

8. Recalling the commitment of October 2025 to address Ukraine's pressing financial needs for 2026-2027, including for its military and defence efforts, the European Council took stock of ongoing work to deliver on that commitment.

In line with the European Council's previous conclusions which underline that, subject to EU law, Russia's assets should remain immobilised until Russia ceases its war of aggression against Ukraine and compensates it for the damage caused by its war, the European Union, given the unprecedented situation, adopted on the basis of Article 122 TFEU exceptional, temporary and duly justified emergency measures immobilising such assets on a more sustained basis. The European Council takes note of the statement of the Commission made at the time of adoption of that act.

[Following the Commission and the High Representative's recent proposals, the European Council calls on the Council and the European Parliament to urgently adopt the instruments establishing a Reparations Loan based on the cash balances associated with Russia's immobilised assets, with a view to ensuring the necessary financial support for Ukraine as from the second quarter of 2026, including its military needs. In this regard, the European Council underlines the importance of the following elements, in accordance with EU and international law as necessary conditions for establishing a Reparations Loan:

- a) full respect for EU and international law, in particular the fact that neither the immobilisation nor any measure related to the use of associated cash balances constitutes, or may be construed as constituting confiscation or expropriation;
- b) full respect for contractual commitments of relevant financial institutions holding cash balances in the EU, including their payment obligations, without negative impact of regulatory requirements in line with prudential expectations. These assets will remain immobilised by the EU until the conditions for lifting the immobilisation are met;
- c) equal treatment of all relevant financial institutions holding such cash balances in the EU, will be subject to the scheme, without exceptions, and called upon simultaneously and on a pro-rata basis;
- d) coordinated approach by the Member States regarding will take swiftly, upon the entry into force of the instruments establishing the Reparations Loans, the necessary steps to withdraw from or terminate their bilateral investment treaties with Russia;
- e) EUa liquidity mechanism based on legally-binding, unconditional, irrevocable, on-demand guarantees provided by participating Member States, ensuring that the Union has the necessary resources in all circumstances to ensure full and swift repayment of Union obligations towards financial institutions when due;
- f) the Union debt will be established either as an unsecured or secured debt instrument. In the case of a secured debt instrument, it will involve a repo transaction with the relevant Central Securities Depositories, with as underlying collateral, marketable, high-quality liquid asset securities, which fulfil the publicly available eligibility criteria for collateral by the Eurosystem. Any additional cost related to the Union debt instrument such as haircut and foreign exchange cost at termination will be borne by the EU.

- ~~g) full [and uncapped] solidarity and risk-sharing among all the Member States from the European Union and its Member States with affected Member States and financial institutions in the EU in the context of the Reparations Loan, including:~~
- ~~i. reimbursement by the Union of all amounts and damages, including legal costs, incurred by a Member State having withdrawn from or terminated its bilateral investment treaty with Russia, as a consequence of any type of dispute settlement proceedings brought against that Member State at any time in connection with the Reparations Loan or the immobilisation of the assets; the reimbursement will draw in the first instance, to the extent possible, on the guarantees provided by the Member States;~~
  - ~~ii. an effective offsetting mechanism against the Central Bank of Russia immobilised assets to compensate damages caused by Russia and its proxies in relation to expropriations, seizures or similar measures in connection with the immobilisation;~~
- ~~h) participating Member States are providing national guarantees, proportional to their share of Union GNI, which may in specific cases underpin support for exclusively non-military purposes. The guarantee will become effective in two tranches and be constituted as a single commitment. Amounts of the loan will only become available once the cumulative ceiling of the guarantees that are effective exceeds 75% of the maximum amount of the respective tranche;~~
- ~~e) the possibility for the national guarantees to cease to apply in the context of the next MFF;~~
- ~~f) subject to the final view of Eurostat, Member State guarantees being accounted for as contingent liabilities with no impact on Member States' level of national debt;~~
- ~~g) strengthening of the European and Ukrainian defence industries;~~
- ~~h) burden-sharing and coordination of efforts with G7 and other like-minded partners, including the preservation of the G7 ERA loan initiative and inviting others to set up comparable mechanisms within their jurisdictions;~~
- ~~i) Ukraine continuing to uphold the rule of law, including the fight against corruption;~~
- ~~j) the specific character of the security and defence policy of certain Member States and the security and defence interests of all Member States.~~

~~The European Union will act in full solidarity with affected Member States and financial institutions in the EU in the context of the Reparations Loan.]~~

The European Council acknowledges that some Member States are particularly concerned as host countries for financial institutions holding assets and reserves of the Central Bank of Russia. It therefore underlines the above-mentioned principles and recalls the need to ensure the financial stability of the Union, to safeguard the systemic importance of central securities depositories for the functioning of securities markets while paying particular attention to the integrity of the Union's financial market and the euro's status as a global currency. It underlines that strong safeguards, and appropriate winding down provisions will be put in place to fully protect Member States and financial institutions from possible related retaliation measures and other negative consequences.]