



Exploring a Lien-Based Mechanism for Frozen Russian Assets Held in Euroclear

By Fen Osler Hampson, Allan Rock and Tim Sargent

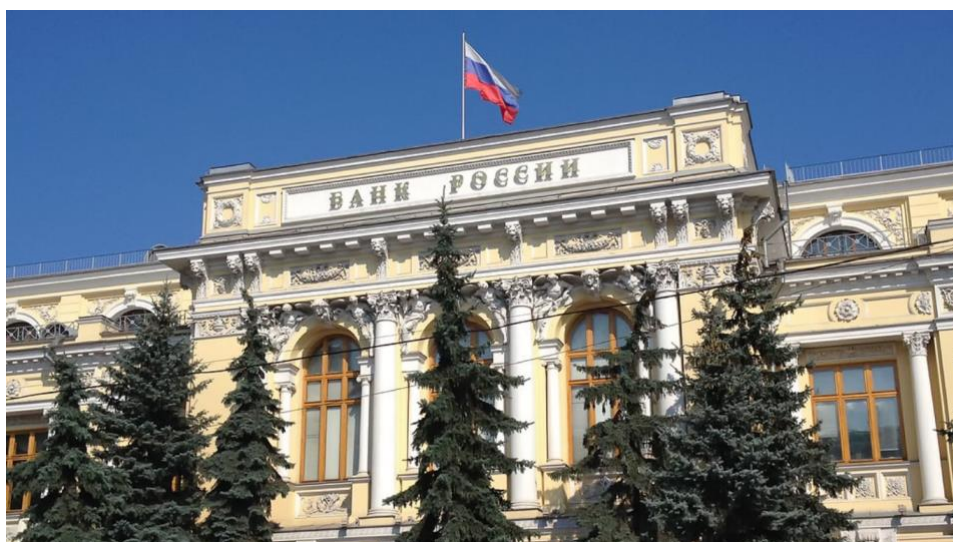
POLICY BRIEF

November 2025

**WORLD
REFUGEE &
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COUNCIL**

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Executive Summary

The European Union's (EU) current forced loan scheme to mobilize frozen Russian sovereign assets to support Ukraine has stalled because of Belgian concerns over concentrated liability exposure and unresolved legal risks.

This paper argues that one way to address those risks and potential liabilities is to place a lien or encumbrance on these funds. As policymakers explore ways to strengthen the financial and legal credibility of future reconstruction financing, a lien-based mechanism could serve as a structured, rules-based alternative to outright confiscation or perpetual immobilization.

Although we continue to believe outright confiscation and repurposing is both legally defensible and obviously much simpler¹, we offer this proposal as a potential option to break the current impasse about a loan mechanism.

Under such a framework, the European Union and its G7 partners would establish a conditional, first-priority lien on immobilized Russian state assets held primarily in Euroclear (Belgium)—a lien that would be activated only if Russia fails to pay reparations established through an international settlement or ruling.

This approach would preserve legality and proportionality under international law, provide collateral credibility for large-scale loans to Ukraine, protect Belgium and Euroclear from asymmetric litigation risks, and enable an indemnification framework to distribute legal and financial risk among participating states.

1. Background: Current Status of European Discussions

The EU has immobilized approximately €185–€210 billion in Russian Central Bank assets, with the majority (~€185 billion) held in Euroclear accounts in Belgium. EU policy currently permits diversion of windfall income from these assets to support Ukraine, but the principal remains frozen. At the October 2025 Copenhagen meeting, EU leaders discussed raising loans for Ukraine backed by future reparations from Russia, but negotiations with Belgium and Euroclear are at an impasse because of Belgian and Euroclear concerns about concentrated liability exposure and unresolved legal risks under the proposed EU arrangement. The European Commission and European Central Bank (ECB) have also emphasized that any plan must comply with international law and avoid violating sovereign or central-bank immunity.

¹ See research by the [World Migration & Refugee Council](#) and the [New Lines Institute](#) on the legal aspects of confiscating repurposing Russian assets for rebuilding Ukraine.

2. Why a Lien-Based Mechanism May Be Needed

a) Creates a Structured Legal Claim

A lien would not confiscate Russian assets but would record a conditional legal right that could be enforced if Russia refuses to pay reparations. It would anchor future repayment obligations, provide markets with a defined collateral base for loans to Ukraine, and reduce uncertainty about enforcement.

b) Avoids Permanent Freezing or Unlawful Confiscation

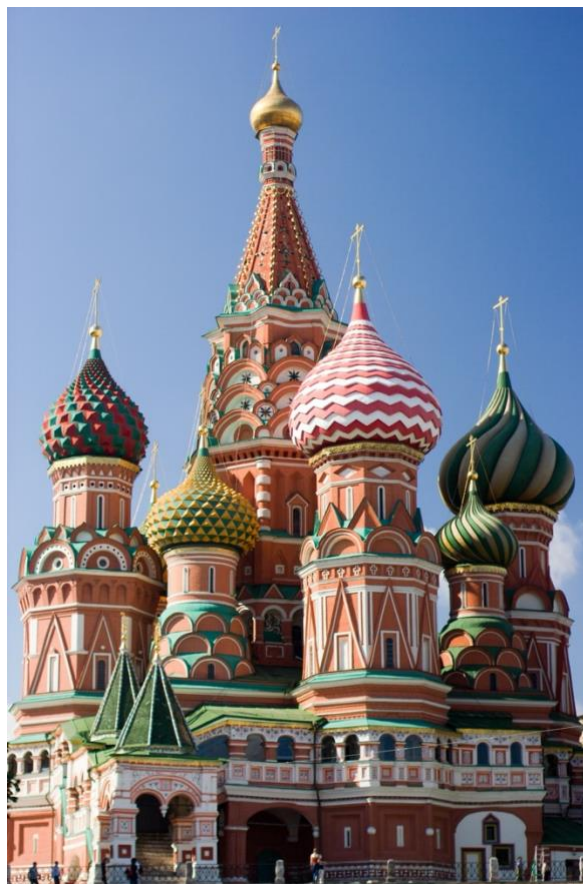
The current policy of indefinite immobilization lacks a closure mechanism. A lien-based approach would retain Russian ownership unless reparations default occurs, avoid violating property and immunity rights, and provide a clear process for lifting the lien if Russia complies with reparations obligations.

c) Strengthens Financing Credibility

A lien could reinforce investor confidence in EU- or G7-backed Ukraine reconstruction loans by linking repayment indirectly to liened assets, thereby lowering borrowing costs and strengthening fiscal credibility.

d) Supports Belgian and EU Legal Defensibility

[Belgium](#) and Euroclear currently bear concentrated legal exposure as custodians of the frozen assets. A lien regime paired with EU or G7 indemnification would clarify enforcement rules, shield Belgium from unilateral liability, and distribute litigation costs across participating states.



3. How a Lien-Based Mechanism Could Work (Conceptually)

Phase	Action	Legal Status
Phase 1: Political Agreement	EU and G7 agree to treat frozen Russian assets as potential reparations collateral with Ukraine's agreement.	Political declaration; no asset transfer.
Phase 2: Legal Foundation	Belgium enacts a Lien & Enforcement Enabling Act authorizing a conditional encumbrance on Euroclear accounts.	Lien created under Belgian law but unenforceable until triggered.
Phase 3: Financial Structuring	Loans guaranteed by member states and indirectly backed by lien-ed assets.	Ownership unchanged; investors rely on guarantees.
Phase 4: Enforcement Trigger	If Russia refuses to pay reparations, the lien is activated and proceeds transferred to a Reparations Trust Fund.	Enforcement authorized under Belgian law and EU regulations.

4. Legislative Requirements in Belgium

A Belgian enabling statute would be essential to implement this model, as Euroclear operates under Belgian jurisdiction. Key provisions would include:

- ▶ Statutory authority to impose a non-consensual lien over immobilized sovereign assets tied to reparations enforcement.
- ▶ Definition of public purpose under Article 16 of the Belgian Constitution.
- ▶ Judicial review and proportionality safeguards consistent with the ECHR.
- ▶ Clear enforcement conditions linked to reparations default.
- ▶ Civil immunity for Belgium and Euroclear, with an EU–Belgium defense and compensation fund.
- ▶ Publication in the Belgian Official Gazette and registration in an EU-wide lien registry.

5. Indemnification and Burden-Sharing Mechanism

Belgium's role as host to Euroclear places it at the center of potential legal and financial risk. To mitigate this, a multilateral indemnification arrangement would be required.

- ▶ EU Indemnification Fund — covering legal defense costs and damages from enforcement actions.
- ▶ Shared G7 Backstop — proportional contributions from G7 members (Canada, U.K., Japan, U.S.).
- ▶ Euroclear Protections — statutory immunity for lawful enforcement and coverage of litigation expenses.
- ▶ Reinsurance Mechanism — possible use of European Stability Mechanism (ESM) or European Investment Bank (EIB) to absorb residual legal risks.

6. Why G7 Coordination is Essential

Coordination with the G7 would ensure legal consistency, financial synergy, and political credibility. Many G7 states also hold Russian reserves, and coordinated legislation would prevent forum shopping, spread risk through shared guarantees, and demonstrate unity in enforcing international law. Canada's participation would align its sanctions regime, legal frameworks, and contributions to a future Reparations Trust Fund.

7. Advantages and Challenges

Advantages

Legally conservative—avoids outright seizure

Provides clear enforcement path if Russia defaults

Strengthens credibility of Ukraine loans

Enables indemnification and risk-sharing

Politically defensible and proportionate

Challenges

Requires new Belgian and EU legislation

Potential Russian retaliation against Western assets

May raise central-bank immunity concerns

Complex coordination among EU and G7 states

Litigation risk in EU courts

8. Lien-Based Mechanism vs. Forced Loan Scheme: A Comparison

The lien-based mechanism proposed for frozen Russian assets offers a more legally defensible and politically viable path forward than the forced loan scheme that has stalled in EU-Belgium negotiations. While the forced loan approach, which would transfer Russian assets into a Special Purpose Vehicle in exchange for zero-coupon bonds, faces fundamental objections from Belgium over concentrated liability exposure and unresolved legal risks, the lien-based alternative creates a conditional, first-priority claim on the assets without immediate confiscation or transfer.

A lien approach should also help address Belgium’s core concerns by establishing a clear indemnification framework that distributes legal and financial risk across all participating EU and G7 states, rather than leaving Belgium to face potential litigation alone. Unlike the forced loan, which [Belgium's Prime Minister Bart De Wever](#) has characterized as de facto confiscation (“If I take your money and I use it, I think you will say that’s a confiscation”), the lien mechanism preserves Russian ownership unless reparations default occurs, maintaining compliance with international law principles around sovereign immunity while still providing credible collateral for Ukraine reconstruction loans. Crucially, the lien-based model includes phased implementation with clear triggers, Belgian legislative authority, and multilateral burden-sharing provisions—precisely the “solid legal basis” and shared liability guarantees that Belgium has demanded but which the current forced loan proposal fails to adequately provide.

Comparison Table

Criterion	Forced Loan Scheme (Current Impasse)	Lien-Based Mechanism
Asset Treatment	Transfers assets to Special Purpose Vehicle; swaps cash for zero-coupon bonds	Creates conditional encumbrance; preserves Russian ownership unless reparations default occurs
Belgium's Liability	Concentrated exposure; unclear burden-sharing; Belgium bears primary litigation risk	Explicit EU/G7 indemnification fund; shared legal defense costs; statutory immunity for Belgium and Euroclear

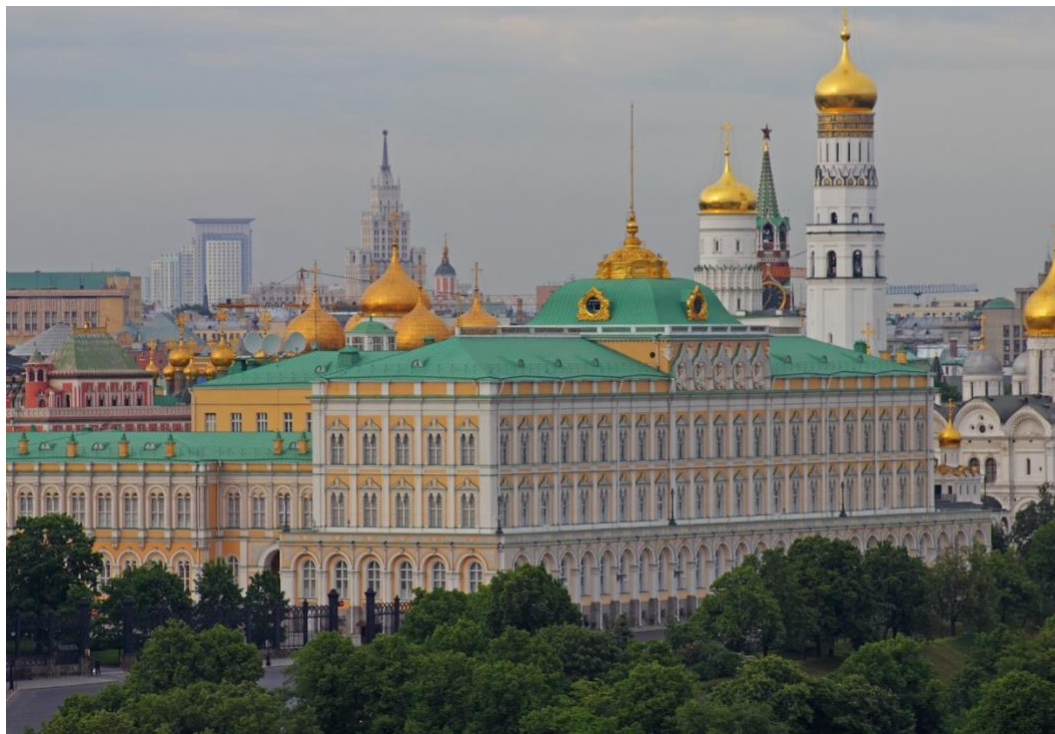
Criterion	Forced Loan Scheme (Current Impasse)	Lien-Based Mechanism
Legal Status	Belgium disputes that bond-swap distinction avoids confiscation; no Belgian enabling legislation	Requires Belgian Lien & Enforcement Enabling Act; clear public purpose definition; ECHR-compliant proportionality safeguards
Enforcement Mechanism	Immediate use of principal with uncertain repayment path	Phased approach: lien unenforceable until Russia defaults on reparations; clear trigger conditions
International Law Compliance	Questionable under sovereign immunity principles; perceived as confiscation by Belgium	Legally conservative; conditional claim respects ownership until default; proportionate countermeasure
Political Feasibility	Stalled since October 2025; Belgium blocking progress; no consensus on guarantees	Addresses Belgian demands for mutualized risk, clear enforcement rules, and coordinated G7 action
Market Credibility	Uncertain collateral basis; depends on goodwill guarantees	Provides defined collateral base for loans; strengthens investor confidence; lowers borrowing costs

9. Next Steps

1. Commission a legal feasibility study by EU, Belgian, and G7 experts.
2. Draft model legislation for a Belgian Lien & Indemnity Act.
3. Establish an expert working group under the G7 to examine enforcement triggers, indemnity, and governance of a Reconstruction Trust.
4. Consult with markets and European Central Bank on euro-liquidity and reserve implications.
5. Coordinate with Ukraine's legal representatives to link reparations findings to financial instruments.

10. Conclusion

While no European government has yet endorsed a lien mechanism, the idea merits serious study as a lawful, proportionate bridge between indefinite freezing and unlawful confiscation. It would transform frozen Russian reserves into conditional collateral for justice and reconstruction, while safeguarding financial stability and the rule of law. A robust indemnification framework would protect Belgium, Euroclear, and other asset-holding states, enabling Europe and the G7 to act collectively and credibly in support of Ukraine.



11. Author Bios

Fen Osler Hampson is a former director of the Norman Paterson School of International Affairs (NPSIA) (2000-2012). He is currently Chancellor's Professor and Professor of International Affairs in the School. Professor Hampson served as Director of the Global Commission on Internet Governance (GCIG) and is the President of the World Refugee & Migration Council.

Allan Rock is the president emeritus and was until 2022 a professor of law at the University of Ottawa. A former trial lawyer, he entered politics in 1993 and spent 10 years as a federal cabinet minister in the Justice, Health, Industry and Infrastructure portfolios. He was Canada's Ambassador to the United Nations between 2003 and 2006 and the president of the University of Ottawa from 2008 to 2016.

Tim Sargent is a senior fellow and director of the Domestic Policy Program at Macdonald-Laurier Institute and a distinguished fellow at Centre for International Governance Innovation. He spent 28 years in the Canadian federal government, where he served as associate deputy minister of finance, G7/G20 and Financial Stability Board deputy, deputy minister of international trade, deputy minister of fisheries and oceans, and associate deputy minister of agriculture, among other positions.

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info@wrmcouncil.org

