is likely to affect them even more if immediate action is not taken to allow Ukraine to continue to support its war effort and to limit the capacity of Russia to continue the intensification of hybrids attacks over the territory of the Union, a swift and coordinated response at the Union's level is therefore needed.

In this situation it is appropriate, as a first measure, to prohibit, on a temporary basis, any direct or indirect transfer to or for the benefit of the Central Bank of Russia, or to or for the benefit of any legal person, entity or body acting on behalf of, or at the direction of, the Central Bank of Russia, such as the Russian National Wealth Fund, in order to ensure that the assets and reserves of the Central Bank of Russia are not transferred to or for the benefit of Central Bank of Russia and therefore Russia.

Preventing that funds are transferred to Russia is urgently required to limit the damage to the Union's economy. In the absence of a prohibition to transfer the assets and reserves of the Central Bank of Russia, these resources could be expected to be used to support Russia's war effort against Ukraine and hybrid activities in the EU, thereby deepening the economic difficulties in the Union.

As a second measure, it is also appropriate, under the current circumstances, to use drawing on the cash balances of central securities depositories or other financial entities which hold assets and reserves of the Central Bank of Russia in order to ensure their prudent management by central securities depositories and their contribution to objective ensuring the maintenance of the economic stability of the Union.

These central security depositories should reinvest, on a daily basis for the whole period of application of this Regulation, an amount not exceeding the amount of cash balances accumulating exclusively due to the restrictive measures in a Union debt instrument in accordance with an accompanying proposal concerning a Reparations Loan to Ukraine.

Obliging the central security depositories to invest the cash balances in question into a Reparations Loan should allow the Union to make use, during a limited period of time, of the amounts which are available on these accounts for purposes which would allow to mitigate the continuous serious economic difficulties within the Union caused by Russia's unjustified and unprovoked invasion of Ukraine, while preserving the sustainability of public finances in a context where they are faced with additional fiscal needs to address the consequences of the war. In this context, the Reparations Loan should allow Ukraine to close its budgetary needs and increase its capacity to defend itself against Russia. Without this loan, it can be anticipated, in the current international context, that Ukraine will by April 2026 not be able to support its fiscal needs, entailing a realistic risk of defeat in a rather short term.

• Consistency with existing policy provisions in the policy area

This initiative will complement existing initiatives to provide EU support to Ukraine, such as the Ukraine Facility.

• Consistency with other Union policies

This proposal is consistent with other Union policy areas. In particular, it is without prejudice to appropriate measures adopted by the Council under the Common Foreign and Security Policy, notably Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, which continue to apply in parallel and which have a scope of application and pursue objectives specific to Article 29 TEU and Article 215 TFEU. The present proposal pursues objectives which are specific to the area of economic stability of the Union. Its field of application is limited to emergency measures needed to address the serious economic difficulties within the Union caused by Russia's actions in the context of the war in Ukraine and the risk of further deterioration of the economic situation. In that sense, the measures proposed here and those in Regulation 833/2014 are not mutually exclusive, but are complementary, each having its own scope, and aim to achieve different objectives.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

• Legal basis

The legal basis for this instrument is Article 122, paragraph 1, of the Treaty on the Functioning of the European Union (TFEU).

This Article, which is part of chapter 1 "Economic policy" of Title VIII "Economic and monetary Policy", allows the Council, based on a proposal of the Commission to decide, in a spirit of solidarity between the Member States upon measures appopriate to the economic situation, in particular – but not only – if severe difficulties arise in the supply of certain products. This Article applies without prejudice to other procedures provided for in the Treaties.

In the present case, the intervention is justified by the need to preserve the stability of the economy of the Union which has been affected by the unjustified and unprovoked war of Russia against Ukraine and by the different measures and acts of hybrid nature of Russia targeting the territory of the Union, its Member States or its undertakings. The economic situation could be further destabilised if the security context was to further deteriorate, as a result of Russia's intervention in Ukraine or in the Member States. There is no other provision in the Treaties which allows the Council to adopt measures to preserve the economy in a situation of crisis.

The economic stability of the Union is largely dependent on the security context over its territory, which is particularly threatened by Russia's actions in Ukraine and in the Member States. This Regulation therefore aims at avoiding that Russia obtains additional resources to fuel its war economy that it largely uses against Ukraine but also, against the Member States of the Union, by continued hybrid campaign, including sabotage, disruption of critical infrastructure, cyber-attacks, information manipulation and interference and attempts to undermine democracy including in the electoral process. This objective justifies a prohibition of direct or indirect transfers of assets and reserves for the benefit of Russia or other related beneficiaries. The proposed Regulation also aims at allowing Ukraine to be able to support its fiscal needs as a country at war while also increasing the industrial defence cooperation between the Union and Ukraine to reinforce their mutual capacities to preserve their security. Indeed, Ukraine is considered as an integral part of Europe's defence and security architecture and this latter is intrinsically connected with the economic situation of the Union.

Finally, action at Union level to preserve the stability of the economy of the Union ensures the solidarity between the Member States and for all the Member States. The intervention which is proposed contributes in particular to the protection of the Member States which are the most exposed to significant economic repercussions should the security context at borders with Ukraine and Russia further deteriorate.

- **Subsidiarity (for non-exclusive competence)**

The measures envisaged aim at preserving the stability of the economy of the whole Union.

Action at Union level is necessary in order to allow the adoption of measures appropriate to the economic situation, in a spirit of solidarity with all the Member States. Since most of the assets and reserves of the Central Bank of Russia are located on the territory of one Member State, it would not be possible for the other Member States to take equivalent measures at national level, even if their are particularily exposed to economic consequences resulting from actions by Russia.

- **Proportionality**

The proposal respects the proportionality principle. The prohibition of transfer that the proposed Regulation establishes only targets the assets and reserves of the Central Bank of Russia, which is ultimately Russia which is responsible of the war in Ukraine and of different types of hybrid attacks which have entailed economic consequences in the Union. No measure other than this temporary probition can allow to attain the objective of avoiding to provide substantial additional resources to Russia to fuel its war economy. Moreover, the measures proposed in this Regulation are temporary and subject to regular review of the appropriateness of the instrument. Therefore, they do not go beyond what is necessary to achieve the objectives sought by the instrument.

- **Choice of the instrument**

This act takes the form of a Regulation because it creates a new specific and temporary instrument that has to be binding in its entirety and directly applicable in all Member States. The form of a Regulation has been used in all the acts involving Article 122 TFEU.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

The proposal is a new instrument that is not connected with an existing act.

- **Stakeholder consultations**

Due to the urgency to prepare the proposal so that it can be adopted in a timely manner by the Council, a stakeholder consultation could not be carried out.

- **Collection and use of expertise**

Not relevant.

- **Impact assessment**

Due to the urgent nature of the proposal, no impact assessment was carried out.

- **Regulatory fitness and simplificatio**n

Not relevant.

- **Fundamental rights**

The measures create new obligations for legals entities holding assets and reserves of the Central Bank of Russia for the purpose of alleviating the Russian aggression. Given the context in which these measures are taken and the fact that these measures pursue a public policy objective of avoiding the deterioration of the economy in a security crisis situation, these measures fully respect the fundamental rights and freedoms recognised in the Charter of Fundamental Rights, in particular Article 17 thereof, as they are justified and proportionate to the objectives pursued in line with Article 52. They do not beyond what is necessary to pursue this objective in so far as they only affect the use of cash balances generated by the assets and reserves of the Central Bank of Russia and do not lead to a deprivation of the rights of property of financial institutions.

4. BUDGETARY IMPLICATIONS

This proposal does not require additional resources from the EU budget. All financial questions are covered in the regulation establishing the Reparations Loan.

5. OTHER ELEMENTS

• Detailed explanation of the specific provisions of the proposal

Article 1 of the proposed Council Regulation provides for exceptional and time-limited emergency measures addressing the serious economic difficulties within the Union caused by Russia's actions in the context of the war in Ukraine. These measures aim to prevent that important resources are made available to Russia and aim to generate the financial resources needed to support Ukraine.

Article 2 of the proposed Regulation sets out that any direct or indirect transfer of assets and reserves to or for the benefit of the Central Bank of Russia or related entities, is prohibited.

Article 3 of the proposed Regulation establishes reporting obligations for legal entities that hold, control or are a counterparty to assets and reserves of the Central Bank of Russia or related entities. It also details requirements to cooperate with the Commission in any verification of the information received.

Article 4 of the proposed Regulation lays down requirements for the management of the cash balances corresponding to the concerned assets and reserves. In the event that amounts are enforced against a Member State following an investor-State arbitral award regarding the assets of the Central Bank of Russia or related entities, these amounts are to be deducted from relevant liabilities.

Article 5 of the proposed Regulation establishes safeguards for claims that are made by the Russian Federation, the Central Bank of Russia, related entities, or any persons acting on their behalf, that are in connection with this Regulation. Any judicial, arbitral or administrative decision obtained on the basis of such claims shall not be recognised, given effect or enforced in the Union. These safeguards also concern relevant legal entities established in the Union, which shall be entitled to recover any direct or indirect damages, including legal costs, caused by expropriation, seizure, confiscation, transfer or measures having similar effects in respect of their assets.

Article 6 of the proposed Regulation sets out a review clause of this Regulation by the Commission. A report of the main findings of these reviews will be presented to the Council.

Article 7 of the proposed Regulation details the modalities for its entry into force and application. The Regulation will apply until the Council decides that Russia's actions in Ukraine and in the Member States have objectively ceased to pose substantial risks for the stability of the economy of the Union, taking into account whether Russia has ceased its war of aggression against Ukraine and provided reparations to Ukraine.

2025/3501 (NLE)

Proposal for a

COUNCIL REGULATION

on emergency measures addressing the serious economic difficulties caused by Russia's actions in the context of the war in Ukraine

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 122(1) thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) On 24 February 2022, the President of the Russian Federation announced a military operation in Ukraine and Russian armed forces began an attack on Ukraine. That attack is a blatant violation of the territorial integrity, sovereignty and independence of Ukraine. Since then, the aggression against Ukraine has continuously escalated and the Russian destabilising activities and hybrid campaign have extended to the territory of Member States of the Union.

(2) In addition to a devastating impact on the Ukrainian economy, Russia's war of aggression against Ukraine and Russia's action against the Union have created and continue to create serious economic challenges outside Ukraine. Given the proximity of the Union to Russia's war and Russia's actions against the Union, the Union's economy has been affected and is expected to continue to be affected as long as Russia persists in its war of aggression. Furthermore, it is expected that the Union's economy would be affected even more severely should the situation in Ukraine deteriorate.

(3) The unjustified and unprovoked war against Ukraine triggered a shock to the Union economy through serious supply disruptions, higher uncertainty, increased risk premia, and lower investment and consumer spending in the Union. As a result, the annual average GDP growth in 2022–2023 was 1.9 percentage points lower than projected in the Commission's 2021 Autumn Forecast for the median Member State.

(4) In particular, Russia's full-scale invasion of Ukraine in February 2022 sent oil, gas and food prices sharply higher, as markets adjusted to the loss or potential loss of exports from two major commodity suppliers. It also directly resulted in a disruption of supply chains for Union imports from Ukraine, especially cereals and vegetable oils, as well as for exports from the Union to Ukraine, creating a particularly severe impact on the agriculture, food processing, fisheries and aquaculture sectors in the Union. Some metals and raw materials have become in short supply, because of the military aggression and the retaliatory measures taken by Russia, increasing costs for Union's industries.

(5) In light of the negative impacts on energy markets caused by Russia's actions, Member States have put in place support to households and undertakings. The fiscal measures adopted by the Member States in the period 2022 to 2024 to minimise the macroeconomic and social impact of high energy prices amounted to more than EUR

365 billion. On 17 March 2023, the Commission adopted its Communication on a Temporary Crisis and Transition Framework for State Aid measures to support the economy following the aggression against Ukraine by Russia[1] which was followed on 4 July 2025 by a Communication on a Framework for State Aid measures to support the Clean Industrial Deal which pursues (Clean Industrial Deal State Aid Framework)[2].

(6) Russia's aggression against Ukraine and its weaponisation of energy supplies also exacerbated the urgency for the Union to reduce its dependence on fossil fuels by accelerating the roll-out of renewable energy, decarbonisation of industry and the deployment of capacities in sectors strategic to the transition towards a net-zero economy, also considering global challenges posing a threat of investments in these sectors being diverted in favour of third countries outside the EEA. At its level, the Union has taken several measures to respond to the energy crisis, including the REPowerEU that aimed at accelerating the transition to green energy and increase the Union energy independence. Under REPowerEU, an additional EUR 20 billion was made available to Member States through Regulation (EU) 2021/241 of the European Parliament and of the Council[3] to address the energy crisis resulting from the impact of Russia's war of aggression.

(7) In addition, Russia has been negatively impacting the Union economy and business through the seizure, confiscation or forced sale of economic assets within Russia belonging to Union investors. Such impact comes on top of the separate payments and taxes levied on Union entities and investors alongside significant restrictions on the free movement of capital, which in turn create distortions to investments, companies and markets. The risks of further asset seizures remain elevated, given the existing exposure and inability to exit the Russian market. In that context, on 30 September 2025, the President of the Russian Federation signed a decree for the accelerated sale of assets following their seizure.

(8) In addition to the loss of economic growth and purchasing power, Russia's actions have led to significant direct fiscal costs for Member States. This has happened in a period where Member State's finances are still recovering from the COVID 19 crisis. A significant part of the budget of the Union has also had to be redirected towards measures aimed at addressing the direct and indirect consequences of the war.

(9) These different elements show that the war in Ukraine has already had, and is continuing to have, direct and indirect repercussions on the economy of the Union and has significantly impacted the fiscal situation of the Member States. Despite all the measures taken at Union and Member State level, the effects of the disruptions caused by the war in Ukraine and other actions by Russia on the territory of the Union have directly and indirectly affected the Union's economic performance and have significantly impacted the fiscal situation of the Member States.

(10) Given this exceptional situation, which depends on external factors which are beyond the control of the Member States, but which seriously impacts their economies, and is likely to affect them even more if immediate action is not taken to allow Ukraine to

---

1 (2023/C 101/03)

2 (C/2025/3602)

3 Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17, ELI:http://data.europa.eu/eli/reg/2021/241/oj).

continue to support its war effort and to limit the capacity of Russia to continue the intensification of hybrids attacks over the territory of the Union, a swift and coordinated response at Union level is therefore needed. Such action should be taken in a spirit of solidarity between Member States in order to avoid the unequal repercussions that an increase of the threat by Russia could entail on the Member States, and in particular on those which are the closest to the borders of Russia and Ukraine. This response is without prejudice to appropriate measures adopted by the Council under the Common Foreign and Security Policy in relation with sanctions against Russia in relation to restrictive measures against Russia.

(11) The need for urgent action arises from a combination of factors: the recent deterioration of the security situation in Ukraine and in the Member States, the uncertainties in relation to the capacity of Ukraine to cope with its fiscal needs in 2026 as well as the need for the Union, in light of the recent intensification of hybrid attacks over the territory of Member States, to increase its efforts to strengthen the European Defence Technical and Industrial Basis (European DTIB), including by establishing broader cooperation with Ukraine on these matters. In the current context, the stability of the economic situation of the Union is highly dependent on these different parameters and of their evolution in time.

(12) In this situation it is appropriate, as a first measure, to prohibit, on a temporary basis, any direct or indirect transfer to or for the benefit of the Central Bank of Russia, or to or for the benefit of any legal person, entity or body acting on behalf of, or at the direction of, the Central Bank of Russia, such as the Russian National Wealth Fund, in order to ensure that the assets and reserves of the Central Bank of Russia are not transferred to or for the benefit of Central Bank of Russia and therefore Russia.

(13) The transfer of funds to Russia must be prevented as a matter of urgency to limit the damage to the Union’s economy. Military spending has largely driven Russia’s robust growth since 2022, but the pace of Russia’s economic expansion has weakened markedly in 2025. The slowdown reflects inter alia the adverse impact of accumulated imbalances, notably high inflation and interest rates. The fiscal situation of Russia has worsened further in 2025, as oil prices have dropped, the Ruble appreciated and Western sanction efforts once more intensified. Given Russia’s fiscal position, it can be expected that any additional resources received will be directly used to finance its unjustified and unprovoked war against Ukraine.

(14) This would create serious difficulties for the Union’s economy for two main reasons.

(15) Firstly, it would exacerbate the risk of an escalation of hybrid belligerent activities targeted against Member States and in the territory of the Member States, creating additional economic disruptions and fiscal and economic costs, and adding to economic uncertainty. In its conclusions of 26 June 2025 the European Council strongly condemned all types of hybrid activities, in particular Russia’s continued hybrid campaign, including sabotage, disruption of critical infrastructure, cyber-attacks, information manipulation and interference, and attempts to undermine democracy, including in the electoral process. In those conclusions, the European Council noted that the Union and the Member States will continue to strengthen their resilience, prevent, deter and respond to Russia’s hybrid threats.

(16) Russia’s hybrid activities are increasingly used in an attempt to destabilise not only Ukraine but also the Member States and the Union (for example through sabotages, drones, economic espionage, interference in election processes and misinformation

campaigns). In this context, the Union and its Member States and businesses have suffered direct costs in addressing Russia's hybrid campaign.

(17) In the absence of a prohibition on the transfer of assets and reserves of the Central Bank of Russia, it is likely that those resources could be used to support that campaign, thereby deepening the economic difficulties in the Union. For example, in recent weeks the airspace has been violated over Belgium, the Netherlands, Poland, Romania, Denmark, Estonia, Germany, Lithuania, and Latvia. These incidents are a pattern, not an accident.

(18) Secondly, the availability of additional funds for Russia's war of aggression risks prolonging and aggravating economic uncertainty and will require a greater fiscal response from the Union and its Member States to support Ukraine and the Union's economy.

(19) The European Council Conclusions from 23 October 2025 recognise that Russia's war of aggression against Ukraine and its repercussions for European and global security in a changing environment constitute an existential challenge for the Union. The Joint Communication of the High Representative and of the Commission Preserving Peace, Defence Readiness 2030 Roadmap[4] indicates that Ukraine remains Europe's first line of defence and is an integral part of Europe's defence and security architecture.

(20) In this context, should Russia's war of aggression continue, it can be expected that the repercussions on the Union's economy would be even more severe in the case where Ukraine would not be able to support the fiscal efforts that are necessary for the continuation of its war effort. A defeat by Ukraine would also be associated with an increased risk of aggression by Russia against one of the Member States or a country in the neighbourhood of Ukraine, including candidate countries, having direct and indirect repercussions on the security and economic situation in the Union. Such a situation would further increase the level of uncertainty for economic operators. This impact is likely to be more severe in the Member States which are closer to the borders of Ukraine and of Russia and Belarus. Recent econometric analysis by the Commission suggests that due to the war GDP growth in 2022–2023 was already 1.4–1.8 percentage points lower in Member States bordering the countries at war compared to the Union average, with losses only moderating slightly when extended to 2024.

(21) In October and November 2025, Russian air attacks targeting transport networks, residential areas and energy infrastructure in Ukraine intensified further. Russia launched seven large-scale combined missile and long-range drone attacks, causing severe disruptions to Ukrainian energy production and resulting in the need for additional gas imports for the heating season. The most devasting attacks took place in the nights of 7 November, involving over 500 drones and missiles, and 24 November, with 464 drones and 22 missiles. According to figures presented by the UN Human Rights Monitoring Mission in Ukraine on 25 November 2025, civilian casualties in major cities in 2025 (January to October) increased 26% compared to the previous year, while civilian injuries increased 75% over the same period. Since the start of the full-scale invasion by Russia, at least 14,534 civilians have been killed, including 745 children, and 38,472 injured, including 2,349 children.

(22) Additionally, the military aggression against Ukraine by Russia has already led to a major displacement of Ukrainian citizens both internally and in neighbouring

[4] JOIN(2025) 27 final

countries, with an unprecedented inflow into the Union of refugees, with major humanitarian and economic consequences on the Member States. In particular, the Union and its Member States have had and continue to have to make an important fiscal effort to host Ukrainian refugees. Russia's invasion of Ukraine has forced millions of people to flee their country to safety, mostly towards Member States. By the end of September 2025, a total of 4.3 million non-EU citizens who fled Ukraine have received temporary protection under Directive (EU) 2001/55/EU. Since 2022, the gross fiscal cost associated with hosting refugees for the Union is estimated at about 0.2% of GDP per year and different estimations show that the resulting fiscal costs for the Member States in the period between 2022 and 2025 could reach above EUR 155 billion. A further escalation of Russia's war of aggression could lead to additional increases of refugee flows.

(23) As a consequence of Russia's actions in Ukraine, which pose a direct threat to the security situation in the Union, the Union and its Member States have had to substantially increase their investments in defence capabilities. Since the start of Russia's war of aggression against Ukraine in February 2022, the Union defence expenditure-to-GDP ratio has increased by around 0.25 percentage points, reaching 1.5% of GDP in 2024 (or around EUR 270 billion). On 28 May 2025, the Council adopted, as an emergency measure, Council Regulation (EU) 2025/1106[5] which aims to provide financial assistance to Member States to allow them to support their defence industrial readiness. The Commission Autumn 2025 Forecast projects a further increase in defence spending of around 0.5 percentage points by 2027, when it would reach 2.0% of GDP (or around EUR 405 billion). In addition to these economic consequences for the Union's economy caused by Russia's war of aggression in Ukraine, Russia is itself causing direct economic impacts on the Union's economy through its actions. This would be aggravated if Russia had access to additional funds in the absence of a transfer prohibition.

(24) In light of these different considerations, ensuring a prohibition of the transfer of assets and reserves of the Central Bank of Russia to or for the benefit of the Central Bank of Russia and therefore Russia is a measure that is appropriate in order to avoid further repercussions on the economic situation of the Union caused by Russia's actions. In so far as it is limited in time and reversible, it does not go beyond what is necessary to pursue that objective.

(25) As a second measure, it is also appropriate, under the current circumstances, to draw on the cash balances of financial institutions which hold assets and reserves of the Central Bank of Russia in order to ensure that these amounts are managed in a way which ensures the maintenance of the economic stability of the Union while not undermining their prudent management.

(26) Indeed, under Union restrictive measures, balance sheet management transactions linked to assets and reserves of the Central Bank of Russia or linked to assets and reserves of any legal person, entity or body acting on behalf of, or at the direction of, the Central Bank of Russia, such as the Russian National Wealth Fund, remain possible. They include in particular the reinvestment of cash balances, which are

---

[5] Council Regulation (EU) 2025/1106 of 27 May 2025 establishing the Security Action for Europe (SAFE) through the Reinforcement of the European Defence Industry Instrument (OJ L, 2025/1106, 28.05.2025, ELI:http://data.europa.eu/eli/reg/2025/1106/oj).

accumulating in particular due to immobilised coupon or dividend and redemption payments and maturing deposits, in line with a prudent investment policy.

(27) The prohibition of those transactions means that cash balances remain blocked on the accounts of financial institutions. In particular, it generates an extraordinary and unexpected accumulation of cash balances on the balance sheets of central securities depositories within the meaning of Regulation (EU) No 909/2014 of the European Parliament and of the Council ([6]). It is therefore appropriate to establish measures necessary for the prudent management by financial institutions in the form of specific regulatory rules for balance sheet management transactions of financial institutions holding reserves and assets of the Central Bank of Russia. Upon receipt of the Commission's call for funds, financial institutions should reinvest an amount not exceeding the amount of cash balances accumulating exclusively due to the restrictive measures in a Union debt instrument in accordance with the [Regulation establishing the Reparations Loan]. The reinvestment by central securities depositories referred to in the preceding subparagraph should be notwithstanding Article 46 of Regulation (EU) 909/2014, and should be undertaken on a daily basis. for the whole period of application of this Regulation.

(28) Obliging the financial institutions which hold assets and reserves of the Central Bank of Russia to invest the cash balances in question into a debt instrument in accordance with the [Regulation establishing the Reparations Loan] should allow the Union to make use, during a limited period of time, of the amounts which are available on these accounts for purposes which would allow to mitigate the continuous serious economic difficulties within the Union caused by Russia's unjustified and unprovoked invasion of Ukraine, while preserving the sustainability of public finances in a context where they are faced with additional fiscal needs to address the consequences of the war. In this context, the Reparations loan should allow Ukraine to meet its budgetary needs and increase its capacity to defend itself against Russia, which contributes to the security of the Union on which the stability of the economy of the Union depends. Moreover, in the present security context, the capacity of the Union and of its Member States to defend themselves and increase deterrence against any kind of aggression or interference on their territory is also fundamental to ensure the economic stability of the Union. The [Regulation establishing the Reparation Loan] will contribute to that objective by increasing defence industry cooperation between the Union and Ukraine, contributing to the ramp up of their mutual defence capacity, alongside the cooperation established under Regulation [*EDIP Regulation*] and of the SAFE instrument established by Regulation (EU) 2025/1106.

(29) The use of the proceeds from the investment of cash balances stemming from transfer restrictions regarding the assets of the Russian Central Bank through the Reparations Loan aims to address an economic situation within the EU and is appropriate to that situation. It will alleviate the fiscal burden on Member States of the indispensable support to Ukraine.

(30) The war has a massive effect on the fiscal capacity of Ukraine to support the war effort and the direct and indirect consequences of the war. The recent intensification of the

[6] Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (OJ L 257, 28.8.2014, p. 1, ELI:http://data.europa.eu/eli/reg/2014/909/oj).

war has dramatically exacerbated the needs. On 7 September 2025, Russia launched its largest ever aerial attack on Ukraine, using 810 drones, four ballistic missiles and nine cruise missiles. Moreover, September and October 2025 have been the months with the highest number of attacks on energy infrastructure since the start of the war, causing power outages across most regions of the country. Such attacks, which have been utilised throughout the war, are particularly problematic during winter, increasing the risks to civilians through disruptions to heating and electricity. To address this, Ukraine is having to increase its military expenditure, now needing around EUR 108 billion a year. Whilst Ukraine has increased domestic revenue mobilisation to help address this, around half has to be covered by in-kind military assistance from donors. This situation has recently become acute due to the decision of the US administration not to seek congressional approval for any new funding for US military assistance to Ukraine. Whilst the US administration has continued to deliver military assistance that was committed by the previous administration, as of November 2025 this has largely expired, leaving a significant deficit in the military assistance provided to Ukraine.

(31) In that context, on 15 September, Ukraine presented its draft budget for 2026. To address the war, that budget projects defence and security expenditure of EUR 56 billion, supported by EUR 52 billion of in-kind military assistance. Given the negative impact of the war on Ukraine’s economy, that budget projects that, in addition to the necessary in-kind military assistance, EUR 43 billion of international financial support is needed. As of November 2025, only EUR 22 billion has been firmly committed. If the Union does not rapidly come up with a swift solution to allow Ukraine to support its budgetary needs and in particular its war efforts, it can be anticipated, in the current international context, that by April 2026, Ukraine will not be able to support its fiscal needs, entailing a realistic risk of defeat in the rather short term.

(32) The Union and its Member States are the largest donors to Ukraine. Since the start of the war, they have supported Ukraine and its citizens through direct budgetary and financial commitments, mobilising EUR 187.3 billion. This includes EUR 85.6 billion enabled by the Union budget through a series of programmes for macro-financial assistance, including the loans provided under the Ukraine Loan Cooperation Mechanism; financial assistance and budgetary support under the Ukraine Facility; humanitarian aid and emergency support; crisis response; and assistance and funding for early recovery and reconstruction. Out of this total amount of EUR 187.3 billion, Member States have provided individually or through the European Peace Facility, military support in the value of EUR 66 billion. However, the capacity of the Union and of its Member States to provide additional funding to Ukraine is currently limited and does not correspond to the magnitude of the needs.

(33) Mobilisation of additional significant resources by the Member State to be able to finance Ukraine would constitute an important economic challenge. In its Communication of 19 March 2025[7], the Commission invited all Member States to make use of the flexibility provided by the national escape clause in a coordinated manner with a view to maximising the impact on the Union’s defence capabilities. So far, Belgium, Bulgaria, Czechia, Denmark, Germany, Estonia, Finland, Greece, Croatia, Latvia, Lithuania, Hungary, Poland, Portugal, Slovenia and Slovakia have decided to request the activation of the clause. While such an activation constitutes an appropriate means for Member States to increase their defence expenditures without

[7] Commission Communication (C (2025) 2000 final) of 19 March 2025.

breaching commitments under EU fiscal rules, its effects are also limited by the fiscal constraints of Member States that have been seriously impacted by a succession of crises during the last decade.

(34) Additionally, a speedy recovery of Ukraine, supported through the Reparations Loan, would be beneficial for the internal market. Considering that Ukraine is a candidate to accede to the Union, this support is a strategic investment of the Union in peace, security, stability and prosperity in Europe and allows the Union to be better positioned to address global challenges. It also provides increased economic and trade opportunities to the mutual benefit of the Union and Ukraine, while supporting a gradual transformation of the country.

(35) The use of proceeds from investments of cash balances is therefore inextricably linked to mitigating the serious economic consequences of the Russian invasion of Ukraine.

(36) As a result, the temporary use of amounts invested in line with this Regulation allows addressing the serious economic difficulties caused by the Russian invasion of Ukraine in a spirit of solidarity.

(37) In light of the specific challenges posed by the obligation to reinvest on legal entities holding assets and reserves of the Central Bank of Russia other than central securities depositories, the Council should retain implementing powers to set out further conditions for such investment.

(38) These specific measures are without prejudice to the claim of the Central Bank of Russia, which is the asset that is subject to transfer restrictions. This asset is not impacted by the measures provided under this Regulation. The cash balances accumulating on the balance sheets of legal entities holding assets and reserves of the Central Bank of Russia as a result of the prohibition of transfers to or for the benefit of the Central Bank of Russia do not belong to the Central Bank of Russia and do not constitute sovereign assets. The prohibition of transfers to or for the benefit of the Central Bank of Russia is temporary, reversible and under periodic review.

(39) Any award based on an investor-State dispute settlement proceeding under Member States' bilateral investment treaties based on an alleged confiscation of the claim would therefore be considered as lacking legal basis. Enforcement of such an award would be considered to represent a tacit unilateral waiver of the claim towards the concerned legal entities holding assets and reserves of the Central Bank of Russia. This would ensure that there is no double payment to the Central Bank of Russia should the transaction prohibition be lifted. Within the framework of the debt instrument, such legal entities should therefore reduce their liabilities towards the Central Bank of Russia or its affiliated entities, for amounts equivalent to losses in connection with the transfer prohibition of its assets, incurred by a Member State as a consequence of investor-State dispute settlement proceedings brought by the Central Bank of Russia or its affiliated entities against that Member State.

(40) These additional measures create new obligations for legal entities holding assets and reserves of the Central Bank of Russia for the purpose of alleviating the Russian aggression. Given the context in which these measures are taken and the fact that these measures pursue a public policy objective of avoiding the deterioration of the economy in a security crisis situation, these measures fully respect the fundamental rights and freedoms recognised in the Charter of Fundamental Rights, in particular Article 17 read in accordance with Article 52 thereof, as they are justified and proportionate to the objectives pursued.

(41) The measures linked to the prohibition of transfers to or for the benefit of the Central Bank of Russia of the assets and reserves of the Central Bank of Russia should remain in place until Russia's actions in Ukraine and in the Member States have objectively ceased to pose substantial risks for the stability of the economy of the Union, taking into account the circumstances where Russia ceases its war of aggression against Ukraine and provided reparations to Ukraine to the extent necessary to allow for reconstruction without economic and financial consequences for the Union. Upon lifting the transaction prohibition in connection with the assets and reserves of the Central Bank of Russia the Council should lay down appropriate, strictly necessary and temporary winding down provisions for the protection of the legitimate interests of the operators of the Union and of the Member States, including an appropriate timeframe for the fulfilment of obligations following the lifting of the measures. In particular, to ensure legal certainty and an orderly winding down, rules on the timeline and modalities of the reimbursement of cash balances should be established.

(42) The need to ensure the financial stability of the Union and to safeguard the systemic importance of central securities depositories for the functioning of securities markets should be taken into consideration in the application of this Regulation.

(43) Considering the scale of the crisis, the level of its social, economic and financial impact and the need to act as soon as possible, this Regulation should enter into force as a matter of urgency on the day following that of its publication in the Official Journal of the European Union.

(44) Since the objectives of this Regulation cannot be sufficiently achieved by the Member States, but can rather be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary to achieve that objective.

HAS ADOPTED THIS REGULATION:

Article 1

Subject matter

This Regulation establishes exceptional and temporary emergency measures addressing the serious economic difficulties within the Union caused by Russia's actions in the context of the war in Ukraine and the risk of further deterioriation of the economic situation. These measures aim to maintain economic stability in the Union by preventing that important resources are made available to Russia to continue its actions in the context of the war in Ukraine and in the Member States.

Article 2

Prohibition of transfer

Any direct or indirect transfer of assets or reserves to or for the benefit of the Central Bank of Russia, or to or for the benefit of any legal person, entity or body acting on behalf of, or at the direction of, the Central Bank of Russia, such as the Russian National Wealth Fund, shall be prohibited.

Article 3

Reporting

1. To the extent not already required by other provisions of Union law, and notwithstanding the applicable rules concerning reporting, confidentiality and professional secrecy, natural and legal persons, entities and bodies, including the European Central Bank, national central banks, financial sector entities as defined in Article 4 of Regulation (EU) No 575/2013 of the European Parliament and of the Council[8,] insurance and reinsurance undertakings as defined in Article 13 of Directive 2009/138/EC of the European Parliament and of the Council[9], central securities depositories as defined in Article 2 of Regulation (EU) No 909/2014 of the European Parliament and of the Council[10] and central counterparties as defined in Article 2 of Regulation (EU) No 648/2012 of the European Parliament and of the Council[11] shall provide to the Commission, by [*three months after date of entry into force of this Regulation*], information on the assets and reserves referred to in Article 2 which they hold or control or are a counterparty to. Such information shall be updated every three months and shall at least include the following:

   (a) information identifying the natural or legal persons, entities or bodies owning, holding or controlling such assets and reserves, including the name, address and VAT registration or tax identification number;

   (b) the amount or market value of such assets and reserves at the date of reporting;

   (c) the types of assets or reserves as well as cryptoassets and other relevant categories of assets, including non-pecuniary assets. For each of those categories, and where available, relevant features such as quantity, location, currency, maturity and contractual conditions between the reporting entity and the asset owner shall be indicated.

2. Where the reporting natural or legal person, entity or body has established an extraordinary and unforeseen loss or damage to the assets and reserves referred to in Article 2, that information shall be reported immediately to the Commission.

3. Member States, as well as the natural and legal persons, entities and bodies covered by the reporting obligation set out in this Article, shall cooperate with the Commission in any verification of the information received. The Commission may request any additional information it requires to carry out such verification. When such a request is addressed to a natural or legal person, entity or body, the Commission shall simultaneously transmit it to the competent authority of the relevant Member State. Any information received by the Commission shall be made available to the relevant Member State.

---

8 Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1)

9 Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ L 335, 17.12.2009, p. 1).

10 Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (OJ L 257, 28.8.2014, p. 1).

11 Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (OJ L 201, 27.7.2012, p. 1).

4. Any information provided to or received by the Commission and the competent authorities of the Member States in accordance with this Article shall be used by the Commission and the competent authorities of the Member States only for the purposes for which it was provided or received.

5. Any processing of personal data shall be carried out in accordance with this Regulation and Regulations (EU) 2016/679 and (EU) 2018/1725 and only in so far as necessary for the application of this Regulation and to ensure effective cooperation between Member States as well as with the Commission in the application of this Regulation.

Article 4

Balance sheet management transactions

1. Cash balances corresponding to the assets and reserves referred to in Article 2 shall be managed in line with applicable rules, subject to the provisions in this Article.

2. For the purpose of the balance sheet management transactions in the first paragraph, financial sector entities as defined in Article 4 of Regulation (EU) No 575/2013, insurance and reinsurance undertakings as defined in Article 13 of Directive 2009/138/EC, central securities depositories as defined in Article 2 of Regulation (EU) No 909/2014 and central counterparties as defined in Article 2 of Regulation (EU) No 648/2012 shall, upon receipt of the Commission's call for funds, reinvest an amount not exceeding the amount of cash balances accumulating exclusively due to the restrictive measures in a Union debt instrument in accordance with the [Regulation establishing the Reparations Loan]. That debt instrument shall be treated as equivalent to cash under applicable accounting rules.

3. The reinvestment by central securities depositories referred to in the preceding subparagraph shall be notwithstanding Article 46 of Regulation (EU) 909/2014, shall be undertaken on a daily basis. The Council shall adopt implementing regulations to define any further conditions for the obligation to reinvest of the financial sector entities, insurance and reinsurance undertakings and central counterparties

4. Within the framework of the debt instrument referred to in paragraph 2, in the event amounts are enforced against a Member State having reported entities holding assets of the Central Bank of Russia within their jurisdiction following an investor-State arbitral award for which the claim was brought by the legal persons, bodies and entities referred to in Article 2 against that Member State in connection with measures imposed under Article 2 and the first subparagraph of this paragraph, amounts up to those amounts enforced shall be deducted.

   Those amounts shall be notified by the Commission to the legal entities identified in paragraph 2 following the application of Article 24 of the [Regulation establishing the Reparations Loan] and shall be deducted by:

   (a) those legal entities from their liabilities towards the legal persons, entities or body referred to in Article 2;

   (b) the Union from its liabilities towards those legal entities under the terms of the debt instrument referred to in the second subparagraph.

Article 5

Safeguards

1. No claims in connection with any contract or transaction the performance of which has been affected, directly or indirectly, in whole or in part, by the measures imposed under this Regulation, including claims for indemnity or any other claim of this type, such as a claim for compensation or a claim under a guarantee, notably a claim for extension or payment of a bond, guarantee or indemnity, particularly a financial guarantee or financial indemnity, of whatever form, shall be satisfied, if they are made by the Russian Federation, by the legal persons, entities and bodies referred to in Article 2 or by persons acting on their behalf or at their direction. No judicial, arbitral or administrative decision obtained by the Russian Federation, by the legal persons, bodies and entities referred to in Article 2 or by persons acting on their behalf or at their direction in connection with the measures in Article 2 shall be recognised, given effect or enforced in the Union for as long as this Regulation is in force.

2. In any proceedings for the enforcement of a claim, the onus of proving that satisfying the claim is not prohibited by the first subparagraph shall be on the person seeking the enforcement of that claim.

3. This paragraph is without prejudice to the right of the legal persons, entities and bodies referred to in paragraph 1 to judicial review of the legality of the non-performance of contractual obligations in accordance with this Regulation.

4. Actions by a financial instituions identified in Article 4(2) carried out in good faith pursuant to Article 2 and 4 on the basis that such actions are in accordance with this Regulation shall not give rise to liability of any kind on the part of that financial insitution, or of its directors or employees, unless it is proved that the action was a result of negligence.

5. Financial institutions identified in Article 4(2) established in the Union shall be entitled to recover, in judicial proceedings before the competent courts of a Member State, any direct or indirect damages, including legal costs, caused to those legal entities or to a legal person, entity or body that they own or control, by any persons, entities or bodies that, outside the Union, benefited from, seeks to enforce or enforces, a Decree of the President of the Russian Federation, Russian legislation or implementing act which entails expropriation, seizure, confiscation, transfer or measures having similar effects in respect of assets of those legal entities.

6. Such damages may be recovered from the persons, entities or bodies that benefit from, seek to enforce or enforce outside the Union such Decree of the President of the Russian Federation, Russian legislation or implementing act, or from any legal person, entity or body that they own or control, or is acting on their behalf or at their direction.

7. Central securities depositories established in the Union shall be entitled, in the event of an unlawful expropriation, seizure, confiscation, transfer or measures *in relation to the assets and reserves of the Central Bank of Russia or in relation to funds frozen under Regulation 269/2014* having similar effects in respect of funds held by them on account of account holders, to pass on such effects, where necessary with discharge, to the funds credited to the accounts in the books of those of the account holders in relation to whom the central securities depository holds the funds in

question, *provided the central securities depositories have exhausted all available remedies, including those provided in Article 11bc, to recover such funds*. In case of subsequent availability of those funds, the central securities depository shall credit those funds or financial instruments pro rata to their initial holding to the affected account holders.

Article 6

Review

By 31 December 2026, and every 12 months afterwards, the Commission shall carry out a review of this Regulation and present a report on the main findings of that review to the Council.

Article 7

Final provision

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

It shall apply until the Council decides, on the basis of a proposal of the Commission, that Russia’s actions in Ukraine and in the Member States have objectively ceased to pose substantial risks for the stability of the economy of the Union, taking into account the circumstances where Russia would have ceased its war of aggression against Ukraine and have provided reparations to Ukraine to the extent necessary to allow for reconstruction without economic and financial consequences for the Union.

This Regulation shall be binding in its entirety and directly applicable in the Member States in accordance with the Treaties.

Done at Brussels,

For the Council
The President