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In unpicking these issues, the first question is who owns the windfall profits from Russia’s assets, expected to amount to €3 billion annually (after Belgian corporate tax). One answer is that the profits are Euroclear property (differently from the principal assets owned by Russia), simply because revenue from reinvesting matured bonds does not accrue to Russia. Depositories like Euroclear usually transfer their customers’ cash balances out before the end of the day without any remuneration ]ʋ warnings of retaliation are serious, European companies could end up footing the bill for funding Ukraine.

With the EU facing greater risks of retaliation, the US should at least accept to take on the main burden in providing guarantees to underpin the Ukraine loan. This will be pivotal in crafting the syndicated loan.

It will have to be decided whether the syndicated loan will be repaid from the proceeds of a dedicated bond backed by future windfall profits as collateral. The disadvantage of this approach is that it will lead investors to ask for a high discount, making borrowing expensive. A better option would be back-to-back lending by the G7, as is EU practice already in lending via Multilateral Financial Assistance to Ukraine. Whether G7 members provide their guarantees jointly, through a third-party institution or through bilateral loans to Ukraine is secondary. In order to 'Trump-proof' the loan, it could be wise to first pay the loan to a multilateral institution, such as the World Bank, where it could then be sent onwards to Ukraine. This would prevent Trump from cancelling the US share to the loan [5] .

Most important is to agree on the design of a 'sharing clause' to underpin the syndicated loan agreement, and which will define the ***pro-rata*** exposure of G7 members in case windfall profits are not enough to repay the loan.

One initial proposal foresaw countries being liable in proportion to the amount of frozen Russian assets they hold [6] . These are hardly agreeable terms, as this would double the burden for the EU, which holds most Russian assets, and add to the retaliation risk. GDP-based ***pro-rata*** burden sharing is one natural benchmark for burden sharing. However, the EU's greater exposure to Russian retaliation would justify greater risk exposure for the US.

Another fundamental point is that the burden-sharing architecture underpinning the loan must be balanced not only between the EU and the G7, but also between the EU and its member states. With the EU lacking taxing power, its capital market activity and credibility depend on financial contributions from its members. Any back-to-back lending channelled from the EU to Ukraine must therefore be guaranteed by the EU budget.

has complied, the sanctions can be lifted. The political impact would be greater than in the current recurrent cycle of expiry and continuation of sanctions. The implicit political signal sent to Russia by the review clause would be that causing new war damage reduces day-by-day the likelihood of asset release. More importantly, a review clause would create certainty for G7 members because the decision to repeal

## Endnot s

1. See The White House, 'G7 Apulia Leaders' Communiqué', 14 June 2024, https://www.whitehouse.gov/briefing-room/statements-releases/2024/06/14/g7-leaders-statement-8/.

2. See Council Decision (CFSP) 2024/1470 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, 21 May 2024, https://eur-lex.europa.eu/eli/dec/2024/1470/oj.

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