

**POLICY REPORT**

# Resolving Accountability Over Russian State Assets: **New Understandings of Jurisdiction and Policy Opportunities**





# Resolving Accountability Over Russian State Assets: New Understandings of Jurisdiction and Policy Opportunities

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COVER ILLUSTRATION: Rubles on the background of the Ukrainian flag by Anton Petrus / Getty Images, and world map image by gagarych / Getty Images.

### The New Lines Institute for Strategy and Policy

**Our mission** is to provoke principled and transformative leadership based on peace and security, global communities, character, stewardship, and development.

**Our purpose** is to shape U.S. foreign policy based on a deep understanding of regional geopolitics and the value systems of those regions.





## Foreword

As the war in Ukraine nears its likely conclusion, the world remains uncertain about the shape and permanence of any final peace agreement. What is clear, however, is that Ukraine will require massive reconstruction, and Russia must be held accountable for the destruction it has caused. The window for decisive action is narrowing. Before a settlement is reached – one that may limit future legal avenues for reparations – there is an urgent need to act.

The November 2022 U.N. resolution affirmed that Russia bears legal responsibility for its internationally wrongful acts, including making reparations to Ukraine and its people. Yet we face a Russia that remains defiant, intent on inflicting maximum damage while evading its obligations. Any conventional attempt to secure reparations will be met with obstruction, including the use of Russia's U.N. Security Council veto.

This New Lines Institute proposal builds on prior research to outline the legal means by which nations can go beyond merely freezing Russian state assets. Instead, under the well-established international law of countermeasures, they can transfer these frozen assets – totaling \$350 billion – into an international fund held in escrow for Ukraine's reconstruction.

By acting now, nations can ensure these funds are secured before a final settlement is imposed, preserving both Ukraine's right to reparations and the international community's leverage over Russia. Our proposal establishes a multilateral mechanism that is adaptable to the legal frameworks of individual nations while maintaining a unified global approach. It provides a path to begin Ukraine's recovery immediately.

The following analysis serves as a legal roadmap for nations committed to upholding justice, enforcing accountability, and ensuring that aggression is met with real consequences. Only by securing Russian assets today can we guarantee that Ukraine's reconstruction is not left to political uncertainty tomorrow.

### **Dr Azeem Ibrahim OBE**

Senior Director

New Lines Institute for Strategy and Policy



## Executive Summary

In response to Russia's illegal full-scale invasion of Ukraine in February 2022, western financial institutions immobilized approximately \$300 billion in Russian state assets. However, almost three years into the full-scale war, these assets remain immobilized and no definitive public accounting of them exists.

The cash portion—approximately 90% of the total amount—is now being managed in countries all over the world, in at least eight different currencies. Contrary to the general belief that almost all this money is in Europe, about \$104.6–\$125.7 billion of it appears to be deposited outside of the EU, albeit some managed by Euroclear, a securities depository and clearinghouse in Belgium.

Furthermore, the circumstances in which these assets are held have changed since February 2022. When first immobilized, most of the Russian state assets were debt securities in the form of bonds. They were put in the custody of central depositories like Euroclear, subject to the jurisdiction of Belgium and/or the EU. Almost all these securities have now matured and turned into “cash,” i.e., currency deposits held by central depositories on Russia's behalf in banks around the world. The shift into cash changed the jurisdiction over those assets, which are now also subject to the jurisdiction of the issuers of those currencies. For example, cash assets denominated in U.S. dollars are held in U.S. correspondent banks and subject to the jurisdiction of the U.S. The same is true for other currencies and their respective issuing countries. This gives rise to opportunities in those jurisdictions to report on, segregate, regulate, or transfer those funds.

However, the precise amounts of these assets or their distribution remains largely unknown. Furthermore, while at least some immobilized Russian state assets are reinvested and generate interest, it is unknown whether all such assets are managed in that fashion and, if so, how much they have appreciated or depreciated. This is indicative of a broader culture of secrecy that has developed around matters related to Russian state assets, despite their centrality to international justice and securing effective reparations for the victims of Russia's illegal actions.

Several measures are overdue to dispel that secrecy and improve the prospects of obtaining effective reparations for Russia's victims. First, governments should identify and publicly disclose Russian state assets held within their jurisdictions, whether directly or via depositories such as Euroclear. Second, they should require banks to segregate funds held on Russia's behalf into separate accounts distinct from the rest of the depositories' funds. Third, they should promulgate clear, consistent, and public guidelines for the management and reinvestment of such assets. Fourth, they should consider placing the responsibility for such management and reinvestment activities into a bespoke international trust fund managed for the benefit of victims of Russia's wrongs. These steps would not prejudice the issue of the ultimate disposal of immobilized Russian state assets, and they are essential to providing much-needed transparency and cooperation at the G7 level about these assets' distribution, management, and use.



## I. The New Landscape of Russian State Assets

The Central Bank of Russia (“CBR”) reserves mainly consist of cash deposits and debt securities,<sup>1</sup> such as government bonds.<sup>2</sup> When first immobilized, most of the CBR reserves were in the form of securities, mainly in the custody of central securities depositories such as Euroclear.<sup>3</sup> According to CBR’s last report prior to immobilization of Russian state assets, the foreign debt securities held by CBR “mostly comprise[d] government debt securities of China, France, Germany, Japan, the United Kingdom, the United States, Austria, and Canada” with maturities ranging from 2021 to 2031.<sup>4</sup> In fact, almost all of the securities have now matured into cash.<sup>5</sup> The practical implications of holding securities and cash are different.<sup>6</sup> Understanding the practical implications of this distinction are critical in this context.

### A. Foreign Reserve Banking in “Normal” Times

First, to understand why the shift from securities into cash matters in this unusual context, it is important to understand the normal course of business—that is, the usual course of foreign reserve banking.

Securities are tradable financial instruments that represent ownership (as in stocks or shares), rights to acquire or sell ownership (as in options or other derivatives), or a debt relationship (as in bonds). A government bond is a type of debt security that is issued by a national government. Investors (in this context, a central bank such as the CBR) that purchases these bonds are lending money to a government in exchange for interest payments and the return of the bond’s principal at maturity. Under normal circumstances, when a government bond matures into cash, the government repays the principal plus the final interest payment to the bondholder, the central bank.

When a government bond “matures into cash,” this refers not to physical cash but to the repayment process that occurs when the bond reaches its maturity date and converts into a bank deposit. The term “deposit” may imply that funds are placed in the bank’s vault like a piece of jewelry or a stack of cash,

to be returned whenever the owner needs them, but this is incorrect. A deposit is simply an accounting entry in the bank’s computer system, shown as a bank liability: a financial obligation or debt that a bank owes to the depositor.<sup>7</sup> The depositor acquires, in return for their deposit, a claim on the bank. In other words, the depositor has the right to go to court and obtain a judgment against the bank for the amount of the notional debt (i.e., “deposit”) owed to them. If an individual has a deposit with a bank, they have a right to judgment against the bank for the value of the deposit. A deposit is not a property right to specific bank assets; rather, it is a contractual right to a judgment for money.<sup>8</sup>

Of course, no one would ever deal with a bank if they needed to obtain a judgment to collect on their deposits. Instead, when the depositor wishes to collect on their deposit, a bank pays or (“settles”) the depositor’s claim as soon as the claim is made. Thus, “payment” is a settlement of the depositor’s right to collect a judgment from the bank on the liability. The “CBR cash assets” are not actual physical cash stashed in a safe or a suitcase but rather a ledger entry of the amount owed by the financial institution notionally holding “CBR’s cash” assets.

A central bank may own a bond issued by a foreign government directly—for example, a foreign central bank may own U.S. Treasury bonds. When the bonds mature, the proceeds are denominated in U.S. dollars and credited as cash reserves in the foreign central bank’s account through the Federal Reserve Bank of New York. Under normal circumstances, the cash generated from the bond maturity can then either be withdrawn, reinvested, or left in the account for future settlement or collateral purposes, depending on the instructions from the central bank.

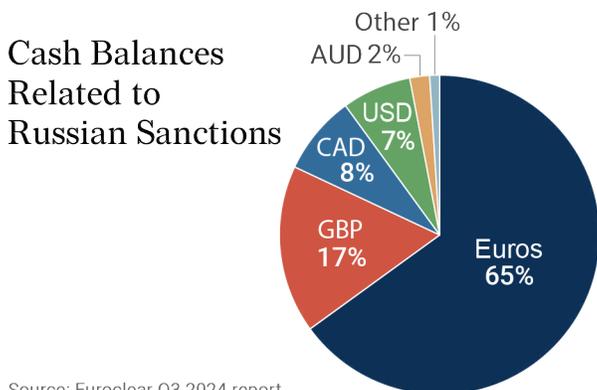
Central banks may also use securities depositories such as Euroclear to purchase, hold, or settle transactions in foreign securities.<sup>9</sup> For instance, a central bank may hold U.S. Treasury bonds through Euroclear, and Euroclear processes the maturity of the bond on behalf of the central bank. Euroclear essentially acts as a custodian and settlement platform of both the principal and coupon payments,



but it does not hold any cash—as a central securities depository, it deals purely with securities.

Euroclear uses national central banks and correspondent banks to facilitate foreign currency transactions and investments, allowing a country’s central bank reserves to be managed in different currencies. These banks provide services and conduct business on behalf of Euroclear (the “respondent” bank), usually in different countries where Euroclear does not have a physical presence. The national banks and correspondent banks typically hold accounts for Euroclear in the correspondent’s home currency. For instance, Euroclear would use a U.S. correspondent bank to handle CBR transactions involving U.S.-denominated securities and other assets.<sup>10</sup>

According to Euroclear’s Q3 2024 results, 65% of its Russian state asset holdings that have matured into cash are held in euros.<sup>11</sup> The remaining 35% are denominated in pounds sterling (17%), Canadian dollars (8%), U.S. dollars (7%), Australian dollars (2%), and Singapore dollars (1%).<sup>12</sup> A detailed accounting of the relevant amounts is provided in Part III and summarized in **the chart** below.



Source: Euroclear Q3 2024 report

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## B. The Shift from Securities to Cash

The 2022 immobilization of Russian state assets by the G7 changed the normal process of foreign reserve banking with relation to the CBR by blocking Russia’s access to its foreign reserves. Nearly three years later, the originally unusual situation of immobilized securities has turned into an even more unusual one. In the nearly three years since the assets were immobilized, almost all the securities—approximately

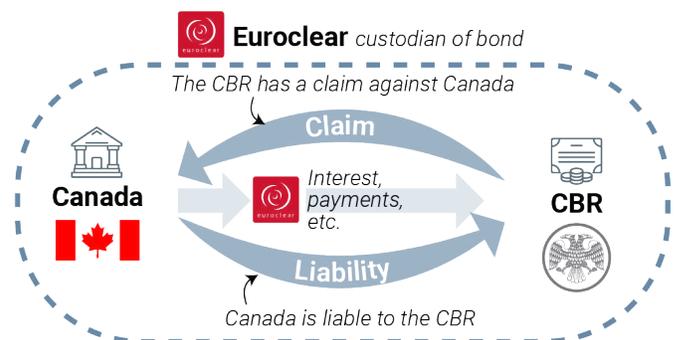
90% in Euroclear’s case—have matured into cash. In February 2022, Euroclear held about €23 billion in its cash management accounts.<sup>13</sup> At the end of Q3 2024, that number, just for the Russian assets, was €176 billion out of its total €197 billion of Russian assets.<sup>14</sup>

To understand why the shift from securities to cash matters, it is useful to start with an illustrative example of how this has worked in practice, split into three phases.

### Example: Canadian government bond owned by the CBR

**Phase 1 (Security):** At some point, the CBR owned a bond issued by the Canadian government. Legally, this was a liability of the Canadian government to the owner of the bond—in this case, the CBR—to pay the principal amount of the debt (the face value of the bond) plus, if relevant, the coupon (i.e., the interest) as set out under the relevant bond issue terms and conditions. The CBR held a direct contractual claim against the Canadian government, even if all practical aspects of the arrangement—coupon payments, for example—were handled by Euroclear.<sup>15</sup> This is summarized in **the diagram** below.

#### Canadian Government Bond Owned by CBR and Managed by Euroclear



Sources: Yuliya Ziskina, Anton Moiseienko, Martin Sandbu

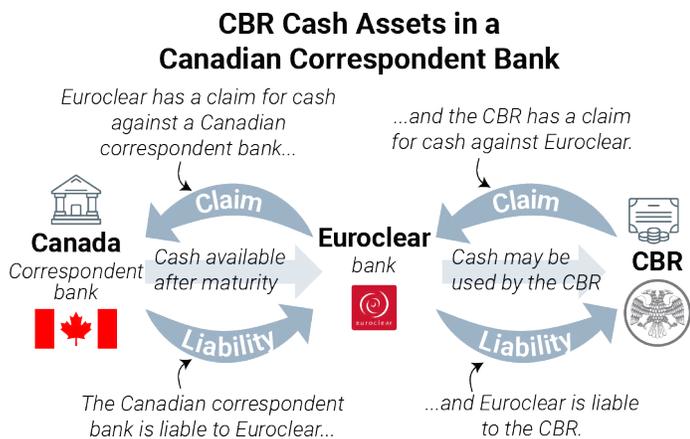
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**Phase 2 (Maturity):** On maturity, the Canadian government needs to pay out cash for the bond to the CBR. The Canadian government’s debt management office transfers the cash to the custodian of the bonds in question—effectively, a transfer to an account in Euroclear’s name for the cash payment due on



the bonds Euroclear holds in custody on behalf of the actual owner (the CBR). Thus, the Canadian government's liability to the CBR is extinguished by transferring the requisite amount of funds, denominated in Canadian dollars, into Euroclear's account. Because Euroclear does not have a legal entity in Canada, this would be a Canadian dollar-denominated bank account at a Canadian bank in Canada—i.e., the national bank or a correspondent bank.<sup>16</sup> In practice, a computer ledger entry of amount the Canadian bank owes to Euroclear would be entered under Euroclear's account in the Canadian bank. No physical assets would be exchanged at all.

**Phase 3 (Liability):** As per above, the Canadian government has now discharged its obligation to the bondholder (the CBR) by making an entry against Euroclear's name in its relevant bank account in the Canadian correspondent bank of which Euroclear is the client (respondent). At the same time, Euroclear tells the owner (the CBR) of the matured bond that this cash is now available for it to do as it wishes (withdrawn, reinvested, etc. under normal circumstances). At this point, this "cash" becomes a liability, or debt, of Euroclear to the CBR. There are now two sets of claims: Euroclear's claim on its deposit in the Canadian correspondent bank, and the CBR's claim on the cash balance in the CBR's account with Euroclear. This is summarized in **the diagram** below.



Sources: Yuliya Ziskina, Anton Moiseienko, Martin Sandbu  
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Thus, there are two relationships now created here, with different counterparties. First: the amount deposited in Euroclear's name in a Canadian

bank—which is, legally speaking, a liability of the Canadian bank and an asset for Euroclear in the form of its claim on that bank. Second: the exact same amount in a deposit in the CBR's name in Euroclear—which is, legally speaking, a liability of Euroclear and an asset for the CBR in the form of its claim on Euroclear. The CBR no longer has a claim on the Canadian government as it did in Phase 1. It is in this sense that the legal counterparties have changed. As discussed below, this shift in counterparties raises new regulatory opportunities as well as opportunities for using immobilized assets for Ukraine's benefit.

Under normal, pre-2022 circumstances, Phase 3 may have only lasted moments: until the original owner of the bond had instructed Euroclear on what to do with the cash on deposit (withdraw, reinvest, keep in the account, etc.). If the owner chose to keep the funds in the account, then Phase 3 would persist. However, as discussed below, it is far more typical for Euroclear to be instructed to reinvest cash in securities rather than keep it in a foreign currency account.

The sanctions imposed in 2022 make the normal course of events impossible because financial institutions are restricted from performing the usual transactions with regard to the CBR's assets. For example, the U.S. Treasury's Office of Foreign Assets Control (OFAC) prohibited the following activities:

any transaction involving the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation, including any transfer of assets to such entities or any foreign exchange transaction for or on behalf of such entities.<sup>17</sup>

This measure was adopted based on Executive Order 14024, which authorizes the "blocking" of property of individuals and entities involved in Russia's malicious activities. Such blocking is often referred to as "immobilization" in U.S. and EU policy discourse. "Property" is defined broadly and explicitly includes money and debt.<sup>18</sup> This means that, whatever the instructions from Euroclear are, U.S. correspondent banks are not allowed to process transactions for the CBR's benefit (although, as discussed below, questions arise as to whether they always know whether a particular transfer requested by Euroclear



is for the CBR's benefit). Meanwhile, Euroclear itself is not allowed to issue instructions concerning any transfer of CBR assets because of analogous sanctions imposed by the EU.<sup>19</sup> As a result, we are "stuck" in Phase 3.

## C. Issues Arising from the Current Circumstances

The situation described above has implications that deserve attention from policymakers.

Securities depositories like Euroclear were never meant to manage hundreds of billions in cash. This is evidenced by the Belgian asset protection law that governs Euroclear (Belgium Royal Decree No. 62), which concerns only securities—not cash.<sup>20</sup> Once the original securities that were on deposit with Euroclear mature and turn into cash, the law that governs Euroclear no longer applies.<sup>21</sup>

In the normal course of events as explained in Section B, this would not matter because the CBR would be entitled to instruct Euroclear on what to do with the cash from its securities once they matured. But because the sanctions prevent the CBR from exercising control or receiving income generated by these funds, Euroclear cannot act on the CBR's instructions. Therefore, Euroclear (including through national banks and correspondent banks holding cash deposits in other countries) now holds vast sums of cash on corporate books as if the money belongs to Euroclear<sup>22</sup>—which Euroclear knows it does not.

### 1. The True Jurisdiction over Russian State Assets is Masked

As previously explained, national and correspondent banks typically hold accounts for Euroclear in the correspondent's home currency. Since the CBR cash is on Euroclear's corporate books as *if it is Euroclear's*, the correspondent accounts in various countries likely do not show what cash *actually* belongs to the CBR.<sup>23</sup> Thus, the CBR-related cash in correspondent bank accounts appears to commingle with other, non-sanctioned Euroclear cash. This commingling effectively masks this CBR cash in various jurisdictions and makes it appear as Euroclear's money—even if the money is in their national central bank—while Euroclear

(and the CBR) know this amount to the penny.<sup>24</sup> Euroclear and various governments routinely report this money as "located in Euroclear and Belgium" when it is in fact not "located" anywhere because it is not a physical asset. Furthermore, jurisdiction over the non-euro denominated cash assets is not limited to only Euroclear or Belgium but also includes the country that issued the currency.

Rather than characterizing the funds according to "location," a more accurate way to conceptualize this is, "Which jurisdictions are the CBR assets subject to?" The jurisdictional reach has changed because the securities have matured into cash—there are now multiple jurisdictional nexuses over the CBR cash, as demonstrated by the new chain of claims and liabilities described above. Specifically, the CBR non-euro cash assets are now subject to two different jurisdictions: (1) The CBR's account in Euroclear is subject to the jurisdiction of Belgium/the EU; and (2) Euroclear's accounts in non-euro correspondent banks are subject to the jurisdiction of the issuers of those currencies (i.e., CBR cash assets denominated in U.S. dollars are subject to the jurisdiction of the U.S.). Thus, for example, the dollar portion of the CBR cash in Euroclear could be approached both in Belgium/the EU (by regulating the CBR's bank account in Euroclear) and in the U.S. (by regulating the relevant amount in Euroclear's correspondent account in the U.S. bank).

The core concept is that the funds held via Euroclear now have a *new* legal nexus in jurisdictions other than the EU. This gives rise to the opportunity in those jurisdictions to report on, segregate, regulate, transfer, or even potentially seize the assets. It is important to note that the same amount—for example, holdings in U.S. dollars—cannot be seized under the jurisdiction of both the U.S. and Belgium/the EU. Rather, there are now two jurisdictional options under which they can be regulated and potentially seized.

### 2. Lack of Clarity Over Cash Management

The accumulation of CBR cash deposits in correspondent banks presents another fundamental problem: Who manages (i.e., reinvests) this cash? Cash assets should be actively managed, if only to conserve the principal.<sup>25</sup> Correspondent banks act



as operational agents but do not make independent reinvestment decisions. The cash deposits are simply Euroclear's claim on those banks; in other words, the correspondent banks simply owe a debt to Euroclear in the amount held on deposit.

There is a concerning lack of existing clear, public, and transparent guidance regarding vast amounts of Russian state assets now accumulated in cash. If the accumulated cash is not being managed, the effect is that the principal, which could go to Russia's victims, is gradually depreciating in value, dissipated by steady inflation. If, on the other hand, it is being managed, then questions arise: Under what authority is it reinvested? What countries laws govern the reinvestment and do they provide an opportunity to maximize profits? On the one hand, Euroclear is able to reinvest CBR assets and generate profits that are notionally Euroclear's own and taxed as such in Belgium;<sup>26</sup> on the other hand, it is unclear whether all immobilized CBR assets are being reinvested and, if so, what legal frameworks have been put in place to enable this while minimizing the risks of undermining sanctions.

### 3. Poorly Addressed Risks

Euroclear's outsize balance sheet, its exposure to sanctions policy, and its liability to the CBR come with appreciable legal risks. To address these risks, the EU, as part of its windfall tax scheme, permits Euroclear to retain the €5 billion earned in 2022-2023 as a "buffer" to pay for legal defense costs arising from lawsuits primarily in Russia, but potentially elsewhere.<sup>27</sup> According to the EU proposal as reported by POLITICO,

the funds are earmarked for "the expenses, risks and losses incurred by central securities depositories ... due to the war in Ukraine."<sup>28</sup> Under the scheme, Euroclear can also indefinitely keep 3 percent of the proceeds "to ensure the efficiency of their work."<sup>29</sup> Indeed, as part of its latest sanctions package adopted in December 2024, the bloc will allow some cash held in Europe to be unfrozen to counter threats of lawsuits made by Russia.<sup>30</sup>

As stated by some Ukrainian officials, the €5 billion accumulated in 2022-2023 is a disproportionately large sum to be used as a "buffer," given that Euroclear only suffered a €34 million loss in income as a direct consequence of the war, according to CEO Lieve Mostrey.<sup>31</sup> Rather, this sum and the additional concessions made for Euroclear to counter "litigation risks" could instead be allocated towards Ukraine's needs if governments were to relieve Euroclear of the responsibility over managing sanctioned Russian assets and undertake to indemnify any alleged "litigation risks," if necessary, by applying the immobilized funds for this purpose. Presumably, Euroclear itself would welcome being released from these risks. As long as Euroclear holds and manages these funds and remains liable to the CBR, concessions for Euroclear—and therefore depletion of funds that could be used for Ukraine—will continue being made.

This situation is opaque and problematic, and it deserves attention from policymakers. Part III discusses potential solutions. However, it is first necessary to quantify and specify the approximate distribution of Russian state assets at issue.



## II. Distribution of Immobilized Russian Central Bank Assets

Almost three years into the full-scale invasion, there is still a dearth of publicly available information about the amounts and distribution of Russian state assets. Euroclear publishes general information on a quarterly basis about the currencies it holds but does not publicly release an exact accounting of its holdings. Relevant governments have revealed only scarce details—or none at all—about the CBR assets held directly in their jurisdictions, or indirectly by Euroclear on behalf of the CBR.

This prolonged lack of transparency is not without practical consequence; the obfuscation undermines public pressure for using Russian state assets for Ukraine's benefit to enforce Russia's obligation to pay reparations to Ukraine.<sup>32</sup> Keeping information obscured about the scale of Russian state assets within a government's jurisdiction is a means of deflecting responsibility over necessary policy decisions.<sup>33</sup>

However, the shift from securities to cash changes our understanding of the jurisdiction over CBR's Euroclear-held assets, and thus what can be done with them. As discussed above, the assets turned into "cash," i.e., currency deposits held in banks around the world. According to the calculations described in further detail below, approximately \$104.6 billion to \$125.7 billion of the CBR reserves are subject to the jurisdiction of non-euro-based countries. This includes approximately \$70.5 billion in non-euro denominated assets, albeit managed by Euroclear.

This figure shifts the oft-repeated but untrue narrative of "nearly all the frozen Russian assets are in Europe" and that it would be "meaningless" for other G7 members to act without European support.<sup>34</sup> Thus, Part II provides a detailed accounting—to the best approximation based on publicly available information—of CBR assets in the jurisdiction of individual governments. The fact that this complicated accounting exercise is even needed to unravel the distribution of the CBR reserves underscores the urgent necessity for transparency by governments that have jurisdiction over the reserves.

### A. Methodology

At the outset, it is vital to clarify several assumptions that guide this accounting.

1. *We assume that all CBR holdings originated as bonds and that any cash resulting from bonds maturing remained or will remain in the same currency as the bond.*

As of Sept. 30, 2024, it appears that Euroclear held approximately €19.2 billion *non-cash* CBR assets (namely, unmatured securities and bonds).<sup>35</sup> It is reasonable to assume that the remaining €19.2 billion in securities will mature, or have already matured at the time of this report's publication, into cash in roughly invariant currency shares. Thus, we use the estimated total holdings (cash and non-cash) managed by Euroclear in the country-specific subtotals below.

2. *We use a consistent spot rate for currency conversions.*

We assume the amount of reserves immobilized in various currencies remains fixed (discounting interest earned). When converting currencies to euros or U.S. dollars to calculate equivalent values, accurate results can only be obtained by applying the exchange rates in effect on a specific date. Therefore, all currency conversions use the Sept. 30, 2024, spot rate (the date of Euroclear's latest published data).<sup>36</sup>

3. *We assume that assets are either bonds, or cash in the currency of the original bond earning interest, but not in investments that can lose value in their local currencies.*

Most of the subtotals below reflect no knowledge of whether the cash deposits have been reinvested and appreciated in value. By that same token, these subtotals do not make allowances for possible depreciation of these assets.

4. *"Location" of the cash assets is defined by the geographic location of the country that issues the currency that the cash is held in and therefore has jurisdiction over.*

All cash assets are held under the jurisdiction of the banks of the nation that has issued them. For instance, all cash held via Euroclear in GBP are either with the



Bank of England or U.K. correspondent banks. Thus, as explained in Part I(C), “location” is better understood as the jurisdictional nexus over the assets.

5. *Where possible, our inferences reflect conservative approximations of state vs. private assets.*

In almost all cases of publicly available information about the direct holdings of frozen Russian assets in various jurisdictions, the sources do not report whether the immobilized sums refer to Russian *state* assets (or more specifically, CBR holdings), or private assets, such as those belonging to oligarchs. Generally, the most conservative estimate is taken, and where the categorization of state versus private assets is unclear, a possible range is included.

## B. Accounting of Assets

**Belgium/EU:** €117 billion (\$131 billion total) [65% of €180 billion = €117 billion]

According to the Belgian government, €197 billion of sanctioned Russian assets are in Euroclear.<sup>37</sup> Of that total, €180 billion (91%) are from the CBR.<sup>38</sup> Using Euroclear’s Q3 2024 results, 65 percent, or €117 billion, of this amount are held in euro at Euroclear,<sup>39</sup> of which €104 billion is in *cash* and therefore subject only to the jurisdiction of Belgium and/or the EU.<sup>40</sup> €63 billion (35%) of Euroclear’s holdings are *not* denominated in euros, the distribution of which is detailed below.

**United Kingdom:** At least £25.6 billion (\$34.3 billion total)

a. *Euroclear holdings: £25.6 billion [17% of €180 billion = € 30.6 billion, or £25.6 billion]*

b. *Directly held: Unknown but highly likely to include at least some amount*

HM Treasury’s Office of Financial Sanctions Implementation’s (“OFSI”) most recent report states that as of October 2023, £22.7 billion worth of Russian assets belonging to, owned, held, or controlled by a “designated person” have been frozen since the beginning of Russia’s full-scale invasion.<sup>41</sup> This figure, however, relates only to frozen private assets and does not include CBR assets or assets of other Russian state entities since none are “designated persons” under the U.K. sanctions legislation. Since December 2023, U.K. financial entities are also separately



The Russian flag flies over the Russian Central Bank building in Moscow. (Getty Images)

obligated to inform OFSI of any funds they hold in relation to Russian state entities, including the CBR.<sup>42</sup> The details of these reports, however, have never been made public, in contrast to the reporting on the amounts of frozen private assets.

Due to the lack of specificity in the OFSI reporting, the only sum of CBR reserves in the U.K. that is certain is the approximately £25.5 billion in GBP reported via Euroclear. But given the existence of the reporting obligation related to holdings by Russian state entities, it is very likely that there are also direct Russian state asset holdings in the U.K. that are not yet publicly reported.

**United States:** \$19.1 billion to \$40.2 billion

a. *Euroclear holdings: \$14.1 billion [7% of €180 billion = €12.6 billion, or \$14.1 billion]*

b. *Directly held: \$5 billion+*



The U.S. Treasury Department has publicly reported approximately \$5 billion frozen in CBR funds.<sup>43</sup> However, it also produced, but did not publicly release, a classified annex detailing other frozen funds and the aggregate amount of Russian sovereign assets held by U.S. financial institutions. Thus, the total subject to the jurisdiction of the United States is not publicly available. The only sums of CBR reserves in the U.S. that are certain are approximately \$14.1 billion (reported via Euroclear) and \$5 billion (reported by the U.S. Treasury), but it is likely that the U.S. has jurisdiction over additional sums.

*c. Holdings via Japan: Potentially \$20.8 billion*

Japanese financial authorities have not disclosed any material details of Russian state assets frozen in Japanese institutions. With the exception of the CBR's last report at the end of 2021, there is no public information regarding the current status of Russian state asset holdings in Japan or managed by Japan.

At the end of 2021, the CBR reported that it held a total of USD \$57 billion worth of assets in Japan.<sup>44</sup> Of this amount, it held \$36.2 billion worth in yen (¥4.16 trillion).<sup>45</sup> This leaves Japanese holdings in currencies other than yen worth USD \$20.8 billion at the end of 2021. The CBR's 2021 report also stated that the CBR held a total of \$66.8 billion denominated in USD. Of this amount, only \$19.1 billion is accounted for with certainty. This suggests that the funds worth USD \$21 billion are held in Japanese banks (such as the Bank of Japan) or depositories (such as JASDEC) and denominated in USD.

Unfortunately, Japanese authorities have not disclosed any information regarding the CBR's USD holdings in Japan, and the total CBR holdings in the U.S. is classified. It is reasonable to assume that the CBR did not liquidate its USD holdings held through Japanese banks or depositories (there was no compelling reason for it to do so), but the exact sums of USD holdings via Japan cannot be determined with strong certainty.<sup>46</sup>

*d. Holdings via British Cayman Islands: Unknown but potentially some*

The Cayman Islands government reported that it froze USD \$8.35 billion in Russian assets.<sup>47</sup> However, it is unclear whether or what proportion of this is state or private oligarch assets. While this sum is likely too large to be attributed solely to oligarch money, it may

also consist of Russian commercial bank holdings, which are more likely to have had assets in tax havens such as the Caymans. Although Russian commercial banks may also qualify as Russian state assets, the available information is too vague to draw definitive conclusions from.

**Canada:** CAD \$21.8 billion (USD \$16.1 billion)

*a. Euroclear holdings: CAD \$21.8 billion [8% of €180 billion = €14.4 billion, or CAD \$21.8 billion]*

**Japan:** ¥4,160 billion (\$29.1 billion)

See analysis under section (c) of United States, above.

With the exception of the CBR's last report at the end of 2021, there is no public information regarding the current status of Russian state asset holdings in Japan.<sup>48</sup> Thus, the total sums in Japan or what proportion is denominated in USD or yen is unknown. This accounting uses the originally reported CBR total of ¥4,160 billion (worth \$29.1 billion at the Sept. 30, 2024, spot rate, for consistency).<sup>49</sup>

**France:** €22.8 billion (\$25.5 billion)<sup>50</sup>

**Switzerland:** Worth CHF 7.2 billion (€7.7 billion euro, or \$8.6 billion)

In April 2024, the Swiss government reported that it immobilized CBR assets worth CHF 7.2 billion at then-current exchange rates.<sup>51</sup> There is no indication of what proportion of these assets are denominated in CHF or euros. However, according to the Swiss government, the assets depreciated in value by about 2.2% between April 2023 and April 2024.<sup>52</sup> This depreciation rate is consistent with EUR-CHF historical exchange rate data (but not USD-CHF historical exchange rate data). Thus, it is reasonable to infer that all or most of the CBR assets in Switzerland are likely held in euros.

**Australia:** AUD \$5.8 (\$4 billion)

*b. Euroclear holdings: AUD \$5.8 billion [2% of €180 billion = €3.6 billion, or AUD \$5.8 billion]*

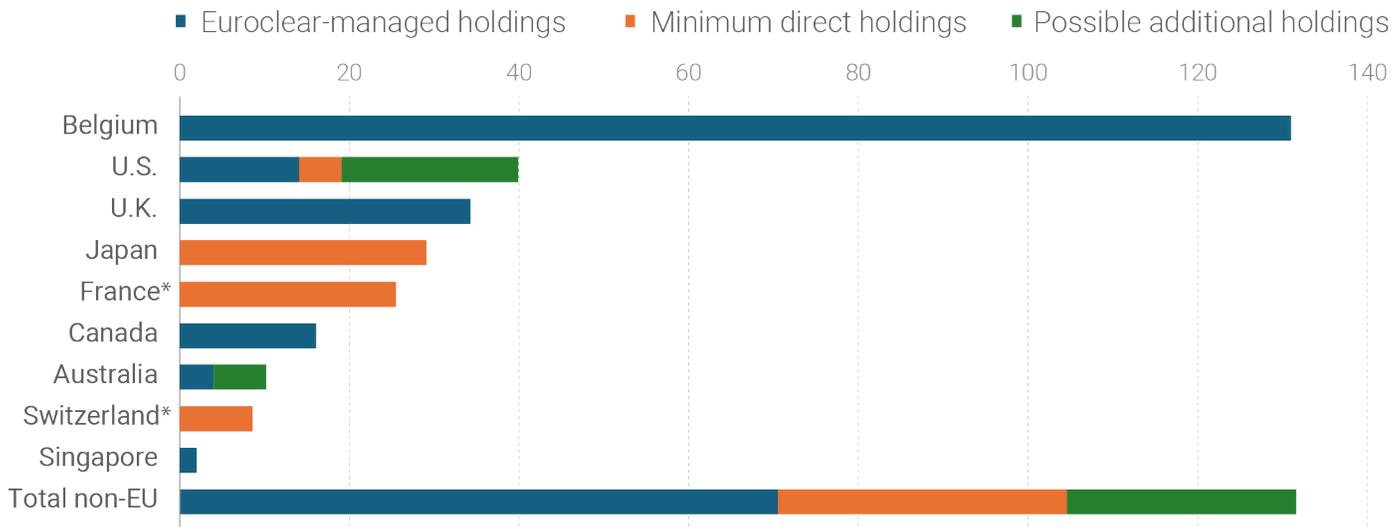
*c. Directly held: Unknown but potentially up to AUD \$9 billion (\$6.2 billion)*

On April 5, 2024, a group of Australian former prime ministers; business, union, and military leaders; former



## Distribution of Russian State Assets According to Jurisdiction, 2024

IN BILLIONS USD



\* Holdings may be in euros and therefore in the EU

Source: Euroclear, Financial Times, OFAC, Bank of Russia, CNN, Swiss State Secretariat for Economic Affairs

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diplomats; and other notable individuals wrote that AUD \$9 billion had been frozen in Australia, but they did not specify how much, if any, of this was in the form of state assets.<sup>53</sup>

**Singapore:** SGD \$2.6 billion (USD \$2 billion)

a. Euroclear holdings: SGD \$2.6 billion [1% of €180 billion = €1.8 billion, or S\$2.6 billion]

**Total Russian sovereign assets accounted for:** \$269.7 billion to \$290.5 billion or more

**Total subject to jurisdiction outside of the EU:** \$104.6 billion to \$125.7 billion

The low end of the figures represents only amounts that we can account for with absolute certainty, based on Euroclear data and statements by government officials or entities. By contrast, the high end of the figures represents these definitive amounts *in addition* to reasonable (but not certain beyond a doubt) inferences. In conclusion, it is possible to definitively identify the distribution of \$269.7 billion of the immobilized Russian state assets, \$104.6 billion of which is denominated in currency other than euros (in the U.K., U.S., Canada, Japan, Australia, and Singapore).

### C. Comparing with 2021 CBR Reported Data

Comparing the data that the CBR reported in two months prior to Russia’s full-scale invasion of Ukraine with the current understanding of the distribution of its frozen assets reveals useful insights. First, it allows us to compare CBR-reported totals in various currencies with the totals and geographical distributions that are now publicly reported by verifiable sources. Comparing these figures can highlight the remaining gaps in our knowledge about the location of Russian state assets.

On Dec. 31, 2021, the CBR reported that it held the equivalent of \$376.3 billion of its foreign reserves in various western currencies.<sup>54</sup> This is equivalent to \$362.7 billion at Sept. 30, 2024, exchange rates. \$269.7 billion to \$290.5 billion (the latter factoring in Japanese USD accounts described under section (c) of “United States” above) are identifiable based on Euroclear and government reporting. Thus, \$72.2 billion to \$93 billion is unaccounted for.

Notably, each of the currency denominations held via Euroclear as of Sept. 30, 2024, are roughly equal to the amounts reported by the CBR at the end of 2021—except the euro and U.S. dollar. Two months before the full-scale invasion, the CBR held €182.5 billion worth



of its foreign reserves in euros. Approximately €147 billion (\$165.1 billion) are concretely identified from Euroclear’s euro, French, and Swiss holdings, leaving €35.5 billion (\$39.3 billion) unaccounted for.

Similarly, at the end of 2021, the CBR reported \$66.8 billion worth of its foreign reserves in USD.<sup>55</sup> \$19.1 billion of these funds are concretely identified: \$14.1 billion held via Euroclear and \$5 billion held directly in the U.S. (not including the unknown amount in the U.S. Treasury’s classified annex). This leaves \$47.7 billion unaccounted for, or \$26.9 billion if non-yen Japanese holdings were held in USD. This implies that the \$20.8 billion portion of CBR funds held in Japanese banks or

depositories may indeed be denominated in USD (see subsection (c) under “United States” above), in euro, or a combination of both.

With regard to the unaccounted euro, USD, or others, CBR may have moved at least some of this money back to Russia in the two months prior to the full-scale invasion, into China, into another jurisdiction that has not reported its total holdings, it could still be in the U.S., a combination of any of the above, another alternative, or it could simply be due to a discrepancy in reporting—it is impossible to know for certain without better public disclosure.

## Comparison of 2021 CBR Data with Current Estimates

This table provides a summary of the CBR-reported amounts compared with the amounts we are able to presently identify.

*All currency amounts shown are in billions.*

Currency Denomination	2021 CBR data calculated into local currency at original rate	2021 CBR reported data converted into USD value at Sept. 30, 2024, spot rate	Current estimate (in USD, at Sept. 30, 2024, spot rate)	Discrepancy (in USD)
<b>EUR</b>	€182.50	\$204.40	\$165.1*	-\$39.30
<b>USD</b>	\$66.80	\$66.80	\$19.1 to \$40.2	-\$47.7 to -\$26.9
<b>GBP</b>	£28.1	\$37.60	\$34.30	-\$3.30
<b>JPY</b>	¥4,160	\$29.10	\$29.1**	N/A
<b>CAD</b>	CAD \$24.8	\$17.20	\$16.10	-\$1.10
<b>AUD</b>	AUD \$8.4	\$5.80	\$4	-\$1.80
<b>SGD</b>	SGD \$2.5	\$1.80	\$2	\$0.20
<b>Total</b>	—	\$362.70	\$269.7 to \$290.5	-\$93 to -\$72.2

\* Belgium, France, Switzerland \*\* no data reported by Japan

Sources: Euroclear, Financial Times, OFAC, Bank of Russia, CNN, Swiss State Secretariat for Economic Affairs

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### III. Next Steps for Policymakers

The analysis in Part II generates three main conclusions: 1) vast sums of Russian state cash assets are now subject to jurisdictions outside of the EU; 2) significant gaps exist in available information about the true value, location, and form of these assets because governments have either not properly accounted for or not disclosed them; and 3) non-EU policymakers have a significant role to play in the identification, management, and potential use of these funds. This section will focus on immediately available steps policymakers can employ to ensure the West is in the best legal, financial, and strategic position with regard to Russian state assets prior to deciding on their disposition.

#### A. Identify and Publicly Report Assets Held on Behalf of Russian State Entities

First, the lack of comprehensive and consistent publicly available information about the global distribution of Russian state assets is inherently problematic. With very few exceptions, governments have not released information about either Russian state assets directly held in their jurisdiction by the CBR or Russian state cash assets held in national correspondent banks on behalf of Euroclear and other depositories (which in turn hold those assets on behalf of the CBR).

For example, despite the requirement of the U.S. REPO Act for the U.S. administration to submit an *unclassified* report to Congress detailing the Russian sovereign assets in U.S. financial institutions,<sup>56</sup> the U.S. Treasury Department has only publicly reported \$5 billion frozen in CBR funds but kept the total aggregate of Russian sovereign assets classified, providing no rationale for this decision.<sup>57</sup>

In Canada, Shuvaloy Majumdar MP, Calgary-Heritage, submitted to the Ministry of Finance an Order Paper question, a written question with the intent of seeking from the Ministry detailed, lengthy, or technical information relating to public affairs and obligating it to respond.<sup>58</sup> The Order Paper question asked, among other things, about the value of Russian state assets held in Canada, including those held in correspondent

banks by depositories such as Euroclear or invested in Canadian dollars, and what initiatives the government has taken to determine their value or its authority to exert jurisdiction over them.<sup>59</sup> The response contained no information that was not already easily accessible in the public domain.<sup>60</sup>

In the U.K., despite the existence of the obligation for financial institutions to inform OFSI of the funds they hold on behalf of Russian state entities, the government has not publicly disclosed this information.

Whether this dearth of public information is due to governments' delay in taking proper measures to identify and map the assets, or whether it reflects a policy choice to keep the amounts involved confidential, this lack of transparency has negative consequences.

One such consequence is the lack of public awareness of the scale of Russian state assets that governments have jurisdiction over and any extraordinary profits made on them (while at the same time, the public pays taxes to support Ukraine's defense efforts). Informed conversations about resources available to contribute toward Ukraine's defense and reconstruction are all but impossible without knowledge of the actual figures. Transparency enables the public to hold their governments to account and to make informed decisions, a core part of any democracy.

Apart from simply being a principle of good governance, transparency also is a good way to minimize errors and discrepancies. To take France as an example: the CBR itself reported at the end of 2021 that it has about €70 billion worth of reserves in France.<sup>61</sup> In April 2022, the French Finance Minister said €22.8 billion had been immobilized.<sup>62</sup> In December 2023, the Finance Ministry stated this number was €19 billion.<sup>63</sup> There are likely a myriad of potential reasons for the discrepancies—but it would be best to know rather than to simply assume.

Greater transparency would also enable monitoring for any potential sanctions circumvention by Russia. Certainty would require compiling the full list of



CBR assets in the sanctioning countries at the time the sanctions were imposed and periodically confirming they are all still there over time. Making this information public would facilitate the scrutiny.

Regardless, the question remains of whether governments themselves are in possession of this information—and if not, what the obstacle for acquiring the information is. For instance, in its response to the Order Paper question on the nature of Russian state assets held in its jurisdiction, the Canadian Ministry of Finance stated that “details on the nature of these assets and their owners remains a commercial confidence of Euroclear.”<sup>64</sup> It is unclear what this means. Has Canada requested this information from Euroclear? Is Euroclear refusing to provide Canada with this information? Are the Belgian government and the EU not assisting with this effort? If so, this would seem to contradict the assertion in the Canadian Finance Ministry’s response that the sanctioning coalition is “working together” and raise questions about its coordination.

## **B. Segregate Assets Held on Behalf of Russian State Entities Into “Clean” Accounts**

A logical corollary of identifying and publicly reporting on the assets held on behalf of Russian state entities is segregating them into separate accounts, at minimum as a matter of prudential supervision.

As discussed in Part I, banks around the world now hold accumulated cash deposits on behalf of Euroclear (and most likely other depositories), the owner of which is the CBR or other Russian state entities—in effect, national and correspondent banks now hold (often unknowingly) vast sums for Russian sanctioned entities without any public guidance as to how they should be managed. Given statements by the Canadian Finance Ministry cited above, it is possible that the Russian state funds are commingled with other non-sanctioned Euroclear accounts in national and/or correspondent banks. While Euroclear itself is bound by EU sanctions and therefore would not seek to effect any movement of sanctioned Russian state funds via overseas correspondent accounts, countries with jurisdiction over those correspondent

accounts have a legitimate interest in being able to oversee and regulate the flow of sanctioned funds through those accounts.

Once governments ascertain the amounts of sanctioned Russian funds held in their jurisdictions, whether through Euroclear, other depositories, or directly by the CBR, they will be better placed to regulate the holding and management of those funds. Governments can regulate the conduct of entities within their territory—i.e., Belgium and the EU can regulate Euroclear and countries where correspondent banks are located can regulate those banks.<sup>65</sup> This includes the ability to use regulatory powers to require the segregation of funds held for the CBR’s benefit into separate accounts distinct from the rest of Euroclear’s funds. A more powerful option available under existing prudential banking regulation is to segregate Russia-related assets into separate legal entities.<sup>66</sup>

As mentioned previously, this segregation would facilitate the oversight and management of sanctioned assets. A next step may be for national authorities to collectively establish an international trust fund to hold, and prudently manage in escrow, the immobilized Russian state assets transferred into it.<sup>67</sup> This measure would be consistent with any potential future use of such assets and would therefore not prejudice the issue of their ultimate disposal.

To maintain this flexibility, the terms of fund management may be limited to: (i) conserve the principal until Russia has discharged its international obligations; (ii) invest the principal to compensate, as fully as possible, those damaged by Russia’s internationally wrongful behavior, with all such amounts credited to any eventual agreement on what Russia owes; and (iii) indemnify participants (including Euroclear, for example) against litigation risk, if any. In this way, even if governments defer on whether or how to confiscate and distribute the Russian state assets, they can improve the way they are managed in the interim.

Thus, appropriate asset management objectives can align with this stated commitment.



Debris lies on the ground near a damaged supermarket in Kharkiv, Ukraine, after a Russian air attack in November 2024. (Denys Klymenko / Gwara Media / Global Images Ukraine via Getty Images)

## IV. Conclusion

There are approximately \$300 billion in Russian state assets immobilized around the world. A substantial proportion is held as “cash” in foreign correspondent banking accounts via Euroclear and likely other depositories as well. This is largely a result of the CBR’s purchases of overseas government bonds that have since matured into cash.

Publicly available information about the amounts involved and states where they are invested remains inconsistent and sporadic. This obscures the role that respective governments *can and should* play in the regulation of the funds in their jurisdictions and in the ongoing discussion of how such assets should be used.

While in ordinary times such investments would be sacrosanct, the ongoing damage that Russia inflicts on Ukraine—and the resulting strain on its Western partners’ financial resources—require that all legal options be pursued to utilize frozen Russian wealth for its victims’ benefit. In essence, there are only two possible beneficiaries of the immobilized Russian state assets: Russia itself or its victims. The G7 governments have already announced that Russia

must “pay for the damage it has caused to Ukraine,” and that “it is not right for Russia to decide if or when it will pay for the damage it has caused in Ukraine. Russia’s obligations under international law to pay for the damage it is causing are clear.”<sup>68</sup> Governments will therefore need to make a decision on when and how to make Russia pay.

In the meantime, there are measures that can be taken to improve the oversight and management of immobilized Russian state assets. These include their segregation into separate accounts distinct from the rest of Euroclear’s funds, as well as the development of clear and consistent frameworks for their management and reinvestment. As a next step, the responsibility for such management and reinvestment activities can be placed in an international trust fund. The information about these assets should be publicly available.

These recommendations will go some way toward dispelling the culture of secrecy that has formed around issues pertaining to frozen Russian state wealth. Given the vital importance of these matters to international justice and securing effective reparations for the victims of Russia’s conduct, governments



should embrace transparency about the amounts and distribution of immobilized Russian state assets, their management, and use.

In sum, this proposal accomplishes two important goals: ensuring transparency into Russian state assets

by separating them from other, non-sanctioned funds and preserving them for the future recompense that the international community determines is appropriate for Russia's illegal war against Ukraine.

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## Biographies



**Yuliya Ziskina** is an attorney specializing in financial enforcement and public international law. She is the principal author of the New Lines Institute report "[Multilateral Asset Transfer](#)," which informed the legal basis of legislation in the U.S. and Canada to transfer Russian state assets to Ukraine. Her work on asset transfer has been published in Lawfare, U.S. News, The Hill, and the European Policy Centre. Ziskina testified before the U.S. Congress on the REPO Act and has been an expert speaker at the World Economic Forum Annual Meeting, the Parliamentary Assembly of the Council of Europe, and in several parliaments.



**Anton Moiseienko** is a Senior Lecturer in Law at the Australian National University. His work focuses on financial crime, including money laundering, terrorist financing and proliferation financing, and the legal and policy aspects of economic sanctions.



**Jamison Firestone** is a member of the New York Bar and a registered Foreign Lawyer in England. He founded the first independent foreign law firm in Russia and was a Director of the American Chamber of Commerce in Russia for six years. He is a co-founder along with Sir William Browder of the Global Magnitsky Justice Campaign, which created the Magnitsky human rights sanctions regimes in the U.S., Canada, U.K., and EU. He also coordinated the Navalny 35 campaign to sanction corrupt persons and human rights abusers identified by Alexei Navalny. Firestone's practice is focused on compliance, sanctions, and investigations.



## Endnotes

- 1 For ease, “debt securities” will be referred to as simply “securities” in this paper.
- 2 Laura Dubois & Sam Fleming, *The legal case for seizing Russia’s assets*, The Financial Times (December 20, 2023), <https://www.ft.com/content/adb09fd6-e5f7-4099-9994-806814b4c9b4/>. See also *Annual Report for 2021*, Bank of Russia (Apr. 8, 2022), available at [https://cbr.ru/Collection/Collection/File/43443/ar\\_2021\\_e.pdf](https://cbr.ru/Collection/Collection/File/43443/ar_2021_e.pdf) [hereinafter *Bank of Russia 2021 Annual Report*].
- 3 *Id.*; *Euroclear delivers a strong Q1 performance*, Euroclear (Apr. 27, 2022), <https://www.euroclear.com/newsandinsights/en/press/2022/2022-mr-07-Q1-2022.html>.
- 4 *Bank of Russia 2021 Annual Report*, *supra* note 2, at 250.
- 5 *Euroclear achieves robust third quarter results*, Euroclear (Oct. 31, 2024) [hereinafter Euroclear Q3 2024] <https://www.euroclear.com/newsandinsights/en/press/2024/mr-35-euroclear-robust-third-quarter-results.html/>.
- 6 The terms “Russian state assets” and “CBR reserves” are used interchangeably and fairly loosely in this paper. However, it is worth noting that although the majority of Russian state assets consist of CBR reserves, “Russian state assets” is a broader category also consisting of non-CBR assets, such as the Russian National Wealth Fund and Russian Direct Investment Fund, among others.
- 7 For general background on this point, see, e.g., 5A Michie, *Banks and Banking* ch. IX, §§ 1, 4b (1973 & Supp. 1982); 9 N.Y. Jur. 2d. *Banks and Financial Institutions* § 238 (1980).
- 8 See, e.g., *Citizens Bank v. Strumpf*, 116 S. Ct. 286, 290 (1995) (holding that a bank’s temporary refusal to pay its debt to a debtor upon demand was not an exercise of a set-off right and that such “administrative hold” did not violate stay provisions); *Libyan Arab Foreign Bank v. Bankers Trust Co.*, [1988] 1 Lloyd’s Rep. 259, 271 (Q.B. 1987) (LAFB) (“It is elementary, or hornbook law to use an American expression, that the customer does not own any money in a bank.”). The hornbooks concur with the cases. See, e.g., 1 Ann Graham, *Banking Law* § 9.03 (1997) (describing the contract between banks and depositors); 5A Michie on *Banks and Banking* 1-22 (1994) (discussing the relationship between banks and depositors); Charles Proctor, Mann on the Legal Aspect of Money § 1.07 (2012).
- 9 Other central securities depositories include Clearstream (based in Luxembourg), the Depository Trust and Clearing Corporation (DTCC) (based in the U.S.), and the Japan Securities Depository Center (JASDEC).
- 10 Due to confidentiality, Euroclear does not publicly disclose which specific banks it uses. However, given what the principal reserve currencies are, we can assume accounts with national central banks like the Federal Reserve, European Central Bank (ECB), Bank of Japan, Bank of England, and the Bank of Canada. These are located in those central banks’ respective countries. In the eurozone, they are located in (some of) the 10 countries whose central banks provide reserve management services on the ECB’s behalf.
- 11 Euroclear Q3 2024, *supra* note 5.
- 12 *Id.* We may also assume the same percentage distribution applies to the total of Euroclear’s CBR-related holdings, including any securities that have not yet matured.
- 13 *Euroclear delivers a strong Q1 performance*, Euroclear (Apr. 27, 2022), <https://www.euroclear.com/newsandinsights/en/press/2022/2022-mr-07-Q1-2022.html>.
- 14 Euroclear Q3 2024, *supra* note 5.
- 15 See Banque De France, *Payments and Market Infrastructures in the Digital Era* 210-212 (2018).
- 16 If, instead of Canada, this example was a eurozone government bond in euros, the funds would simply be paid to Euroclear SA, which is itself a bank (licensed in Belgium), and it would take the form of an increase in its cash reserve balance with the central bank (the National Bank of Belgium and more generally the “Eurosystem” of central banks under the European Central Bank). In other words, the eurozone government in question would have instructed its bank to send the relevant amount of cash to Euroclear SA, and the settlement between the two banks would have occurred through their reserves in the Eurosystem.
- 17 Office of Foreign Assets Control, *Directive 4 (As Amended) Under Executive Order 14024: Prohibitions Related to Transactions Involving the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, and the Ministry of Finance of the Russian Federation*, May 19, 2023.
- 18 31 CFR 587.311.
- 19 Article 5a(4) of Council Regulation (EU) 833/2014.
- 20 “Asset protection,” *Rights of Clients to Securities deposited in the ESES CSDs*, Euroclear (July 2017), available at [https://ecsda.eu/wp-content/uploads/BE\\_FR\\_NL\\_ESES.pdf](https://ecsda.eu/wp-content/uploads/BE_FR_NL_ESES.pdf).
- 21 *Id.*
- 22 *Belgium: Detailed Assessment of Observance – Assessment of Observance of the CPSS-IOSCO Principles for Financial Market Infrastructures – Euroclear Bank*, Int’l Monetary Fund (Nov. 17, 2023) (“The cash proceeds from income and redemption payments on securities held in the Euroclear System by, or on behalf of, sanctioned entities are blocked by EB but appear on its balance sheet”).
- 23 Although it is Euroclear that legally holds the claim (and thus “owns” the cash assets) on the correspondent bank, the CBR holds an equivalent claim on Euroclear—thus, the CBR is the ultimate owner.
- 24 See, generally: *Annual reports*, Euroclear (last visited Dec. 2, 2023), <https://www.euroclear.com/investorrelations/en/annual-reports.html>.
- 25 In its financial statements, Euroclear does not say it is managing cash even to conserve principal. It says it is doing the minimum to avoid “credit risk.” See, e.g., *Euroclear delivers robust performance in Q3 2023*, Euroclear (Oct. 26, 2023), <https://www.euroclear.com/newsandinsights/en/press/2023/2023-mr-15-euroclear-delivers-robust-performance-q3-2023.html>.



- 26 *Euroclear continues momentum with strong first half year results*, Euroclear (Jul. 19, 2024).
- 27 *Id.*
- 28 Gregorio Sorgi, *Hand over ‘missing’ €5B in Russian asset profits, Ukraine tells EU*, Politico (Mar. 26, 2024), <https://www.politico.eu/article/euroclear-missing-profits-ukraine-eu-russia-assets/>.
- 29 *Id.*
- 30 Andrea Palasciano, Jorge Valero, & Alberto Nardelli, *EU Takes a Fresh Look at Confiscating Russia’s Frozen Assets*, Bloomberg (Dec. 17, 2024), <https://www.bloomberg.com/news/articles/2024-12-17/eu-takes-a-fresh-look-at-confiscating-russia-s-frozen-assets/>.
- 31 Sorgi, *supra* note 28.
- 32 For legal analysis of Russia’s obligation to pay reparations in the context of CBR assets, see Dapo Akande, Shotaro Hamamoto, Pierre Klein, Paul Reichler, Philippe Sands, Nico Schrijver, Christian Tams, & Philip Zelikow, *On Proposed Countermeasures Against Russia to Compensate Injured States for Losses Caused by Russia’s War of Aggression Against Ukraine* II (Nov. 20, 2023).
- 33 See Martin Sandbu, *The Schrödinger’s cat of Russian foreign reserves*, The Financial Times (Oct. 26, 2023), <https://www.ft.com/content/8e95a94b-1791-48e1-95ac-alb54da634ce>; and Martin Sandbu, *There is too much we don’t know about Russia’s central bank reserves*, The Financial Times (Feb. 28, 2023), <https://www.ft.com/content/37a4143b-ce25-4491-a946-3423cce5598b>. It is difficult to state with certainty whether governments simply do not know the amount, location, and form of Russian state assets within their jurisdiction, or whether they do know and are not disclosing it.
- 34 See, e.g., Alexander Kolyandr, *Russia’s Frozen Assets Present a Policy Dilemma*, Carnegie Politika (Feb. 24, 2024), <https://carnegieendowment.org/russia-eurasia/politika/2024/01/russias-frozen-assets-present-a-policy-dilemma/>.
- 35 See “Belgium” subsection below.
- 36 To illustrate the impact of currency exchange rates: although the total foreign reserves in Western countries that the CBR reported at the end of 2021 was valued at \$376 billion, at Sept. 30, 2024 rates, this would be \$563 billion.
- 37 Laura Dubois & Nikou Asgari, *Euroclear earns €3bn from Russian assets frozen by west*, Financial Times (Oct. 26, 2023), <https://www.ft.com/content/88ff88c4-6efe-40b7-b635-80eb6bd73c2c>.
- 38 *Id.* The remaining €17 billion likely belong to other state entities, such as the National Wealth Fund, and potentially to private entities. For the sake of precision, these calculations account for only CBR reserves. In its latest report, Euroclear stated that a 0.25% cut in euro interest rates would reduce the windfall by €51 million per quarter. This could imply the euro holdings related to only the CBR is €81.6 billion, so the total CBR assets would be about €125 billion. Thus, on a very conservative interpretation, the Euroclear numbers may be reduced by about 30%.
- 39 *Euroclear achieves robust third quarter results*, Euroclear (Oct. 31, 2024), <https://www.euroclear.com/newsandinsights/en/press/2024/mr-35-euroclear-robust-third-quarter-results.html/>.
- 40 Euroclear is itself a Belgian bank (licensed in Belgium), wholly owned by Euroclear SA/NV, subject to Belgian and EU banking regulation and supervision. Once the securities matured into cash, the funds would simply be paid to Euroclear, taking the form of an increase in its cash reserves balance with the central bank (the National Bank of Belgium and more generally the “eurosystem” of central banks under the European Central Bank). Thus, the geographic location of the ultimate counterpart here is Belgium.
- 41 *OFSI Annual Review 2022-23: Strengthening our Sanctions*, Office of Financial Sanctions Implementation of the HM Treasury, at 17 (December 2023), [https://assets.publishing.service.gov.uk/media/657acdef095987001295e088/OFSI Annual Review 2022 to 2023 Strengthening our Sanctions.pdf](https://assets.publishing.service.gov.uk/media/657acdef095987001295e088/OFSI_Annual_Review_2022_to_2023_Strengthening_our_Sanctions.pdf).
- 42 This obligation arises under the Russian (Sanctions) (EU Exit) (Amendment) (No 4) Regulation 2023. See Giles Thomson, *New reporting requirements for Designated Persons under the Russia Regime*, OFSI (Feb. 12, 2024), <https://ofsi.blog.gov.uk/2024/02/12/new-reporting-requirements-for-designated-persons-under-the-russia-regime/>.
- 43 *Report Pursuant to Section 104(a)(2) of the REPO Act*, OFAC, U.S. Treasury Dept. (October 30, 2024).
- 44 *Id.*
- 45 *Id.*
- 46 It is possible that these holdings became even larger in early 2022 as Russia sheltered its USD holdings that had been in the U.S.
- 47 *Cayman freezes US\$8.35B of assets under Russian sanctions*, CaymanNewsService (Nov. 13, 2024), <https://caymannewsservice.com/2024/11/cayman-freezes-us8-35b-of-assets-under-russian-sanctions/>.
- 48 *Bank of Russia 2021 Annual Report*, *supra* note 2, at 102.
- 49 *Id.*
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- 53 Letter from Supporters of Ukraine Network (SUN) to Hon. Jim Chalmers, MP (Apr. 5, 2024), <https://afuo.org.au/wp-content/uploads/2024/04/SUN-letter-on-RF-assets-1.pdf>.
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- 55 *Id.*
- 56 REPO for Ukrainians Act (Public Law 118-50), § 104(a)(2).
- 57 *Report Pursuant to Section 104(a)(2) of the REPO Act*, OFAC, U.S. Treasury Dept. (October 30, 2024).
- 58 “Questions,” *House of Commons Procedure and Practice*, Parliament of Canada, <https://www.ourcommons.ca/MarleauMontpetit/DocumentViewer.aspx?DocId=1001&Sec=Ch11> (last visited Dec. 5, 2024).
- 59 Inquiry of Ministry (Q-3058), Reply by the Deputy Prime Minister and Minister of Finance, Government of Canada (Oct. 8, 2024).
- 60 *Id.* The response stated, in part: “approximately 8% of the immobilized assets held by Euroclear are denominated in CAD. These assets are held in the form of cash or near cash (i.e., highly liquid assets such as short-term treasury securities or certificates of deposit)” and that “details on the nature of these assets and their owners remains a commercial confidence of Euroclear,” but that “The Department of Finance continues to engage closely with international partners to hold Russia to account for its illegal invasion of Ukraine.”
- 61 *Bank of Russia 2021 Annual Report*, *supra* note 2, at 102.
- 62 Bouvier, *supra* note 50.
- 63 Dubois & Fleming, *supra* note 2.
- 64 *See* Inquiry of Ministry (Q-3058), *supra* note 58.
- 65 States’ ability to exercise jurisdiction over persons in their territory is uncontroversial. *See, e.g.*, James Crawford, *Brownlie’s Principles of Public International Law* 458 (2012).
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