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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

**establishing the Reparations Loan to Ukraine and amending Regulation (EU) 2024/792
of the European Parliament and of the Council of 29 February 2024 establishing the
Ukraine Facility**

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

The EU is steadfast in its support to Ukraine, whose future lies within the EU. The EU supports Ukraine's independence, sovereignty and territorial integrity within its internationally recognised borders and is unwavering in its commitment to provide political, financial, economic, humanitarian, military and diplomatic support¹. In light of the escalating Russian aggression, it is necessary to act swiftly to ensure Ukraine has access to the resources it urgently needs. This proposal is designed to ensure the establishment of a new instrument to address those urgent needs, by providing Union assistance to Ukraine in the form of a loan to be repaid by reparations due by Russia.

The large-scale invasion by Russia of Ukraine, which began on 24 February 2022, has had a profoundly damaging impact on the country and its citizens. Despite diplomatic efforts by the US and Europe to achieve a peaceful resolution, and Ukraine's readiness to engage in dialogue to end the war, Russia has intensified its attacks on Ukraine, deliberately targeting civilians and critical infrastructures. This escalation has further exacerbated the humanitarian crisis, caused immense suffering for the Ukrainian people and raised the colossal human and financial cost of this unprovoked and unjustified military aggression. Russia's illegal war of aggression is a blatant violation of the territorial integrity, sovereignty and independence of Ukraine, as well as a violation of the prohibition on the use of force enshrined in Article 2(4) of the United Nations (UN) Charter, which is a peremptory rule of international law, and of the other principles of the UN Charter. The unwavering determination and courage shown by Ukrainians in defending their homeland is a testament to their strength and warrants deep admiration and appreciation.

In response to the recent escalation of Russia's attacks, on 23 October 2025, 26 Member States have reiterated their resolve to provide, in coordination and with likeminded partners and allies, comprehensive political, financial, economic, humanitarian, military and diplomatic support to Ukraine and its people. At that same time, those 26 Member States have committed to address Ukraine's pressing financial needs for 2026-2027. Since the conflict's onset, the EU, its Member States and European financial institutions have collectively provided Ukraine with comprehensive assistance totalling EUR 187.3 billion, underscoring the EU's unwavering dedication to supporting Ukraine for the duration and to the extent necessary.

However, Russia's intensified aggression has increased Ukraine's financing needs and calls for urgent investment in the Ukrainian Defence Technological and Industrial Base. It is now clear that additional sources of funding both from the EU and the international community are necessary. Ukraine's financing needs for 2026 and 2027 are set to surpass existing projections by the International Monetary Fund (IMF), whose eighth review of the IMF Programme underlines that risks and uncertainty remain exceptionally high, with the existing programme having limited scope to absorb any new shocks, including from a more prolonged and intense war. On 9 September 2025, Ukraine has submitted an official request for a new IMF programme to cover additional financing needs from 2026 to 2029. The IMF's ability to proceed with this programme is contingent upon receiving sufficient financing assurances from partners, including the Union.

¹ European Council Conclusions, 27 June 2024; EUCO 15/24.

Ukraine's recently presented draft budget for 2026, developed in cooperation with the IMF, projects defence and security expenditure of EUR 56 billion, supported by EUR 51.6 billion of in-kind military assistance. Given the negative impact of the war on Ukraine's economy, that budget projects that, in addition to the necessary in-kind assistance, EUR 43 billion of international aid is needed. As of November 2025, only EUR 22 billion has been firmly committed. Ukraine has limited room for additional fiscal adjustments, as further spending cuts or tax increases could further harm the economy, which is already vulnerable due to damage to key infrastructure, labour shortages, and the ongoing displacement and mobilisation of people. Swift financial assistance is vital to help Ukraine maintain essential state functions, ensure macroeconomic stability, rehabilitate critical energy infrastructures, and invest into its Defence Technological and Industrial Base. These needs come on top of significant requirements for medium-term recovery and reconstruction.

In their summit statement of 2 October 2025², G7 Finance Ministers agreed to take joint steps to increase pressure on Russia to end its continued brutal war against Ukraine and to support Ukraine in its ongoing efforts to defend itself. In particular, G7 Finance Ministers committed to developing a wide range of options to address Ukraine's financing needs, including using in a coordinated way the full value of Russian assets immobilised in G7 jurisdictions to end the war and ensure a just and lasting peace in Ukraine, consistent with G7 legal frameworks. Additionally, in its conclusions of 27 June 2024, 17 October 2024, 19 December 2024 and 23 October 2025, the European Council has stated that, subject to Union law, Russia's assets should remain immobilised until Russia ceases its war of aggression against Ukraine and compensates it for the damage caused by this war.

In spite of Ukraine's financing needs to counter Russia's aggression and, where possible, to reconstruct, the capacity of the Union and of its Member States to provide additional funding to Ukraine is currently limited and does not match the magnitude of Ukraine's needs. Against this background, it is proposed to establish a new support instrument for Ukraine of up to EUR 210 billion, which Ukraine would only repay once it receives reparations from Russia, financed by cash balances at financial institutions in the Union that accumulate because transactions regarding the assets and reserves of the Central Bank of Russia are not permitted.

A Reparations Loan to Ukraine

Despite the massive needs of Ukraine, the ability for the Ukrainian state to take on more debt is severely limited. Ukraine's debt to GDP has drastically expanded since the start of the war, jumping from less than 50% of GDP at end 2021 to 85% of GDP in 2025 (more than 100% of GDP including ERA loans). Given the significant destruction that the war has had on productivity and the on-going drag that the war has on growth dynamics, the significant financing needs of Ukraine are not possible to be addressed by Ukraine taking on further debt.

At the same time, Member State's finances are still recovering from a succession of crises during the last decade, including the significant expenses generated by Russia's war in Ukraine and Russia's hybrid campaign against the Union. The mobilisation of additional significant resources by Member States to be able to finance Ukraine would constitute an important economic challenge.

In this context of difficult debt dynamics of Ukraine due to the on-going Russian aggression and the challenges associated with Member States finances, including as of Russia's actions, it is appropriate to develop an innovative solution that is not expected to place a financial burden on either Ukraine or Member States.

² G7 Finance Ministers Statement, G7 2025 Kananaskis.

In line with the International Law Commission's Draft Articles on the Responsibility of States for Internationally Wrongful Acts (ARSIWA)³ and customary international law, Russia – as the responsible state – is under an obligation to make full reparation for the injury caused by its war of aggression against Ukraine. In particular, Articles 30 – 32 of ARSIWA provide that *“The State responsible for the internationally wrongful act is under an obligation: (a) to cease that act, if it is continuing; [...]; “The responsible State is under an obligation to make full reparation for the injury caused by the internationally wrongful act.” “Injury includes any damage, whether material or moral, caused by the internationally wrongful act of a State.”*

In the context of this legal obligation on Russia to make reparations for the damage that it has caused through its illegal war of aggression, it is appropriate for the Union to provide the Reparations Loan to Ukraine as a limited recourse loan that will become due and payable when Ukraine receives from Russia cash or non-monetary assets as war reparations, indemnities or any financial settlement from Russia, other than territory.

Financing the Reparations Loan

On 28 February 2022 the Council adopted Decision (CFSP) 2022/335⁴ amending Council Decision 2014/512/CFSP⁵, which prohibited any transactions related to the management of reserves, as well as of assets of the Central Bank of Russia, including transactions with any legal person, entity or body acting on behalf of, or at the direction of, the Central Bank of Russia. On 9 March 2022, the Council adopted Decision (CFSP) 2022/395⁶ to include such prohibition concerning the Russian National Wealth Fund. As a result of those prohibitions, the relevant assets held by financial institutions in the Member States are ‘immobilised’. The assets held within the borders of the Union, worth approximately EUR 210 billion, represent the majority of such immobilised assets worldwide. The European Council has repeatedly stated 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.

As of various investments of its foreign reserves, the Russian Central Bank has a claim on certain financial institutions in the Union. Those respective financial institutions have a liability to repay the Russian Central Bank, where the prohibition of transfers to the Russian Central Bank currently prohibits those financial institutions from honouring that claim. That claim of the Russian Central Bank is Russia's asset, which is matched by a liability of those financial institutions to repay. That asset of the Russian Central Bank – and as such that liability of the financial institution to repay – will not be touched, where there is no interference in the property rights of the Russian Central Bank.

The prohibition of transfers to the Russian Central Bank generates an extraordinary and unexpected accumulation of cash balances on the balance sheets of financial institutions. That accumulation is due to the immobilisation of assets and reserves of the Central Bank of

³ Articles on Responsibility of States for Internationally Wrongful Acts, 2001, International Law Commission.

⁴ Council Decision (CFSP) 2022/335 of 28 February 2022 amending Decision 2014/512/CFSP concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 57, 28.2.2022, p. 4, ELI: <http://data.europa.eu/eli/dec/2022/335/oj>).

⁵ Council Decision 2014/512/CFSP of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 229, 31.7.2014, p. 13, ELI: <http://data.europa.eu/eli/dec/2014/512/oj>).

⁶ Council Decision (CFSP) 2022/395 of 9 March 2022 amending Decision 2014/512/CFSP concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 81, 9.3.2022, p. 8, ELI: <http://data.europa.eu/eli/dec/2022/395/oj>).

Russia, or those of any legal person, entity or body acting on behalf of, or at the direction of, the Central Bank of Russia, such as the Russian National Wealth Fund, because any payments of principal and interest, coupons, dividends or other income on securities to the Central Bank of Russia and those persons, entities and bodies are prohibited. These cash balances are not the property of the Central Bank of Russia and are not protected by sovereign immunity.

To finance the Reparations Loan, the Union would borrow from financial institutions the cash balances that accumulate because transactions regarding the assets and reserves of the Central Bank of Russia are not permitted. This is an exchange of the asset on the respective financial institution's balance sheet from cash to a Union debt instrument, but without impacting the liability of the financial institutions to repay the Russian Central Bank, once sanctions are lifted.

The Reparations Loan is without prejudice to the claim of the Central Bank of Russia. That asset is not impacted by the measures provided under this proposal. The cash balances accumulating on the balance sheets of financial institutions as a result of the immobilisation do not belong to the Central Bank of Russia and do not constitute sovereign assets.

Regarding the borrowing from financial institutions, it is noted that Decision (CFSP) 2024/577⁷ clarifies that balance sheet management transactions linked to assets and reserves of the Central Bank of Russia, or linked to assets and reserves of any legal person, entity or body acting on behalf of, or at the direction of, the Central Bank of Russia, such as the Russian National Wealth Fund, are not within the scope of the prohibition of transactions which applies since 28 February 2022. The balance sheet management transactions that remain authorised relate in particular to the reinvestment of cash balances, accumulating in particular due to immobilised coupon or dividend and redemption payments and maturing deposits, in line with a prudent investment policy, in accordance with applicable regulatory requirements.

The Union would use the cash proceeds from this debt instrument to fund a limited recourse Reparations Loan to Ukraine. That loan would be repaid by Ukraine once it receives the reparations due from Russia, which it is legally entitled to. Therefore, the Reparations Loan constitutes a reversible mechanism, whereby once the conditions for lifting the sanctions as expressed by the European Council and the G7 are met – namely Russia ceases its war of aggression against Ukraine and compensates it for the damage caused by this war – Ukraine will repay the Union, the Union will repay its borrowing from financial institutions, and those financial institutions will repay the Russian Central Bank.

The borrowing for a limited time from financial institutions of cash balances that only accumulate because transactions regarding the assets and reserves of the Central Bank of Russia are not permitted would not be used for general Union expenditure and would be used exclusively for the limited purpose of financing the Reparations Loan to Ukraine. Such an approach of using cash balances that do not arise out of a normal business context to finance a loan to Ukraine is a limited and proportional response to the situation.

The borrowing should fully protect the financial position of the relevant financial institution and enable them to honour all contractual commitments related to the assets and reserves of the Central Bank of Russia. To that end, Member States may provide irrevocable, unconditional and on-demand guarantees to the Union to support such borrowing. Those

⁷ Council Decision (CFSP) 2024/577 of 12 February 2024 amending Decision 2014/512/CFSP concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L, 2024/577, 14.2.2024, ELI: <http://data.europa.eu/eli/dec/2024/577/oj>).

guarantees may be provided by Member States in line with their respective relative share in the total Gross National Income of the Union. As a second line of defence, the Union should be endowed with a liquidity mechanism, enabling Union borrowing to support repayments if necessary. Finally, as a third layer of defence, the Union should be able to meet its obligations with Union debt securities. This three-tier defence ensures that there is no scenario under which relevant financial institutions will not be repaid in order to ensure that they are able to honour all contractual commitments related to the assets and reserves of the Central Bank of Russia.

The obligation for financial institutions holding assets and reserves for the Central Bank of Russia to make this investment is established in separate acts. Given the context in which these measures are taken and the legitimate aim of the measures in that accompanying proposal for the pursuit of the Union's foreign and security policy objectives, in particular preserving the Union's values, fundamental interests, security, independence and integrity, the consolidation of and support for democracy, the rule of law, human rights and the principles of international law, including international humanitarian law, the right to self-defence and the prohibition of aggression under the UN Charter, the preservation of peace, prevention of conflicts and strengthening of international security and the protection of civilian populations as well as assisting populations confronting man-made disasters, such as those inflicted upon Ukraine and its population by Russia's war of aggression, these measures fully respect the fundamental rights and freedoms recognised in the Charter of Fundamental Rights, in particular Article 17 thereof, as they are justified and proportionate to the objectives pursued in line with Article 52.

Use of funds

Given Ukraine's financing needs and the considerable uncertainty on the future of the war, it is critical that the Reparations Loan is designed in a flexible manner that is reactive to the situation. There should be flexibility to use the money towards most pressing financing needs, whether driven by the current war situation or also to support reconstruction should peace prevail.

This proposal provides for a Reparations Loan to Ukraine that will be delivered in a predictable, continuous, orderly, flexible and timely manner with a view to supporting Ukraine in covering its financing and defence needs, in particular those resulting from Russia's war of aggression. Specifically, the Reparations Loan should support macro-financial stability in Ukraine and ease its external financing constraints, whether driven by war or by reconstruction, and support Ukraine's defence industrial capacities through economic, financial and technical cooperation.

To support macro-financial stability in Ukraine and ease its external financing constraints, the proposal creates multiple options via which the funds can be channelled to support Ukraine, where support would be able to be provided through macro-financial assistance and through the Ukraine Facility. Under both instruments, disbursements will be linked to preconditions and policy conditions. For macro-financial assistance, those conditions would be set out in a memorandum of understanding (MoU) between the Commission and Ukraine including conditions to strengthen revenue mobilisation, improving the sustainability and quality of public expenditure and enhance the efficiency, transparency and accountability of the public finance management systems. For the Ukraine Facility, the Ukraine Plan should be updated to reflect these additional amounts, including measures to strengthen the rule of law and the fight against corruption.

To support Ukraine's defence industrial capacities through economic, financial and technical cooperation, the proposal provides for assistance that aims at enabling Ukraine to carry out

urgent and major public investments in support of the Ukrainian defence industry and its integration into the European defence industry in response to and following the current crisis situation. In order to urgently reinforce the Ukrainian defence industrial base in an efficient and autonomous manner, eligibility criteria should be structured in a manner that directs the activities, expenditures and measures to support Ukraine's defence industrial capacities towards the reconstruction, recovery and modernisation of the Ukrainian Defence Technological and Industrial Base, taking into account its gradual future integration into the European Defence Technological and Industrial Base. Furthermore, in order to allow Ukraine to use the financial and economic assistance in the way that is the most adapted to the circumstances, it is appropriate to allow it to employ the funds to support Ukraine's defence industrial capacities by different implementation methods that reflect the diversity of the needs.

The financial and economic assistance available under the Reparations Loan will be made accessible to Ukraine in line with its financing needs. To that end, Ukraine will submit a Ukrainian Financing Strategy on Ukraine's financing needs and sources. Upon assessment of the Commission, the Council would approve that assessment and determine the amount of assistance to be made accessible to Ukraine to assist in the implementation of the Ukrainian Financing Strategy.

Where a Member State suffers damage as a result of an enforcement in a third country of investor-State arbitral awards in connection with measures imposed regarding restrictions concerning the Central Bank of Russia, the Union should ensure fair sharing and solidarity with that Member State through the conclusion of guarantee agreements with Member States covering the risk of such damages. Separate proposals ensure that this mechanism of fair sharing and solidarity is construed so as to avoid double payment to the Central Bank of Russia when the transaction prohibition is lifted. If amounts are called under these guarantees, the amount due by the Union to financial institutions will be reduced by an equivalent amount. Financial institutions will then reduce their liabilities towards the Central Bank of Russia for an equivalent amount. Until the necessary provisions are established under the system of own resources and the Multiannual Financial Framework, that mechanism of fair sharing and solidarity should take into consideration those Member States that have participated in solidarity by sharing risk under the Reparations Loan.

Bilateral investment treaties concluded between certain Member States and the Russian Federation are not consistent with the investment protection policy developed by the Union pursuant to Article 207 TFEU since the entry into force of the Treaty of Lisbon. The Member States concerned are to withdraw from or terminate, as appropriate, those bilateral investment treaties and adopt a common attitude to achieve this. The Commission should facilitate the coordination of the Member States, including by submitting legislative proposals.

- **Consistency with existing policy provisions in the policy area**

The support under the Reparations Loan will be consistent with and complementary to the support provided through Regulation (EU) 2024/792⁸, Regulation (EU) 2021/947⁹,

⁸ Regulation (EU) 2024/792 of the European Parliament and of the Council of 29 February 2024 establishing the Ukraine Facility (OJ L, 2024/792, 29.2.2024, ELI: <http://data.europa.eu/eli/reg/2024/792/oj>).

⁹ Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 466/2014/EU of the European Parliament and of the Council and repealing Regulation (EU) 2017/1601 of the European Parliament and of the Council and Council

Regulation (EC) No 1257/96¹⁰, Regulation (EC) No 2024/2773¹¹ and Regulation (EU) 2025/1106¹², and is in line with the respective objectives, intervention logic and rules of these instruments.

In particular, the Reparations Loan comes in addition and is complementary to the support provided by the EU under the G7 ERA Loans initiative and the Ukraine Facility. Specific attention is paid to the consistency and mutual reinforcement of the Reparations Loan and the implementation of defence policies, provided under the SAFE Regulation and the proposed EDIP Regulation.

- **Consistency with other Union Policies**

The support under the Reparations Loan initiative is consistent with the application of restrictive measures (sanctions) against Russia and complementary to the European Peace Facility.

Furthermore, the candidate status granted by the European Council on 23 June 2022 and the decision of the 14-15 December 2023 European Council to open accession negotiations with Ukraine anchors Ukraine firmly on its European path. For this reason, the whole EU response in support of Ukraine's resilience and recovery – including through the Reparations Loan, which will in turn be consistent with and supporting the implementation of the Ukraine Facility – will also contribute to the early phase of Ukraine's pre-accession process.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

Article 212 TFEU is an appropriate legal basis for financial assistance programmes granted by the Union for third countries, which are not developing countries.

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

The subsidiarity principle is respected as the need for a common response in providing support to Ukraine on adequate scale cannot be sufficiently achieved by the Member States alone and, by reasons of its scale and effect, can be better achieved by the EU. The main reasons are the fiscal capacity and budgetary constraints faced at the national level and the need for strong donor coordination in order to maximise the scale and effectiveness of the support, while limiting the burden on the administrative capacity of Ukrainian authorities, which is very stretched in the current circumstances. The EU is in a unique position to deliver external assistance to Ukraine to provide support in covering urgent budgetary needs in a predictable, continuous, orderly and timely manner, including those linked to supporting Ukraine's defence industrial capacities.

Regulation (EC, Euratom) No 480/2009 (Text with EEA relevance) (OJ L 209, 14.6.2021, p. 1, ELI: <http://data.europa.eu/eli/reg/2021/947/2021-06-14>).

¹⁰ Council Regulation (EC) No 1257/96 of 20 June 1996 concerning humanitarian aid (OJ L 163, 2.7.1996, p. 1, ELI: <http://data.europa.eu/eli/reg/1996/1257/2019-07-26>).

¹¹ Regulation (EU) 2024/2773 of the European Parliament and of the Council of 24 October 2024 establishing the Ukraine Loan Cooperation Mechanism and providing exceptional macro-financial assistance to Ukraine (OJ L, 2024/2773, 28.10.2024, ELI: <http://data.europa.eu/eli/reg/2024/2773/oj>).

¹² Council Regulation (EU) 2025/1106 of 27 May 2025 establishing the Security Action for Europe (SAFE) through the Reinforcement of the European Defence Industry Instrument (OJ L, 2025/1106, 28.5.2025, ELI: <http://data.europa.eu/eli/reg/2025/1106/oj>).

- **Proportionality**

The continued unprovoked and unjustified military aggression by Russia requires granting additional financial assistance to Ukraine in line with the objectives and modalities described under this proposal.

The proposed financial support to Ukraine is considered adequate in size, based on the elevated funding needs and best estimates of Ukraine's defence needs submitted by the national authorities, while taking into account the high uncertainty of the war circumstances. Such support does not go beyond what is necessary for the sought purpose to provide structured support to Ukraine and its related financing.

The proposal is proportionate to the scale and gravity of the deficiencies that have been identified, including the need to provide budget support to Ukraine, and the need to carry out urgent and major public investments in support of the Ukrainian Defence Technological and Industrial Base and its integration into the European Defence Technological and Industrial Base. The proposal respects the limits of possible Union intervention under the Treaties.

- **Choice of the instrument**

A Regulation of the European Parliament and of the Council is the appropriate instrument as it provides directly applicable rules for the implementation of the Reparations Loan.

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

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

The proposal follows a series of macro-financial assistance operations provided to Ukraine since 2015. Past ex-post evaluations of previous macro-financial assistance operations to Ukraine have shown that in general they were highly relevant in terms of their objectives, financial envelope and policy conditions. In particular, macro-financial assistance operations proved crucial to support Ukraine in addressing its balance-of-payment problems and implementing key structural reforms to stabilise the economy and enhance the sustainability of its external position. They allowed for fiscal savings and financial benefits and acted as a catalyst for additional financial support and investor confidence. The conditionality attached to the macro-financial assistance operations was found complementary to the related IMF programmes. It created a politically reinforcing effect that contributed to the mobilisation of the Ukrainian authorities around essential reforms, especially in structural policy areas that are less covered by other international donor programmes.

- **Stakeholder consultations**

The proposal follows up on the statement of 26 Member States on 23 October 2025 where the Commission was invited to present, as soon as possible, options for financial support based on an assessment of Ukraine's financing needs and invited the Commission and the Council to take work forward. In the preparation of this proposal, the Commission services have consulted with international financial institutions and other bilateral (including Member States and G7 members) and multilateral donors. The Commission is also in regular contact with the Ukrainian authorities.

Due to the urgency of preparing the proposal for timely adoption by the co-legislators and ensuring its operational status by early 2026, a formal stakeholder consultation could not be conducted. This approach aims to address the emerging and escalating defence and budgetary demands resulting from Russia's war of aggression. These needs encompass efforts related to recovery and reconstruction. The European Union will ensure adequate communication and

visibility regarding the objectives and actions implemented under the scope of the Reparations Loan, both within Ukraine, across the Union, and internationally.

- **Collection and use of expertise**

The proposal builds on decades long experience with macro-financial assistance as well as on experience with the Union's external action support.

The Commission based this proposal on a careful analysis, also building on inputs from international financial institutions and other competent international institutions, of the defence needs and broader macro-financial situation of Ukraine. This includes discussions on a regular basis of the latest projections of Ukraine's funding needs within international fora, such as the G7 and the IMF, as well as continuous direct contact with the Ukrainian authorities.

- **Impact assessment**

Due to the urgent nature of the proposal, which is designed to provide urgent assistance to a country at war, no impact assessment could be carried out. The ex-ante assessment of needs proposed to be covered by the Reparations Loan *inter alia* draw upon recent data from the IMF and Ukrainian authorities. The support under the Reparations Loan should build upon the lessons learned and achievements of recent support initiatives, such as the G7 ERA Loans initiative.

- **Regulatory fitness and simplification**

The proposal is not linked to regulatory fitness and simplification.

- **Fundamental rights**

A precondition for granting support under the Reparations Loan is that Ukraine continues to uphold and respect effective democratic mechanisms and its institutions, including a multi-party parliamentary system, and the rule of law, and to guarantee respect for human rights, including those of persons belonging to minorities. Upholding and respecting the rule of law should include the fight against corruption.

The reform-commitment and political will by the Ukrainian authorities is a positive sign, in particular as evidenced by the European Council granting candidate status to Ukraine in June 2022 and the European Council decision of December 2023 to open accession negotiations with Ukraine, by the renewed successful completion of the structural policy conditionality attached to the recent macro-financial assistance operations to Ukraine and the continuing implementation of the Ukraine Plan. On 14 May 2025, Ukraine adopted roadmaps on (among others) the rule of law, public administration reform and on the functioning of democratic institutions. Bilateral screening meetings were completed in September 2025. Since the Russian aggression, the Ukrainian authorities have shown an impressive degree of resilience and have remained committed to pursue these reforms in a transparent manner and working towards EU standards and in line with the country's path towards EU integration.

In view of this, the precondition for the Reparations Loan is considered to be met at present. Concurrently, the continuous adherence to this precondition will be further ensured by specific conditions relating to the Commission's assessment of future Ukrainian Financing Strategies and before disbursements. A similar precondition for support is applicable to the implementation of the Ukraine Plan.

4. BUDGETARY IMPLICATIONS

The proposal is compatible with the ceilings of the 2021-2027 multiannual financial framework and ceilings of the own resources decision.

The Reparations Loan to Ukraine will take the form of a limited recourse loan to Ukraine of up to EUR 210 billion to be repaid by reparations due by Russia. The loan will be underpinned by a system of guarantees from Member States or guarantee provided under the multiannual financial framework in order to ensure that the contingent liability for the Union arising from the Reparations Loan is compatible with the Union budget constraints.

For the approach to serve the intended purpose, Member States may provide irrevocable, unconditional and on-demand guarantees to the Union, in line with their respective relative share in the total Gross National Income of the Union. Third countries can contribute to the Reparations Loan by providing irrevocable, unconditional and on-demand guarantees over and above the guarantees provided by Member States. Alternatively, third countries may contribute to the Reparations Loan by supporting currency risk management related to any conversion of the cash balances borrowed from financial institutions.

In addition to the provision of Member State guarantees, a safeguard is built into the framework in order to ensure the financial solidity of the scheme through a dedicated liquidity mechanism, available for the repayment of the debt obligation of the Union towards financial institutions.

The guarantees provided to the Union by Member States should cease to be callable once a decision on the system of own resources of the Union pursuant to Article 311(2) TFEU and a multiannual financial framework pursuant to Article 312 TFEU, both providing for a guarantee under the Union budget, have entered into force and are applicable.

Further details on the budgetary implications are provided in the Legislative Financial Statement attached to this proposal. The Reparations Loan will make available support progressively following the entry into force of each guarantee agreement and in instalments which may be disbursed in one or more tranches. The Reparations Loan will be available until 31 December 2030, with the exception of the assistance designated as available exclusively to maintain the ERA Loans initiative, which will be available until 31 December 2055.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

The Reparations Loan will be for a maximum amount of EUR 210 billion, to be made available in accordance with Ukraine's financing needs per the provisions of this proposal.

Specifically, for the purposes of implementing the Reparations Loan Regulation, Ukraine is to submit to the European Commission a Ukrainian Financing Strategy providing details on Ukraine's financing needs and financing sources in principle for the forthcoming 12 months. The Commission is to assess the Ukrainian Financing Strategy and, in case of a positive assessment, submit a proposal to the Council for the approval of its assessment by means of an implementing decision. The Commission's proposal will outline the amount of assistance to be made available to Ukraine to assist in the implementation of the Ukrainian Financing Strategy, including the amount of that assistance accessible for (i) macro-financial assistance, (ii) assistance through the Ukraine Facility and (iii) assistance to support Ukraine's defence industrial capacities.

To receive financial and economic assistance under the Reparations Loan, Ukraine will submit to the Commission a duly justified request for funds, which may be submitted by Ukraine to the Commission, in principle, six times a year.

Furthermore, the Commission will submit to the European Parliament and to the Council a report on the implementation of the Reparations Loan Regulation in the preceding year, which will include an evaluation of that implementation. Additionally, by 31 December 2031, the Commission will submit to the European Parliament and to the Council an evaluation report, assessing the results and efficiency of the Reparations Loan provided under the Reparations Loan Regulation and the extent to which it has contributed to the aims of the assistance.

Finally, in order to enhance the dialogue between the Union institutions, in particular the European Parliament, the Council and the Commission, and to ensure greater transparency and accountability, the competent committee of the European Parliament may invite the Commission to discuss the implementation of this Regulation.

- **Detailed explanation of the specific provisions of the proposal**

Chapter I of the Regulation concerns its general provisions.

Article 1 provides the subject matter of the Regulation, which is the establishment of the Reparations Loan to Ukraine.

Article 2 defines the general and specific objectives of the Reparations Loan, which are to provide financial and economic assistance to Ukraine in a predictable, continuous manner, through supporting Ukraine's macro-financial stability and defence industrial capacities.

Article 3 provides the definitions applicable under the Regulation.

Article 4 sets the available assistance under the Reparations Loan.

Article 5 prescribes the preconditions for assistance under the Reparations Loan.

Chapter II of the Regulation concerns the implementation of the Reparations Loan.

Article 6 stipulates that Ukraine shall submit to the Commission the Ukrainian Financing Strategy, providing details on its contents, with specific reference to Ukraine's needs and financing resources for the next 12 months.

Article 7 provides for the assessment by the Commission of the Ukrainian Financing Strategy, defining the necessary criteria to be observed.

Article 8 provides for a Council implementing decision making the financial and economic assistance accessible.

Article 9 provides for the close cooperation between the Commission, Ukraine, Member States, relevant international bodies and donors to Ukraine to ensure a coherent and consistent approach to address Ukraine's financial and economic assistance needs.

Chapter III of the Regulation concerns the Macro-Financial Assistance.

Article 10 provides for the purpose of macro-financial assistance, notably to contribute to covering Ukraine's financing gap as identified in a positively assessed Ukrainian Financing Strategy.

Article 11 sets out that the Commission shall agree with Ukraine on the policy conditions to which the support is to be linked, which shall be described in a memorandum of understanding.

Chapter IV of the Regulation concerns assistance to support Ukraine's Defence Industrial Capacities.

Article 12 provides for the purpose of the assistance to support Ukraine's defence industrial capacities, notably to carry out urgent and major public investments in support of the Ukrainian defence industry and its integration into the European defence industry.

Article 13 defines the eligibility conditions for the activities, expenditures and measures to support Ukraine's defence industrial capacities.

Article 14 requires Ukraine to produce a schedule for each activity, expenditure or measure related to a defence product or other product for defence purposes for which it intends to request assistance.

Article 15 prescribes the establishment of the Ukraine's Defence Industrial Capacities Expert Group.

Article 16 provides for the opening of a special account for the sole purpose of the management of the financial and economic assistance received by Ukraine to support its defence industrial capacities.

Article 17 sets out the monitoring requirements for the assistance provided to support Ukraine's defence industrial capacities.

Article 18 defines the conditions for the modification of an existing framework agreement or contract for defence products.

Article 19 allows for Member States, for the sole purpose of the Regulation, to request an economic operator on its territory, to prioritise certain order of defence products.

Chapter V of the Regulation concerns the financing and implementation of the Reparations Loan.

Article 20 stipulates that the detailed financial terms of the Reparations Loan shall be laid down in the Reparations Loan Agreement and sets out certain mandatory requirements.

Article 21 sets out that in order for Ukraine to receive financial and economic assistance, it shall submit to the Commission a duly justified request for funds.

Article 22 prescribes the requirements on the Commission for making a decision to release an instalment under the Reparations Loan.

Article 23 empowers the Commission to borrow the necessary cash balances, on behalf of the Union, to finance the Reparations Loan.

Article 24 lays out methods for fair sharing and solidarity regarding the Reparations Loan.

Article 25 sets out that Member States may contribute by providing guarantees of up to the total amount of the Reparations Loan.

Article 26 lays out the provisions of the guarantee agreement to be signed between the Commission and Member States providing a guarantee as defined in Article 25.

Article 27 allows for third countries to provide guarantees or support currency risk management.

Article 28 lays out the rules on classified information and sensitive information.

Chapter VI concerns final provisions.

Article 29 empowers the Commission to adopt delegated acts, subject to conditions.

Article 30 regulates the governance through committee procedures.

Article 31 provides for a Reparations Loan dialogue, which foresees to enhance communication between the Union institutions, in particular the European Parliament, the Council and the Commission.

Article 32 prescribes the provision of information to the European Parliament and to the Council.

Article 33 regulates the entry into force.

2025/3502 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

establishing the Reparations Loan to Ukraine and amending Regulation (EU) 2024/792 of the European Parliament and of the Council of 29 February 2024 establishing the Ukraine Facility

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 212 TFEU thereof,

Having regard to the proposal from the Commission,

After transmission of the draft legislative act to the national parliaments,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) On 24 February 2022, the President of the Russian Federation announced a military operation in Ukraine, and Russia's armed forces began an unprovoked and unjustified military aggression against Ukraine. This illegal war of aggression is a blatant violation of the territorial integrity, sovereignty and independence of Ukraine, as well as a violation of the prohibition on the use of force enshrined in Article 2(4) of the United Nations (UN) Charter, which is a peremptory rule of international law, and of the other principles of the UN Charter.
- (2) Since the beginning of Russia's unprovoked and unjustified war of aggression against Ukraine, the Union, its Member States and European financial institutions have mobilised unprecedented support for Ukraine's economic, social, financial and defence resilience. That support combines support from the Union budget, including exceptional macro-financial assistance and support from the European Investment Bank and the European Bank for Reconstruction and Development, fully or partially guaranteed by the Union budget, as well as further financial support by Member States.
- (3) Decision (EU) 2022/313 of the European Parliament and the Council¹³, Decision (EU) 2022/1201 of the European Parliament and the Council¹⁴, Decision (EU) 2022/1628 of the European Parliament and the Council¹⁵ and Regulation (EU) 2022/2463 of the

¹³ Decision (EU) 2022/313 of the European Parliament and of the Council of 24 February 2022 providing macro-financial assistance to Ukraine (OJ L 55, 28.2.2022, p. 4, ELI: <http://data.europa.eu/eli/dec/2022/313/oj>).

¹⁴ Decision (EU) 2022/1201 of the European Parliament and of the Council of 12 July 2022 providing exceptional macro-financial assistance to Ukraine (OJ L 186, 13.7.2022, p. 1, ELI: <http://data.europa.eu/eli/dec/2022/1201/oj>).

¹⁵ Decision (EU) 2022/1628 of the European Parliament and of the Council of 20 September 2022 providing exceptional macro-financial assistance to Ukraine, reinforcing the common provisioning fund by guarantees by Member States and by specific provisioning for some financial liabilities related to Ukraine guaranteed under Decision No 466/2014/EU, and amending Decision (EU) 2022/1201 (OJ L 245, 22.9.2022, p. 1, ELI: <http://data.europa.eu/eli/dec/2022/1628/oj>).

European Parliament and the Council¹⁶ collectively made available EUR 25.2 billion of macro-financial assistance to Ukraine throughout 2022 and 2023. This support constituted a major contributing factor to Ukraine's macroeconomic and financial resilience at a critical time.

- (4) On 29 February 2024, Regulation (EU) 2024/792 of the European Parliament and of the Council¹⁷ established the Ukraine Facility as an exceptional medium-term instrument that brings together the bilateral support provided by the Union to Ukraine, ensuring coordination and efficiency (the 'Ukraine Facility'). Over the period 2024 to 2027, the Ukraine Facility helps address Ukraine's financing needs and contributes to its recovery, reconstruction and modernisation needs, while at the same time supporting Ukraine's reforms effort as part of its path towards accession to the Union.
- (5) On 24 October 2024, Regulation (EU) 2024/2773 of the European Parliament and the Council¹⁸ established the Ukraine Loan Cooperation Mechanism and provided exceptional macro-financial assistance to Ukraine. That assistance was the Union contribution as part of the G7 'Extraordinary Revenue Acceleration Loans for Ukraine' initiative, which collectively assisted in addressing Ukraine's financing gap for 2025.
- (6) Russia's war of aggression against Ukraine has caused tremendous damage in Ukraine, with estimated recovery and reconstruction costs of EUR 506 billion as of 31 December 2024. Moreover, Ukraine has lost access to international financial markets and experienced a significant drop in public revenue, while public expenditure has increased substantially. Against that background, substantive funding needs for the coming years can be foreseen.
- (7) On 9 September 2025, Ukraine submitted an official request to the International Monetary Fund (IMF) for a new programme to cover additional financing needs from 2026 to 2029. That programme would succeed the successful implementation of the existing IMF programme, where Ukraine completed eight reviews, but takes into consideration that Russia's war of aggression has continued. The IMF's ability to proceed with this programme is contingent upon receiving sufficient financing assurances from other partners, including the European Union.
- (8) On 23 October 2025, 26 Member States committed to address Ukraine's pressing financial needs for 2026-2027, including for its military and defence efforts. Those Member States also underlined the critical need to ensure that Ukraine remains resilient and has the budgetary and military means to continue to exercise its inherent right of self-defence and counter Russia's aggression, and reaffirmed that the European Union will continue to provide, in coordination with like-minded partners and allies, comprehensive political, financial, economic, humanitarian, military and diplomatic support to Ukraine and its people. Those Member States further concluded that all military support as well as security guarantees for Ukraine will be provided in

¹⁶ Regulation (EU) 2022/2463 of the European Parliament and of the Council of 14 December 2022 establishing an instrument for providing support to Ukraine for 2023 (macro-financial assistance +) (OJ L 322, 16.12.2022, p. 1, ELI: <http://data.europa.eu/eli/reg/2022/2463/oj>).

¹⁷ Regulation (EU) 2024/792 of the European Parliament and of the Council of 29 February 2024 establishing the Ukraine Facility (OJ L, 2024/792, 29.2.2024, ELI: <http://data.europa.eu/eli/reg/2024/792/oj>).

¹⁸ Regulation (EU) 2024/2773 of the European Parliament and of the Council of 24 October 2024 establishing the Ukraine Loan Cooperation Mechanism and providing exceptional macro-financial assistance to Ukraine (OJ L, 2024/2773, 28.10.2024, ELI: <http://data.europa.eu/eli/reg/2024/2773/oj>).

full respect of the security and defence policy of certain Member States and taking into account the security and defence interests of all Member States. On the same date, the European Council concluded that Russia's war of aggression against Ukraine and its repercussions for European and global security in a changing environment constitute an existential challenge for the European Union.

- (9) Despite ongoing international efforts to broker a peaceful resolution to the conflict, the prolongation of Russia's war of aggression has resulted in significant damage to Ukraine's critical defence, civilian and energy infrastructure, necessitating the mobilisation of substantial additional resources to address the country's immediate financing needs.
- (10) Russia's war of aggression against Ukraine represents a strategic geopolitical threat to the Union as a whole and requires Member States to stand strong and united. It is therefore essential that Union support be deployed rapidly and be able to adapt flexibly for immediate relief and short-term rehabilitation on the way to future reconstruction.
- (11) In line with the Articles on the Responsibility of States for Internationally Wrongful Acts and customary international law, Russia – as the responsible state – is under an obligation to make full reparation for the injury caused by its war of aggression.
- (12) In its conclusions of 27 June 2024, 17 October 2024 and 19 December 2024, the European Council has stated that, subject to Union law, Russia's assets should remain immobilised until Russia ceases its war of aggression against Ukraine and compensates it for the damage caused by this war.
- (13) Given the financing position of Ukraine, the criticality that Ukraine has the resources to counter Russia's aggression and, where possible, reconstruct, it is appropriate that the Union provide additional support to address Ukraine's urgent financing requirements and facilitate the implementation of the IMF programme.
- (14) The capacity of the Union and of its Member States to provide additional funding to Ukraine is currently limited and does not correspond to the magnitude of the needs. Mobilisation of additional significant resources by the Member States to be able to finance Ukraine would constitute an important economic challenge. In its Communication of 19 March 2025, the Commission invited all Member States to make use of the flexibility provided by the national escape clause in a coordinated manner with a view to maximising the impact on the EU's defence capabilities. So far, Belgium, Bulgaria, Czechia, Denmark, Germany, Estonia, Greece, Croatia, Latvia, Lithuania, Hungary, Poland, Portugal, Slovenia, Slovakia, and Finland have decided to request the activation of the clause. While such an activation constitutes an appropriate means for Member States to increase their defence expenditures without breaching commitments under EU fiscal rules, its effects are also limited by the fiscal constraints of Member States that have been seriously impacted by a succession of crises during the decade.
- (15) Against this background, despite the constraints on the Union and Member States, it is necessary to ensure that Ukraine is provided with sufficient and continuous financial support in response to and following the current crisis situation. To that end, it is appropriate to establish an instrument for providing Union support to Ukraine in the form of a loan to be repaid by reparations due by Russia (the 'Reparations Loan').
- (16) The Reparations Loan should provide financial assistance to Ukraine in a predictable, continuous, orderly, flexible and timely manner with a view of supporting Ukraine in

covering its financing and defence needs, in particular those resulting from Russia's war of aggression. Specifically, the Reparations Loan should support macro-financial stability in Ukraine and ease its external financing and support Ukraine's defence industrial capacities through economic, financial and technical cooperation, thereby contributing to providing Ukraine a Qualitative Military Edge.

- (17) The Reparations Loan should, subject to conditions, provide support to Ukraine in the form of a loan of up to EUR 210 000 000 000. In view of the principle of sound financial management, the Reparations Loan should be made available by the Commission in instalments, which may be disbursed in one or more tranches.
- (18) The support to Ukraine under the Reparations Loan should be made available under the precondition that Ukraine continues to uphold and respect effective democratic mechanisms, including a multi-party parliamentary system and the rule of law, and to guarantee respect for human rights, including those of persons belonging to minorities. Upholding and respecting the rule of law should include the fight against corruption.
- (19) The financial and economic assistance available under the Reparations Loan should be made accessible to Ukraine in line with its financing needs. To that end, Ukraine should submit a Ukrainian Financing Strategy on its financing needs and sources. That Ukrainian Financing Strategy should contain the main information on Ukraine's budget, financial and economic situation, as well as the support that Ukraine is receiving from the international community.
- (20) The Commission should assess the Ukrainian Financing Strategy without undue delay and should act in close cooperation with Ukraine. Given the significant scale of Ukraine's needs for both budget assistance and assistance for defence industrial capacities, as well as the constraints that some external partners have on the provision of their support, it is appropriate to establish an indicative distribution of the Reparations Loan between those two financing needs. That distribution should be indicative in order to reflect changing circumstances that may impact Ukraine's financing needs and to ensure that those needs continue to be addressed in a predictable, continuous, orderly, flexible and timely manner. In its assessment of the Ukrainian Financing Strategy, the Commission should consider the consistency of the expected external financing gap with that indicative distribution.
- (21) In view of the importance of the financial effects of the measures imposed, implementing powers should be conferred on the Council which should act on the basis of a Commission proposal. The Council should approve the assessment of the Ukrainian Financing Strategy by means of an implementing decision, which it should endeavour to adopt without undue delay from the adoption of the proposal. That implementing decision should determine the amount of assistance to be made accessible to Ukraine to assist in the implementation of the Ukrainian Financing Strategy, including the amount for budget assistance and the amount for supporting Ukraine's defence industrial capacities. That implementing decision should also establish the maximum number and indicative value of instalments for the budget assistance. In view of the principle of sound financial management and to facilitate the Ukrainian authorities' liquidity management and ensure predictability, there should, in principle, be a maximum of four instalments of that budget assistance. Exceptionally, in respect to the support available exclusively to maintain the ERA Loans initiative, where all undesignated support under the Reparations Loan has been made available by means of a Council implementing decision, the Union should make available the

remaining designated budget assistance in accordance with the modalities agreed in a memorandum of understanding between the Commission and Ukraine (the ‘MoU’).

- (22) Financial and economic assistance in the form of budget assistance should be made available in view of supporting Ukraine in covering its financing needs. To ensure flexibility in addressing those needs, it is appropriate to use multiple means of delivery, where support should be able to be provided through macro-financial assistance and through a loan to be implemented pursuant to Chapter III of the Ukraine Facility.
- (23) Chapter III of the Ukraine Facility provides for financing to Ukraine upon satisfactory fulfilment of the conditions laid down in the Ukraine Plan, which sets out the reform and investment agenda of Ukraine. As a medium-term instrument that has the objective to support Ukraine’s recovery and reconstruction, gradual integration into the internal market, as well as, *inter alia*, the adoption and implementation of the political, institutional, legal, administrative, social and economic reforms required to align to Union values and to progressively align to Union rules, standards, policies and practices (*‘acquis’*) with a view to future Union membership, thereby contributing to mutual stability, security, peace, prosperity and sustainability, it is appropriate to provide for amounts stemming from the Reparations Loan to be utilised through the Ukraine Facility. The Ukraine Plan should be updated to reflect these additional amounts, including measures to strengthen the rule of law and the fight against corruption. Amendments to the Ukraine Facility to allow for these additional amounts to be implemented through that instrument should be undertaken.
- (24) Macro-financial assistance should be linked to policy conditions to be set out in the MoU. The MoU should include commitments by Ukraine as appropriate, including those to strengthen revenue mobilisation, improve the sustainability and quality of public expenditure and enhance the efficiency, transparency and accountability of the public finance management systems. Such macro-financial assistance may be used by Ukraine to assist in the financing of compensation, as a form of reparations, to those individuals who have suffered damage from the illegal actions of Russia, including through the Claims Commission for Ukraine established under the auspices of the Council of Europe.
- (25) In order to ensure uniform conditions for the implementation of this Regulation, and for reasons of efficiency, the Commission should be empowered to negotiate such conditions for the macro-financial assistance with the Ukrainian authorities under the supervision of the committee of representatives of the Member States in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council¹⁹. Considering the potentially significant impact of assistance, it is appropriate that the examination procedure as specified in Regulation (EU) No 182/2011 be used. Considering the amount of the Reparations Loan to Ukraine, the examination procedure should apply to the adoption of the MoU, and to any reduction or cancellation of the Reparations Loan.
- (26) The Reparations Loan should provide financial and economic assistance to Ukraine as a country at war, the financial stability of which is intrinsically linked to and depends

¹⁹ Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by the Member States of the Commission’s exercise of implementing powers (OJ L 55, 28.2.2011, p. 13, ELI: <http://data.europa.eu/eli/reg/2011/182/oj>).

on its ability to defend itself against the aggression. This justifies that a specific amount of the financial and economic assistance to Ukraine is used to increase Ukraine's capacity to cope with budgetary needs in relation with the capacity of the country to strengthen its defence and military capabilities, thereby contributing to providing Ukraine a Qualitative Military Edge. This financial and economic assistance should aim at enabling Ukraine to carry out urgent and major public investments in support of the Ukrainian defence industry and its integration into the European defence industry in response to and following the current crisis situation. This assistance should contribute, in particular, to the reconstruction, recovery and modernisation of the Ukrainian Defence Technological and Industrial Base, with a view to increasing its defence industrial readiness, taking into account its gradual future integration into the European Defence Technological and Industrial Base and through support for the timely availability of defence products and other products for defence purposes, through cooperation between the Union and Ukraine.

- (27) Financial and economic assistance to support Ukraine's defence industrial capacities should be made available for activities, expenditures and measures related to defence products or other products for defence purposes that meet certain eligibility criteria. In order to urgently reinforce the Ukrainian defence industrial base in an efficient and autonomous manner, those eligibility criteria should be structured in a manner that directs the activities, expenditures and measures to support Ukraine's defence industrial capacities towards the reconstruction, recovery and modernisation of the Ukrainian Defence Technological and Industrial Base, taking into account its gradual future integration into the European Defence Technological and Industrial Base. In that context, when examining whether manufacturers are controlled by third countries or third-country entities, control should be understood as the ability to exercise a decisive influence over a legal entity, directly or indirectly, through one or more intermediate legal entities.
- (28) In order to allow Ukraine to use the financial and economic assistance in the way that is the most adapted to the circumstances, it is appropriate to allow it to employ the funds to support Ukraine's defence industrial capacities by different implementation methods that reflect the diversity of the needs. In particular, it is appropriate that the funds are utilised to support activities, expenditures and measures in countries or in cooperation with countries that are actively supporting Ukraine and the Ukrainian Defence Technological and Industrial Base. The funds may also contribute to the Ukraine Support Instrument under Regulation (EU) [the *EDIP Regulation*], the Ukraine Investment Framework established by the Ukraine Facility for dual-use goods or other Union programmes. Moreover, the funds should allow Ukraine to engage in a massive intervention in the demand of defence products in order to create the suitable conditions to incentivise massive investments in the ramp up of the production capacity and in the development of new products. To this purpose, Ukraine should be allowed to use the funds to launch massive procurements of defence products made from the Ukrainian Defence Technological and Industrial Base and the European Defence Technological and Industrial Base via procurements under the SAFE Instrument set out by Council Regulation (EU) 2025/1106²⁰ or, subject to validations, under other modalities.

²⁰ Council Regulation (EU) 2025/1106 of 27 May 2025 establishing the Security Action for Europe (SAFE) through the Reinforcement of the European Defence Industry Instrument (OJ L, 2025/1106, 28.5.2025, ELI: <http://data.europa.eu/eli/reg/2025/1106/oj>).

- (29) To ensure a smooth implementation of this Regulation in conjunction with the SAFE Instrument, it is appropriate to apply similar eligibility conditions. Taking into account the fact that Ukraine is a country at war whose capacity to defend its territory might depend on the availability of a given product at very short term, Ukraine should be allowed to procure products which do not comply with these eligibility conditions where there is an urgent need for a product and where no alternative product is available by procurement. Directive 2009/81/EC of the European Parliament and of the Council²¹ concerns, amongst other things, the establishment of an appropriate legislative framework, which is a prerequisite for the creation of a European defence equipment market, on the coordination of procurement procedures for the award of contracts to meet the security requirements of Member States and the obligations arising from the TFEU. However, it is not adapted to satisfy the urgent and massive needs of a country at war at the borders of the Union. In these circumstances, it might be appropriate to open an existing framework agreement to contracting authorities of Ukraine even if they were not originally party to it and if that possibility had not been provided for in the original framework agreement.
- (30) The overall architecture of the financial and economic assistance depends on the contribution by different parties to support Ukraine in meeting its financing needs. As a result, it is appropriate that the financial and economic assistance to support Ukraine's defence industrial capacities allows Ukraine to cooperate with third countries that are also supporting Ukraine's defence industrial capacities. Specifically, it should be possible for Ukraine to use the assistance to support its defence industrial capacities to cooperate with such countries that do not contravene the security and defence interests of the Union and its Member States, provided that such countries provide sizeable additional support to Ukraine that can be used for expenditure that contributes to the aims of the support to Ukraine's defence industrial capacities and that such expenditure is open to participation by both European and Ukrainian industry. Under the assistance to support Ukraine's defence industrial capacities, Ukraine should take appropriate steps to ensure that funds are not utilised in countries that are not supporting Ukraine, which would as such not contribute to the aim of the assistance.
- (31) This Regulation is without prejudice to applicable international law prohibiting the use, development or production of certain defence products and technologies.
- (32) The implementation of the assistance to support Ukraine's defence industrial capacities should be carried out in line with the principles of sound financial management ensuring the protection of the financial interests of the Union as set out in Article 223(4) of Regulation (EU, Euratom) 2024/2509 of the European Parliament and the Council²². Detailed requirements in this respect might be entered into an arrangement to be signed between the Commission and Ukraine. Furthermore, for the management of the financial and economic assistance received to support Ukraine's

²¹ Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC (OJ L 216, 20.8.2009, p. 76, ELI: <http://data.europa.eu/eli/dir/2009/81/oj>).

²² Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (OJ L, 2024/2509, 26.9.2024, ELI: <http://data.europa.eu/eli/reg/2024/2509/oj>).

defence industrial capacities, Ukraine should open a single account via which to manage the assistance, where the Commission should be able to monitor that account.

- (33) To support the implementation of assistance to support Ukraine's defence industrial capacities, the Commission should establish the Ukraine's Defence Industrial Capacities Expert Group. That Expert Group should advise the Commission on matters related to the assistance to support Ukraine's defence industrial capacities.
- (34) The Commission should monitor the implementation of assistance to support Ukraine's defence industrial capacities, notably including the delivery of products. To that end, various monitoring arrangements should be established to reflect the different methods of implementation.
- (35) Directive 2009/81/EC concerns, amongst other things, the establishment of an appropriate legislative framework on the coordination of procurement procedures for the award of contracts to meet the security requirements of Member States and the obligations arising from the TFEU. To achieve that aim, that Directive 2009/81/EC caters, in particular, for addressing crisis situations, notably by providing specific provisions applicable in cases of urgency resulting from a crisis, such as shortening periods for the receipt of tenders and the possibility to use the negotiated procedure without prior publication of a contract notice. However, in certain cases of urgency, those rules might be insufficient, especially where the urgency resulting from the crisis can be addressed only by having Ukraine and at least one Member State engaging in a common procurement. In those cases, often the only solution that ensures the security interests of those countries is to open an existing framework agreement or contract of a Member State to contracting authorities of Ukraine that was not originally party to it, even though that possibility had not been provided for in the original framework agreement or contract. As those possibilities are not foreseen in Directive 2009/81/EC at the moment of the entry into force of this Regulation, the latter provides for the possibility to complement or derogate from the provisions of that Directive in the current crisis situation stemming from the war of aggression of Russia, provided that the agreement of the undertaking which concluded the framework agreement is obtained. With respect to additional quantities for Ukraine, Ukrainian contracting authorities should enjoy the same conditions as the original contracting authority that concluded the original framework agreement. In addition, appropriate transparency measures should be taken to ensure that all potentially interested parties are informed.
- (36) Council Regulation (EU) 2025/1106 provides for financial assistance to Member States, enabling them to carry out urgent and major public investments in support of the European defence industry in response to the crisis situation resulting from the stark deterioration in the Union's security context. With that instrument, the Union started to support Member States so that they can place orders rapidly, incentivising the defence industrial sector to invest, in the very short term, in the strengthening of production capacities in order to be able to serve Member States needs by 2030. In addition, this Regulation supports the placement of Ukrainian orders with the European Defence Technological and Industrial Base in order to support the cooperation between the European Defence Technological and Industrial Base and the Ukrainian Defence Technological and Industrial Base. Such an exceptionally high demand for a wide range of defence products carries an imminent risk of a severe negative impact on the proper functioning of the internal market. In order to address this risk and in view of the objectives of this Regulation, taking into account the specific situation of Ukraine, prioritisation measures at Union level that aim to ensure the availability of the defence products concerned could prove to be indispensable in

ensuring the proper functioning of the internal market for defence products and its supply chains. The Commission should be able to use in this respect, upon a request of a Member State, priority-rated requests for facilitating the supply of defence products to meet the objectives of this Regulation.

- (37) Priority-rated requests should consist of requests by the Commission, upon an initiative of a Member State, to relevant economic operators established in the Union to accept or to prioritise orders of crisis-relevant products. Only to be used when necessary and proportionate for the purpose of ensuring that defence supply chains can operate normally, those priority-rated requests should be aimed at supporting Ukraine which faces severe difficulties either in the placing of an order or in the execution of a contract for the supply of defence products. Economic operators should have the possibility to refuse to be subject to a priority-rated request. A priority-rated request should be taken based on objective, factual, measurable and substantiated data. It should have regard for the legitimate interests of the undertakings and the cost and effort required for any change in production sequence. When accepted, the obligation to perform the priority-rated request should take precedence over performance obligations under private or public law. In light of the importance of ensuring the supply of defence products, which are indispensable to the correct functioning of the internal market and its supply chains, compliance with the obligation to perform a priority-rated request should not entail liability to third parties for damages that might result from any breach of contractual obligations governed by the law of a Member State, to the extent that the breach of contractual obligations was necessary for compliance with the mandated prioritisation. Where the economic operator has expressly accepted a priority-rated request and the Commission has adopted an implementing act following such an acceptance, the economic operator should comply with all the conditions of that implementing act. Non-compliance by the economic operator with the conditions laid down in the implementing act should result in a loss of the benefit of a waiver of contractual liability. Where the non-compliance is intentional or attributable to gross negligence, the Commission should be able to impose on the economic operator a fine, subject to the proportionality principle.
- (38) Given that specific amounts should be made available for budget assistance and assistance to support Ukraine's defence industrial capacities, coherence and complementarity should be ensured in their respective implementation.
- (39) This Regulation should apply without prejudice to the specific character of the security and defence policy of certain Member States.
- (40) The Reparations Loan Agreement to be concluded between the Commission and the Ukrainian authorities should contain provisions aligned with the rights, responsibilities and obligations provided for in the framework agreement under the Ukraine Facility referred to in Article 9 of Regulation (EU) 2024/792 signed between the Union and Ukraine that entered into force on 20 June 2024. That will ensure that the Union's financial interests linked to the Reparations Loan are protected efficiently, providing the appropriate measures relating to the prevention of, and fight against, fraud, corruption and any other irregularities linked to the assistance. It will also, in accordance with Regulation (EU, Euratom) 2024/2509, grant the necessary rights and access to the Commission, the European Anti-Fraud Office (OLAF), the European Court of Auditors and, where applicable, the European Public Prosecutor's Office, including from third parties involved in the implementation of Union funds during and after the availability period of the Reparations Loan. Ukraine should also report

irregularities in relation to the use of the funds to the Commission, in line with the procedures provided for in the framework agreement under the Ukraine Facility.

- (41) In accordance with Article 223(4) of Regulation (EU, Euratom) 2024/2509, the Reparations Loan Agreement should ensure that all costs incurred by the Union that relate to the Reparations Loan are borne by Ukraine, including, where applicable, costs of exchanges to and from foreign currencies.
- (42) Given the difficult situation of Ukraine caused by Russia's war of aggression and in order to support Ukraine on its long-term stability path, it is appropriate for the Union to provide the Reparations Loan to Ukraine as a limited recourse loan that is to become due and payable when Ukraine receives from Russia cash or non-monetary assets for war reparations, indemnities or any financial settlement from Russia, other than territory.
- (43) The release of funds under the Reparations Loan should be contingent on the positive assessment by the Commission of a request for funds submitted by Ukraine. For the macro-financial assistance, the assessment of the conditions should be without prejudice to the assessment of the fulfilment of conditions under other Union programmes and instruments. For the assistance to support Ukraine's defence industrial capacities, the release of funds should be linked to contracts or agreements for activities, expenditures and measures to support Ukraine's defence industrial capacities related to defence products or other products for defence purposes.
- (44) This Regulation should lay down appropriate provisions for the financing of the Reparations Loan.
- (45) The devastating impact of Russia's war of aggression against Ukraine has significant spill-over effects for the Union, including through threats to its external borders, cyber- and hybrid-attacks, energy and transport disruptions, forced migration and destabilisation of its eastern neighbourhood, thereby affecting the security, defence and economic interests of the Union and its Member States. The crisis resulting from Russia's war of aggression against Ukraine has not only demonstrated shortfalls in the Union's and Ukraine's defence industrial sector, but also that the security of Ukraine and that of the Union are inseparably linked, and that the Union's own peace, prosperity and resilience depend on Ukraine's ability to defend its sovereignty and territorial integrity. Therefore, the Union needs to provide itself with the means to strengthen its collective defence and resilience and to continue supporting Ukraine. Financial resources on an exceptional scale are required in order to address the consequences of Russia's war of aggression against Ukraine without increasing the pressure on the finances of the Member States. An exceptional response should therefore take place at Union level. For that reason, it is appropriate to empower the Commission on an exceptional basis to borrow the necessary cash balances at financial institutions in the Union that accumulate because transactions regarding the assets and reserves of the Central Bank of Russia are not permitted, which would be exclusively used to fund the Reparations Loan to Ukraine for the sole purpose of addressing the consequences of Russia's war of aggression against Ukraine. That borrowing should be done in a manner that fully protects the financial position of the relevant financial institution and enables them to honour all contractual commitments related to the assets and reserves of the Central Bank of Russia.
- (46) These specific measures are without prejudice to the claim of the Central Bank of Russia. That asset is not impacted by the measures provided under this Regulation. The cash balances accumulating on the balance sheets of financial institutions as a

result of the immobilisation do not belong to the Central Bank of Russia and do not constitute sovereign assets.

- (47) Given that some of the cash balances at financial institutions in the Union that accumulate because transactions regarding the assets and reserves of the Central Bank of Russia are not permitted are in currencies other than euro, it is appropriate to permit the Union to have the possibility to both borrow and lend in those currencies.
- (48) Due to the unique funding method of the Reparations Loan, its funding should be kept separate from the funding of other Union programmes. Specifically, the diversified funding strategy in Article 224 of Regulation (EU, Euratom) 2024/2509 should not be used for the funding of the Reparations Loan.
- (49) As the cash balances of financial institutions that are utilised to finance the Reparations Loan may no longer generate interest for the respective financial institution, it is appropriate that a share of the Reparations Loan is dedicated to maintaining the G7 ERA Loans initiative.
- (50) The significant impact of Russia's war of aggression on the European security architecture also calls for collective contributions by Member States in the form of guarantees supporting the Reparations Loan from the Union budget. Those guarantees are necessary to enable the Union to grant a Reparations Loan to Ukraine and to cover for the risk of Russian Central Bank assets being released in the absence of reparations paid by Russia to Ukraine. To ensure that the contingent liability arising from the Reparations Loan provided by the Union to Ukraine is compatible with the applicable multiannual financial framework referred to in Article 312 TFEU and own resources ceilings referred to in the third paragraph of Article 311 TFEU, the guarantees provided by the Member States should be irrevocable, unconditional, and on demand, while additional safeguards should enhance the robustness of the system.
- (51) The Commission should call for funds on the financial institutions who are holding the cash balances and should issue a debt instrument specifying, in particular, the interests and maturity. It should also be possible to agree on arrangements specifying, in particular, the modalities of the call for funds and repayment of the Union which should take into account due considerations of the Union as an issuer on the market and the liquidity needs of the financial institutions. Such considerations might specify conditions for the use of cash equivalent if provided by the Union. The arrangements might also include cost coverage or compensations for the financial institutions for costs incurred in relation of the provision of the funds.
- (52) It is essential to provide for measures allowing the Union to repay the debt instrument with the financial institutions in a short period of time, should such need arise. As part of those measures, a Union liquidity mechanism to ensure that the necessary resources are available in time to repay the debt contract should be established. That mechanism should be strictly used for the purposes of timely repayment of Union obligations towards financial institutions. The Union liquidity mechanism should be based on the authorisation of the Commission to carry out operations as part of the diversified funding strategy referred to in Article 224 of Regulation (EU, Euratom) 2024/2509, and in particular the liquidity management operations available thereunder. Those operations should comprise wide range of measures allowing the Commission to raise liquidity within the required timeframe and the possibility to issue Union debt securities. Those operations should respect the budgetary limits under the own resources ceilings and multiannual financial framework.

- (53) After the necessary provisions are established under the system of own resources and the multiannual financial framework, the coverage for the reparations loan and the Union liquidity mechanism should be ensured by the Union budget. Until the coverage through the Union budget is ensured, the Union liquidity mechanism should only be used to ensure the call on guarantee is honoured in full and in time. The Member States should identify cash resources which they would bring forward, while for any gap the Union liquidity mechanism should be deemed requested by the Member States. The repayment of the Union liquidity mechanism by the Member States for the principal and the interest rates should be integrated into the guarantees in line with the conditions set out in Article 223 of Regulation (EU, Euratom) 2024/2509, and therefore the guarantee set out in Article 2(3) of Regulation (EU, Euratom) 2020/2053 should apply to the repayment of the Union liquidity mechanism.
- (54) In line with Article 21(2)(a) of Regulation (EU, Euratom) 2024/2509, the Member States may provide voluntary contributions for the implementation of the Reparations loan. Those contributions could, *inter alia*, contribute to the coverage of any interests due when implementing the debt instrument.
- (55) It should be possible for third countries or other sources to contribute to the Reparations Loan by providing irrevocable, unconditional and on-demand guarantees over and above the guarantees provided by Member States. Alternatively, third countries may contribute to the Reparations Loan by supporting currency risk management related to conversion of funds borrowed from financial institutions. Such contributions should constitute external assigned revenue in accordance with Article 21(2), points (a), (d) and (e), of Regulation (EU, Euratom) 2024/2509.
- (56) By way of derogation from Article 31(3) of Regulation (EU) 2021/947²³, the financial liability from loans under this Regulation should not be supported by the External Action Guarantee, established by that Regulation. Support in form of loans under this Regulation should constitute financial assistance within the meaning of Article 223(1) of Regulation (EU, Euratom) 2024/2509. In considering the financial risks and the presence of guarantees, no provisioning should be constituted for the support in the form of loans under this Regulation, to be guaranteed over and above the ceilings, and, by way of derogation from Article 214(1) of Regulation (EU, Euratom) 2024/2509, no provisioning rate should be set.
- (57) Where Member States are confronted with arbitral awards rendered against them in investor-State dispute settlement proceedings in connection with measures imposed under Regulation (EU) No 833/2014 or Regulation (EU) No [the 122 Regulation], they should as a matter of sincere cooperation minimise financial and legal risks linked to the application of this Regulation. They should invoke any objection available to them in domestic or foreign proceedings for the recognition and enforcement of such awards. This includes raising the objection that the recognition or enforcement of the award would be contrary to the public policy of the country where recognition and enforcement is sought, pursuant to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958, as well as other available

²³ Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 466/2014/EU of the European Parliament and of the Council and repealing Regulation (EU) 2017/1601 of the European Parliament and of the Council and Council Regulation (EC, Euratom) No 480/2009 (Text with EEA relevance) (OJ L 209, 14.6.2021, p. 1, ELI: <http://data.europa.eu/eli/reg/2021/947/2021-06-14>).

objections based on national, Union or international law. Furthermore, Member States should ensure that such arbitral awards are not to be recognised and enforced in the Union.

- (58) Where a Member State suffers damage as a result of an enforcement in a third country of investor-State arbitral awards in connection with measures imposed under Regulation (EU) No 833/2014 or Regulation (EU) No [the 122 Regulation], the Union should ensure fair sharing and solidarity with that Member State through the conclusion of guarantee agreements with Member States covering the risk of such damages. This mechanism of fair sharing and solidarity should be construed so as to avoid double payment to the Central Bank of Russia when the transaction prohibition is lifted. If amounts are called under these guarantees, the amount due by the Union to financial institutions should be reduced by an equivalent amount. In line with Regulation (EU) No 833/2014 or Regulation (EU) No [the 122 Regulation], financial institutions should then reduce their liabilities towards the Central Bank of Russia for an equivalent amount. Until the necessary provisions are established under the system of own resources and the multiannual financial framework, that mechanism of fair sharing and solidarity should take into consideration those Member States that have participated in solidarity by sharing risk under the Reparations Loan.
- (59) The bilateral investment treaties concluded between certain Member States and the Russian Federation are not consistent with the investment protection policy developed by the Union pursuant to Article 207 TFEU since the entry into force of the Treaty of Lisbon. The Member States concerned are to withdraw from or terminate, as appropriate, those bilateral investment treaties and adopt a common attitude to achieve this. The Commission should facilitate the coordination of the Member States.
- (60) Union support to Ukraine under this Regulation should be managed by the Commission.
- (61) The assistance to Ukraine under the Reparations Loan should be additional and complementary to the Union support provided under the Ukraine Facility. The Commission should, wherever possible, seek to minimise the administrative and reporting burden on Ukraine.
- (62) The Commission should duly take into account Council Decision 2010/427/EU²⁴ and the role of the European External Action Service, in line with their competences.
- (63) The competent committee of the European Parliament might invite the Commission to discuss in a Reparations Loan dialogue matters that concern the implementation of the Regulation. The Commission should take into account elements arising from the views expressed through the Reparations Loan dialogue, including the resolutions from the European Parliament if provided.
- (64) In order to ensure that the European Parliament and the Council are able to follow the implementation of this Regulation, the Commission should regularly inform them of developments relating to Union assistance to Ukraine under this Regulation and provide them with the relevant documents.
- (65) In order to ensure the continued effectiveness of the arrangements established by this Regulation, the Commission should regularly review their adequacy and report to the

²⁴ Council Decision 2010/427/EU of 26 July 2010 establishing the organisation and functioning of the European External Action Service (OJ L 201, 3.8.2010, p. 30, ELI: <http://data.europa.eu/eli/dec/2010/427/oj>).

European Parliament and to the Council thereon, thereby guaranteeing transparency and accountability.

- (66) In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission. Those powers should be exercised in accordance with Regulation (EU) No 182/2011.
- (67) Since the objectives of this Regulation, namely to provide financial and economic assistance to Ukraine in a predictable, continuous, orderly and timely manner with a view to supporting Ukraine in coverings its financing needs resulting from Russia's war of aggression, cannot be sufficiently achieved by the Member States but can rather, by reasons of their scale and effect, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives.
- (68) In view of the urgency entailed by the exceptional circumstances caused by Russia's unprovoked and unjustified war of aggression, it is considered to be appropriate to invoke the exception to the eight-week period provided for in Article 4 of Protocol No 1 on the role of national Parliaments in the European Union, annexed to the Treaty on European Union, to the Treaty on the Functioning of the European Union and to the Treaty establishing the European Atomic Energy Community.
- (69) In light of the situation in Ukraine, this Regulation should enter into force as a matter of urgency on the day following that of its publication in the *Official Journal of the European Union*,

HAVE ADOPTED THIS REGULATION:

CHAPTER I

GENERAL PROVISIONS

Article 1

Subject matter

1. This Regulation establishes an instrument for providing Union assistance to Ukraine in the form of a loan to be repaid by reparations due by Russia (the 'Reparations Loan').
2. It lays down the objective of the Reparations Loan, its financing, the forms of Union funding under it and the rules for providing such funding.

Article 2

Objectives of the Reparations Loan

1. The general objective of the Reparations Loan shall be to provide financial and economic assistance to Ukraine in a predictable, continuous, orderly, flexible and timely manner with a view to supporting Ukraine in covering its financing needs notably resulting from Russia's war of aggression and Russia's non-payment of reparations due.

2. To achieve this general objective, the specific objectives of the Reparations Loan shall be:
- a. to support macro-financial stability via easing Ukraine's external and internal financing constraints;
 - b. to support Ukraine's defence industrial capacities through economic, financial and technical cooperation.

Article 3

Definitions

For the purposes of this Regulation the following definitions apply:

- (1) 'defence product' means goods, services and works that fall within the scope of Directive 2009/81/EC, as set out in Article 2 thereof;
- (2) 'designated budget assistance' means assistance provided in accordance with Chapter III that is designated as available exclusively to maintain the ERA Loans initiative;
- (3) 'EEA EFTA State' means a Member of the European Free Trade Association which is a member of the European Economic Area;
- (4) 'ERA Loans' means eligible bilateral loans and the Union's Macro-financial Assistance loan pursuant to Regulation (EU) 2024/2773;
- (5) 'financial institution' means a financial sector entity as defined in Article 4 of Regulation (EU) No 575/2013 of the European Parliament and of the Council²⁵, an insurance and reinsurance undertaking as defined in Article 13 of Directive 2009/138/EC of the European Parliament and of the Council²⁶, a central securities depository as defined in Article 2 of Regulation (EU) No 909/2014 of the European Parliament and of the Council²⁷ or a central counterparty as defined in Article 2 of Regulation (EU) No 648/2012 of the European Parliament and of the Council²⁸;
- (6) 'other products for defence purposes' means any good, service and work other than those falling within the scope of Directive 2009/81/EC, as set out in Article 2 thereof, which are necessary for or aimed at defence purposes;

²⁵ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1, ELI: <http://data.europa.eu/eli/reg/2013/575/oj>).

²⁶ Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ L 335, 17.12.2009, p. 1, ELI: <http://data.europa.eu/eli/dir/2009/138/oj>).

²⁷ Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (OJ L 257, 28.8.2014, p. 1, ELI: <http://data.europa.eu/eli/reg/2014/909/oj>).

²⁸ Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (OJ L 201, 27.7.2012, p. 1, ELI: <http://data.europa.eu/eli/reg/2012/648/oj>).

- (7) ‘undesigned budget assistance’ means macro-financial assistance provided in accordance with Chapter III that is not designated as available exclusively to maintain the ERA Loans initiative and assistance in the form of a loan to be implemented pursuant to Chapter III of Regulation (EU) 2024/792.

Article 4

Available assistance under the Reparations Loan

1. The Reparations Loan shall be for a maximum amount of EUR 210 000 000 000. That amount shall be made available to Ukraine in accordance with Ukraine’s financing needs, as provided for in the Ukrainian Financing Strategy approved in accordance with Article 8, subject to:
 - a. the requirement that at no time shall the outstanding amount of the loan made available exceed the amount of cash balances at financial institutions in the Union that accumulate because transactions regarding the assets and reserves of the Central Bank of Russia are not permitted; and
 - b. the entry into force of the guarantee agreements referred to in Article 26. The amount of the loan shall become available progressively, following the entry into force of each respective guarantee agreement, provided that no amount shall be made available until the cumulative ceiling of the guarantees that are effective for each tranche of the guarantee pursuant to Article 25(4) exceeds 50% of the maximum amount of the respective tranche. The amount of the loan made available shall not exceed the cumulative ceiling of the guarantees that are effective pursuant to Article 25(4).
2. The Reparations Loan shall be available until 31 December 2030, with the exception of the designated budget assistance that shall be available until 31 December 2055. It shall be made available by the Commission in instalments, which may be disbursed in one or more tranches. The instalments or tranches may be provided in euro or currencies other than euro for the amounts of the cash balances in those currencies in financial institutions that accrue as transactions regarding the assets and reserves of the Central Bank of Russia for which transactions are not permitted.
3. Subject to points (a) and (b) of paragraph 1, the indicative maximum amount to be disbursed to Ukraine as loan instalments by 31 December 2027 shall be up to EUR 90 000 000 000.

4. If the financing needs of Ukraine decrease fundamentally during the period of availability of the Reparations Loan, including in the event of a settlement by Russia of Ukraine's war damages, the Commission, acting in accordance with the examination procedure referred to in Article 30(2), may reduce the undisbursed amount of the Reparations Loan or cancel it.
5. Point (b) of paragraph 1 shall cease to apply if the following conditions are cumulatively fulfilled:
 - a. a decision laying down the provisions relating to the system of own resources of the Union referred to in the third paragraph of Article 311 of the Treaty on the Functioning of the European Union that provides for resources allowing a guarantee under the Union budget for the financing referred to in Article 23 has entered into force and is applicable; and
 - b. a multiannual financial framework referred to in Article 312 of the Treaty on the Functioning of the European Union that provides for a guarantee under the Union budget of the Reparations Loan and any necessary financing of costs has entered into force and is applicable.

Article 5

Preconditions for assistance under the Reparations Loan

1. A precondition for granting the assistance under the Reparations Loan shall be that Ukraine continue to uphold and respect effective democratic mechanisms, including a multi-party parliamentary system, the rule of law, and to guarantee respect for human rights, including the rights of persons belonging to minorities. Upholding and respecting the rule of law shall include the fight against corruption.
2. The Commission services and the European External Action Service shall monitor the fulfilment of the precondition set out in paragraph 1, in particular before the adoption of the Council implementing decision referred to in Article 8 and the release of funds referred to in Article 22. Furthermore, the monitoring shall take into account the relevant recommendations of international bodies, such as the Council of Europe and its Venice Commission. The Commission shall inform the European Parliament and the Council of its monitoring.

CHAPTER II

IMPLEMENTATION OF THE REPARATIONS LOAN

Article 6

Ukrainian Financing Strategy

1. In order to receive financial and economic assistance under the Reparations Loan, Ukraine shall submit, in principle each year, to the Commission a Ukrainian Financing Strategy that shall provide details on Ukraine's financing needs and financing sources, in principle for the forthcoming 12 months.
2. The Ukrainian Financing Strategy shall contain:
 - a. the main macroeconomic assumptions underpinning the Ukrainian Financing Strategy;
 - b. information on Ukraine's budget, per quarter, including:
 - i. the targeted budget balance for the general government as a percentage of Gross Domestic Product (GDP), broken down by subsector of general government;
 - ii. the projections for expenditure and revenue as a percentage of GDP for the general government and its main subsectors, and their main components according to the economic classification;
 - iii. relevant information on the general government expenditure by function, notably on defence;
 - iv. a description and quantification of the expenditure and revenue measures to be included in the budget;
 - v. an annex containing the methodology and assumptions, and any other relevant parameters underpinning the budgetary forecasts.
 - c. information on Ukraine's past and projected financial developments in the general government, per quarter, including:
 - i. information on the liquidity situation (cash balance) for the general government and its main subsectors;
 - ii. debt amortisations;

- iii. a debt issuance strategy;
 - iv. other debt creating and reducing flows.
 - d. information on the implementation of previously granted assistance under the Reparations Loan, including any financial recoveries thereof;
 - e. information on projected in-kind military assistance;
 - f. on the basis of Ukraine's budget and the projected in-kind military assistance, the expected external financing needs for the period covered by that Ukrainian Financing Strategy, including a breakdown of the amounts in that budget necessary for the purposes of Article 2(2)(a) and (b) of this Regulation. That breakdown shall contain the value of defence products to be purchased outside the Union and Ukraine;
 - g. committed and expected external financing at the time of submission of the Ukrainian Financing Strategy for the period covered by that Ukrainian Financing Strategy, including a breakdown of the amounts of that external financing to be used in line with the purposes of Article 2(2)(a) and (b) of this Regulation;
 - h. on the basis of the information in points (f) and (g) of this paragraph, the expected external financing gap for which Ukraine seeks assistance under the Reparations Loan under that Ukrainian Financing Strategy, including a breakdown of the amounts of that expected external financing gap for the purposes of Article 2(2)(a) and (b) of this Regulation;
 - i. in order to support multiannual expenditure under Chapter IV of this Regulation, information on potential multiannual needs and a corresponding budget.
3. Ukraine may submit updated Ukrainian Financing Strategies until such time as all undesignated budget assistance and assistance provided in accordance with Chapter IV has been made accessible under the Reparations Loan in accordance with Article 8.
 4. In derogation from paragraph 1, Ukraine may also receive financial assistance from the Reparations Loan as provided for in Article 10(3).

Article 7

Commission's assessment of the Ukrainian Financing Strategy

1. The Commission shall assess the Ukrainian Financing Strategy submitted in accordance with Article 6 without undue delay.
2. When carrying out the assessment referred to in paragraph 1, the Commission shall act in close cooperation with Ukraine. The Commission may make observations or seek additional information, including verifying information with Member States, third countries and international organisations. Ukraine shall provide any requested additional information and may revise the Ukrainian Financing Strategy if needed, including after its submission.
3. The Commission shall assess the Ukrainian Financing Strategy and shall, in particular assess:
 - a. the completeness, feasibility and coherence of the Ukrainian Financing Strategy with the underlying assumptions;
 - b. the consistency of the information in the Ukrainian Financing Strategy with external sources, including any recent reviews of the International Monetary Fund and information from the Ukraine Donor Platform and the Ukraine Defence Contact Group;
 - c. the consistency of the expected external financing gap with the following indicative distribution of the Reparations Loan:
 - i. EUR 95 000 000 000 for macro-financial assistance in accordance with Chapter III, out of which EUR 45 000 000 000 of designated budget assistance for the repayment of ERA Loans, or for assistance in the form of a loan to be implemented under the Ukraine Facility pursuant to Chapter III of Regulation (EU) 2024/792;
 - ii. EUR 115 000 000 000 to support Ukraine's defence industrial capacities in accordance with Chapter IV.
 - d. compliance with the precondition set out in Article 5(1).

When carrying out the assessment, the Commission shall take into account any potential impact on the Union's regular capital market presence that the financing referred to in Article 23 to finance the envisaged amount to be supported by the Reparations Loan would have.

4. Where the Commission gives a positive assessment of the Ukrainian Financing Strategy, it shall, without delay, submit a proposal for a Council implementing decision in accordance with Article 8.
5. Where the Commission gives a negative assessment of the Ukrainian Financing Strategy, it shall, without delay, inform Ukraine, giving reasons for its assessment. A negative assessment shall not prevent Ukraine from submitting a revised Ukrainian Financing Strategy.
6. Where the Commission assesses an update to the Ukrainian Financing Strategy, the provisions of this Article shall apply.

Article 8

Council implementing decision

1. Where the Commission makes a positive assessment of the Ukrainian Financing Strategy or its update, the Commission shall submit a proposal to the Council for an implementing decision making the financial and economic assistance accessible.
2. The Council implementing decision referred to in paragraph 1 shall:
 - a. determine the amount of assistance to be made accessible to Ukraine to assist in the implementation of the Ukrainian Financing Strategy, including the amount of that assistance accessible:
 - i. for macro-financial assistance in accordance with Chapter III, including the amount to be accessible exclusively to maintain the ERA Loans initiative;
 - ii. for assistance in the form of a loan to be implemented pursuant to Chapter III of Regulation (EU) 2024/792;
 - iii. to support Ukraine's defence industrial capacities in accordance with Chapter IV.
 - b. establishing the maximum number and indicative value of instalments for the assistance accessible for macro-financial assistance in accordance with Chapter III.
3. The determination of the amounts of the Reparations Loan to be made accessible shall:
 - a. respect the maximum amount available for the Reparations Loan provided in Article 4(1), whilst ensuring sufficient resources are available to respect Article 10(2);

- b. take into account the need to ensure a fair burden sharing with other donors in the coverage of Ukraine's financing needs.
- 4. The Council shall adopt the implementing decision referred to in paragraph 1 without undue delay.

Article 9

Complementarity and coordination

1. In the implementation of the Reparations Loan, the Commission shall act in close cooperation with Ukraine, Member States, relevant international bodies and donors to Ukraine, notably through the Ukraine Donor Platform and the Ukraine Defence Contact Group, to ensure a coherent and consistent approach from those supporting Ukraine to address Ukraine's financial and economic assistance needs. In doing so, the Commission shall draw on the expertise of the European External Action Service.
2. Article 5, Article 7, Article 13, Article 14, Article 15 and Article 22(1)(c) shall apply in accordance with Decision 2010/427/EU.

CHAPTER III

MACRO-FINANCIAL ASSISTANCE

Article 10

Purpose

1. The macro-financial assistance shall contribute to covering Ukraine's financing gap, as identified in a positively assessed Ukrainian Financing Strategy.
2. Until such time as the ERA Loans are repaid in full, EUR 45 000 000 000 of macro-financial assistance shall be designated as available exclusively to maintain the ERA Loans initiative.
3. Once all undesignated budget assistance and assistance provided in accordance with Chapter IV has been made accessible under approved Ukrainian Financing Strategies in accordance with Article 8, the Union shall make available to Ukraine the remaining designated budget assistance in accordance with the modalities agreed in the memorandum of understanding referred to in Article 11(3).

4. The release of the macro-financial assistance shall be managed by the Commission on the basis of its assessment of the precondition referred to in Article 5 and of the satisfactory fulfilment of the policy conditions included in the memorandum of understanding referred to in Article 11.

Article 11

Memorandum of Understanding

1. In respect of the approved amounts of macro-financial assistance as referred to in Article 8(2)(a)(i), the Commission shall agree with Ukraine on policy conditions to which the macro-financial assistance is to be linked. Those policy conditions shall be set out in a memorandum of understanding (MoU).
2. The policy conditions shall include commitments, including those that aim, in particular, at strengthening revenue mobilisation, improve the sustainability and quality of public expenditure and enhance the efficiency, transparency and accountability of the public finance management systems.
3. The Commission shall agree with Ukraine in that MoU the modalities of how the macro-financial assistance shall be used to maintain the ERA Loans initiative.
4. The Commission shall approve the signature of the MoU and of its amendments by means of implementing acts. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 30(2).

CHAPTER IV

ASSISTANCE TO SUPPORT UKRAINE'S DEFENCE INDUSTRIAL CAPACITIES

Article 12

Purpose

The assistance to support Ukraine's defence industrial capacities shall aim at enabling Ukraine to carry out urgent and major public investments in support of the Ukrainian defence industry and its integration into the European defence industry in response to and following the current crisis situation. This assistance shall contribute, in particular, to the reconstruction, recovery and modernisation of the Ukrainian Defence Technological and Industrial Base, with a view to increasing its defence industrial readiness, taking into account its gradual future integration into the European Defence Technological and Industrial Base and through support

for the timely availability of defence products and other products for defence purposes, through cooperation between the Union and Ukraine.

Article 13

Eligibility

1. Activities, expenditures and measures to support Ukraine's defence industrial capacities shall be eligible for assistance provided that they comply with the eligibility conditions set out in this Article.
2. The activities, expenditures and measures to support Ukraine's defence industrial capacities shall be related to defence products or other products for defence purposes and shall aim to:
 - a. speed up the adjustment of the Ukrainian defence industry to structural changes, including through the creation and ramp-up of its manufacturing capacities as well as related supporting activities;
 - b. improve the timely availability of defence products or other products for defence purposes for Ukraine, including through the reduction of their delivery lead time, reservation of manufacturing slots or stockpiling of defence products or other products for defence purposes, intermediate products or raw materials; or
 - c. enhance cross-border cooperation between the European Defence Technological and Industrial Base and the Ukrainian Defence Technological and Industrial Base, taking into account the defence industrial reinforcement and defence procurement needs of Ukraine, allowing for interchangeability of defence products or other products for defence purposes manufactured by the Ukrainian defence industry and the European defence industry.
3. Defence products shall be produced in compliance with the following conditions:
 - a. Manufacturers and subcontractors involved in the production shall be established and have their executive management structures in the Union, in an EEA EFTA State or in Ukraine. They shall not be subject to control by a third country which is not an EEA EFTA State or Ukraine or by another third-country entity which is not established in the Union, an EEA EFTA State or in Ukraine;
 - b. By way of derogation from point (a), in order to take into account industrial cooperation with non-EU partners, defence products that involve a subcontractor involved in the production which is allocated between 15 % and 35 % of the value

of the contract, and that is not established or does not have its executive management structures in the Union, EEA EFTA State or Ukraine, shall be eligible providing that at least one of the following conditions are met:

- i. a direct contractual relationship related to the defence product has been established between the contractor and that subcontractor prior to 28 May 2025;
 - ii. the manufacturer commits to studying, within two years, the feasibility of replacing the input provided by that subcontractor with an alternative, restriction-free input originating in the Union, EEA EFTA States or Ukraine, and meeting technical and time requirements.
- c. By way of derogation from point (a), defence products involving manufacturers or subcontractors established in the Union and controlled by another third country or by another third-country entity which is not an EEA EFTA State or Ukraine shall be eligible if this manufacturer or subcontractor has been subject to screening within the meaning of Regulation (EU) 2019/452 and, where necessary, to appropriate mitigation measures, or if this manufacturer provides guarantees in accordance with point (d) verified by the Member State in which it is established;
- d. The guarantees referred to in point (c) of this paragraph shall provide assurances that the involvement of the manufacturer or subcontractor in the production of the defence product does not contravene the security and defence interests of the Union and its Member States as established in the framework of the common foreign and security policy pursuant to Title V of the Treaty on European Union. Those guarantees shall in particular substantiate that, for the purposes of activities, expenditures and measures, measures are in place to ensure that:
- i. control over the manufacturer or subcontractor is not exercised in a manner that restrains or restricts its ability to carry out the activities, expenditures and measures supported; and
 - ii. access by a non-associated third country or by a non-associated third-country entity to classified or sensitive information relating to the defence product produced is prevented and the employees or other persons involved in the production of the defence product have national security clearance issued by a

Member State, where appropriate, in accordance with national laws and regulations.

- e. The infrastructure, facilities, assets and resources of the manufacturers and subcontractors involved in the production shall be located in the territory of a Member State, an EEA EFTA State or Ukraine. Where manufacturers or subcontractors involved in the production have no readily available alternatives or relevant infrastructure, facilities, assets and resources in the territory of a Member State, an EEA EFTA State or Ukraine, they may use their infrastructure, facilities, assets and resources which are located or held outside those territories, provided that such use does not contravene the security and defence interests of the Union and its Member States;
- f. Manufacturers and subcontractors involved in the production may be considered to fulfil the eligibility conditions referred to in this paragraph where they have fulfilled equivalent conditions under Regulations (EU) 2018/1092²⁹, (EU) 2021/697³⁰, (EU) 2023/1525³¹, or (EU) 2023/2418³² of the European Parliament and of the Council or under Regulation (EU) 2025/1106 and provided that no subsequent changes call into question the fulfilment of those conditions;
- g. The cost of components originating outside the Union, EEA EFTA States and Ukraine shall not be higher than 35 % of the estimated cost of the components of the defence product. No component shall be sourced from a third country that contravenes the security and defence interests of the Union and its Member States;
- h. For the purposes of this paragraph, ‘subcontractors involved in the production’ means any legal entity which provides critical inputs that possess unique attributes essential for the functioning of a product, which is allocated at least 15 % of the

²⁹ Regulation (EU) 2018/1092 of the European Parliament and of the Council of 18 July 2018 establishing the European Defence Industrial Development Programme aiming at supporting the competitiveness and innovation capacity of the Union’s defence industry (OJ L 200, 7.8.2018, p. 30, ELI: <http://data.europa.eu/eli/reg/2018/1092/oj>).

³⁰ Regulation (EU) 2021/697 of the European Parliament and of the Council of 29 April 2021 establishing the European Defence Fund and repealing Regulation (EU) 2018/1092 (OJ L 170, 12.5.2021, p. 149, ELI: <http://data.europa.eu/eli/reg/2021/697/oj>).

³¹ Regulation (EU) 2023/1525 of the European Parliament and of the Council of 20 July 2023 on supporting ammunition production (ASAP) (OJ L 185, 24.7.2023, p. 7, ELI: <http://data.europa.eu/eli/reg/2023/1525/oj>).

³² Regulation (EU) 2023/2418 of the European Parliament and of the Council of 18 October 2023 on establishing an instrument for the reinforcement of the European defence industry through common procurement (EDIRPA) (OJ L, 2023/2418, 26.10.2023, ELI: <http://data.europa.eu/eli/reg/2023/2418/oj>).

value of the contract, and which needs access to classified information for the performance of the contract.

4. By way of derogation from paragraph 3, a defence product which does not comply with at least one of the conditions set out in that paragraph shall be eligible where the availability or the delivery lead time of a defence product which complies with paragraph 3 is incompatible with the requirements of Ukraine, even if this product were subject to a priority rated request as referred to in Article 19, provided that the manufacturer of the defence product is established in the Union, in an EEA EFTA State or Ukraine. Where, in such a situation, the manufacturer involved in the production has no readily available alternatives or relevant infrastructure, facilities, and assets in the territory of a Member State, an EEA EFTA State or Ukraine, they may use their infrastructure, facilities, assets and resources which are located or held outside those territories, provided that such use does not contravene the security and defence interests of the Union and its Member States. This derogation is not applicable in the case where the manufacturer does not have infrastructure, facilities or assets of the defence industrial and technological basis located on the territory of a Member State, an EEA EFTA State or Ukraine.
5. Manufacturers of other products for defence purposes shall be established in the Union, an EEA EFTA country or in Ukraine.
6. By way of derogation from paragraphs 3 and 5, contributions in accordance with point (e) of paragraph 8 of this Article shall be utilised in line with the eligibility conditions of the respective Union programme.
7. By way of derogation from paragraphs 3 and 4, subject to the agreement of the Commission, where there is an urgent need for a given defence product stemming from Russia's war of aggression against Ukraine and provided that such procurement does not contravene the security and defence interests of the Union and its Member States, the procurement of a defence product which does not comply with the conditions set out in these paragraphs may be eligible for financial assistance under this chapter provided that:
 - a. there is no equivalent product that responds to that urgent need which complies with the conditions set out in paragraph 3 and 4 or it is not available at the required scale;
or

- b. the delivery lead time for such a product is significantly shorter than for a product which would comply with the conditions set out in paragraph 3 and 4, even if this product were subject to a priority rated request as referred to in Article 19.

In such a case, Ukraine shall provide all evidence to be checked by the Commission that the conditions for the application of this derogation are met, including, in the context of point (b), a legal commitment by the manufacturer that it will comply with the delivery lead time.

- 8. Activities, expenditures and measures related to defence products or other products for defence purposes shall be implemented within one of the following methods of implementation:
 - a. procurements by Ukraine, subject to the procurement and delivery being validated by the Commission or involved Member States. Ukraine shall be responsible for such procurements in accordance with Ukrainian law, where validations by the Commission or Member States shall include on a sample basis checks on contractual documentation, invoices and delivery certificates, physical inspections to suppliers and physical verification of deliveries;
 - b. procurements by Ukraine that are a common procurement in accordance with Regulation (EU) 2025/1106;
 - c. agreements between Ukraine and Member States or the European Defence Agency;
 - d. procurement agreements between Ukraine and international or intergovernmental organisations;
 - e. contributions by Ukraine to the Ukraine Support Instrument established by [EDIP Regulation], the Ukraine Investment Framework established by Regulation (EU) 2024/792 for dual-use goods or other Union programmes.

Activities, expenditures and measures related to other products for defence purposes may also be implemented by procurements by Ukraine for procurements below EUR 7 000 000, provided that sound financial management and the protection of the financial interest of the Union are ensured.

- 9. Contracts relating to procurements, agreements or contributions referred to in paragraph 8 shall be eligible if signed after [*date of Commission proposal*] provided that they comply with the requirements set out in this Article.

10. The Commission shall be empowered to adopt a delegated act in accordance with Article 29 to supplement this Regulation by extending eligibility criteria to include third countries other than EEA EFTA States and Ukraine that do not contravene the security and defence interests of the Union and its Member States, provided that such countries provide sizeable additional support to Ukraine that can be used for expenditure that contributes to the aims set out in paragraph 2 and is open to participation by both European and Ukrainian industry. In determining whether a country has provided sizeable additional support to Ukraine, the Commission shall take into consideration the additional support as a percentage of Ukraine's financing needs in comparison to the country's GDP against the Union's GDP.

Article 14

Product schedules

1. In respect of the approved amounts of assistance to support Ukraine's defence industrial capacities as referred to in Article 8(2)(a)(iii), Ukraine shall draw up a schedule for each activity, expenditure or measure related to a defence product or other product for defence purposes for which it intends to request assistance. That schedule shall set out:
 - a. a description of the defence product or other product for defence purposes;
 - b. information on compliance with Article 13.
2. Ukraine shall consult the schedule with the Commission with a view of ensuring compliance with Article 13. Should Ukraine not identify a method of implementation in accordance with Article 13(8) or should the Commission consider that an alternative method of implementation is more economical, efficient or effective, the Commission may propose a method of implementation to Ukraine. When proposing to Ukraine the most appropriate method of implementation, the Commission shall take into consideration the timeliness of delivery of the relevant product, activity, expenditure or measure, the prices available, the past experience with that method of implementation and, where warranted, past experience with manufacturers under that method of implementation.
3. By derogation from paragraph 1, Ukraine shall not be required to draw up a schedule for implementation in accordance with Article 13(8)(e).

Article 15

Ukraine's Defence Industrial Capacities Expert Group

1. To support the implementation of assistance to support Ukraine's defence industrial capacities, the Commission shall establish the Ukraine's Defence Industrial Capacities Expert Group.
2. In addition to representatives of the Commission services and the European External Action Service, the Ukraine's Defence Industrial Capacities Expert Group shall include representatives of Member States and EEA EFTA States. Third countries referred to in Article 13(9) shall be permitted to nominate representatives. Ukraine shall be invited to the meetings of the Ukraine's Defence Industrial Capacities Expert Group as appropriate.
3. The Ukraine's Defence Industrial Capacities Expert Group shall provide advice, expertise and support on the defence products and other products for defence purposes, as well as on the method of implementation.

Article 16

Administration of the assistance to support Ukraine's defence industrial capacities

Ukraine shall open a special account for the sole purpose of the management of the financial and economic assistance received to support Ukraine's defence industrial capacities. In relation to this account:

- a. all payments of the contracts or agreements that are requested for assistance to support Ukraine's defence industrial capacities shall be paid from this account;
- b. the Commission shall be granted monitoring rights of this account;
- c. Ukraine shall provide the Commission with a monthly report, to be submitted within 10 working days of the end of each month, containing the following information:
 - i. the date and amount of each payment made from the account during the preceding month;
 - ii. the name of the recipient of each payment;
 - iii. a description of the purpose of each payment and how it relates to the contracts or agreements submitted in requests for funds;
 - iv. any other information as may be reasonably requested by the Commission.

Article 17

Monitoring of implementation

1. The Commission shall monitor the implementation of assistance to support Ukraine's defence industrial capacities, notably including the delivery of products, in accordance with this Article.
2. For procurements by Ukraine in accordance with Article 13(8)(a) that are validated by the Commission, the Commission shall utilise the validation process therein.
3. For procurements by Ukraine in accordance with Article 13(8)(a) that are validated by Member States, the Member State shall monitor the implementation of the procurement and the delivery in accordance with that provision and report to the Commission.
4. For procurements by Ukraine in accordance with Article 13(8)(b), the Member States that are part of such a common procurement shall monitor the implementation of the procurement and the delivery and report to the Commission.
5. For agreements between Ukraine and Member States in accordance with Article 13(8)(c), the Member State shall monitor the implementation of the agreement and the delivery and report to the Commission.
6. For agreements between Ukraine and the European Defence Agency in accordance with Article 13(8)(c), the European Defence Agency shall monitor the implementation of the agreement and the delivery and report to the Commission.
7. For procurement agreements between Ukraine and international or intergovernmental organisations in accordance with Article 13(8)(d), Ukraine shall include in such procurement agreements obligations on the respective international or intergovernmental organisations to monitor the implementation of the procurement and the delivery and to report to the Commission.
8. Should the Commission be notified by Ukraine of the non-implementation of a contract in accordance with Article 20(2)(g) or become aware of the non-delivery of products under this Article or the non-use of funds in the account referred to in Article 16, the Commission shall engage with Ukraine to repurpose those funds in accordance with the provisions of this Regulation.

Article 18

Modification of framework agreements or contracts

1. Where activities, expenditures and measures related to defence products are implemented through the methods referred to in paragraph 8(b) or (c) of Article 13 within the Union, the rules provided for in paragraphs 2 to 4 shall apply to an existing framework agreement or contract that has as its object the purchase of defence products, which is used in that implementation method, and which does not provide for the possibility to substantially amend it. When applying paragraphs 2 and 3, the contracting authority that concluded the framework agreement or contract shall obtain the prior agreement of the undertaking with which it has concluded that framework agreement or contract.
2. A contracting authority of a Member State may modify an existing framework agreement or contract for defence products, where that framework agreement or contract has been concluded with an undertaking complying with criteria equivalent to those laid down in Article 13(3) and (4) of this Regulation, in order to add Ukraine as a party to that framework agreement or contract.
3. By way of derogation from Article 29(2), third subparagraph, of Directive 2009/81/EC, a contracting authority of a Member State may make substantial amendments to the quantities set out in a framework agreement or contract, with an estimated value above the thresholds laid down in Article 8 of Directive 2009/81/EC, where that framework agreement or contract has been concluded with an undertaking that complies with criteria equivalent to those laid down in Article 13(3) and (4) of this Regulation, and insofar as the modification is strictly necessary for the application of paragraph 2 of this Article.
4. For the purpose of calculating the value referred to in paragraph 3, the updated value shall be the reference point when the contract includes an indexation clause.
5. A contracting authority which has modified a framework agreement or contract in the cases referred to in paragraph 2 or 3 of this Article shall publish a notice to that effect in the Official Journal of the European Union in accordance with Article 32 of Directive 2009/81/EC.
6. In the cases referred to in paragraphs 2 and 3, the principle of equal rights and obligations shall apply between the contracting authorities which are party to the framework agreement or contract, in particular regarding the cost of additional quantities procured.

Article 19

Voluntary prioritisation of defence products

1. For the sole purpose of this Regulation and where Ukraine is confronted with severe difficulties in the placing or in the execution of a contract for the supply of defence products that are urgently needed and meet the eligibility requirements set out in Article 13(3) or (4), an economic operator together with the Member State on the territory of which its production site is located may jointly submit a request to the Commission to issue a prioritisation measure to prioritise a certain order of such products manufactured by that economic operator.
2. The joint request referred to in paragraph 1 shall include the following elements:
 - (a) The initial request from Ukraine;
 - (b) The list of products to be subject to the prioritisation measure, their specifications and the quantities in which they are to be supplied;
 - (c) The time limits within which the delivery of these products is to be completed;
 - (d) Evidence that the economic operator cannot meet the request from Ukraine referred to in point (a) without a prioritisation measure;
 - (e) An indication of a fair and reasonable price at which the prioritisation measure could be placed as well as elements substantiating that price.
3. Upon reception of a request as referred to in paragraph 1, the Commission shall assess that request without undue delay.
4. The Commission shall base its assessment referred to in paragraph 3 on objective, factual, measurable and substantiated data, with the aim of determining whether such prioritisation is indispensable in order to address the severe difficulties referred to in paragraph 1.
5. Where the assessment referred to in paragraph 3 concludes that the prioritisation is indispensable, the Commission, by means of an implementing act, shall adopt a prioritisation measure setting out:
 - a. the legal basis of the priority-rated request to be complied with by the economic operator;
 - b. the list of products subject to the priority-rated request, their specifications and the quantities in which they are to be supplied;
 - c. the time limits within which the priority-rated request is to be completed;
 - d. the beneficiaries of the priority-rated request;

- e. the scope of contractual obligations over which the priority-rated request shall have precedence;
- f. the waiver of contractual liability under the conditions laid down in paragraph 7 of this Article; and
- g. the penalties provided for in paragraphs 12 to 18 of this Article for non-compliance with the obligations stemming from that implementing act.

The implementing act referred to in the first subparagraph of this paragraph shall be adopted in accordance with the examination procedure referred to in Article 30(2).

6. The prioritisation measure referred to in paragraph 5 shall:
 - a. be placed at a fair and reasonable price, adequately taking into account the economic operator's opportunity costs when fulfilling the prioritisation measure as compared to existing contractual obligations; and
 - b. take precedence over any contractual obligations under private or public law related to the defence products subject to the prioritisation measure, under the conditions laid down in the implementing act referred to in paragraph 5.
7. The economic operator subject to a prioritisation measure pursuant to paragraph 5 shall not be liable for any breach of contractual obligation that is governed by the law of a Member State, provided that:
 - a. the breach of contractual obligation is strictly necessary for compliance with the required prioritisation;
 - b. the implementing act referred to in paragraph 5 has been complied with; and
 - c. the request referred to in paragraph 1 did not have the sole purpose of unduly avoiding a prior performance obligation under private or public law.
8. The economic operator subject to a prioritisation measure may request the Commission to modify the implementing act referred to in paragraph 5 where it considers it to be duly justified based on one of the following grounds:
 - a. the economic operator is unable to perform the prioritisation measure on account of insufficient production capability or production capacity, even under preferential treatment of the request;

- b. completion of the prioritisation measure would place an unreasonable economic burden on, and entail particular hardship for, the economic operator.
- 9. The economic operator shall provide all relevant and substantiated information to allow the Commission to assess the merits of the request for modification referred to in paragraph 8.
- 10. Based on the examination of the reasons and evidence provided by the economic operator, the Commission may, after consultation and prior agreement of the Member State on the territory of which the relevant production site of the economic operator concerned is located, amend its implementing act to release, partially or in totality, the economic operator concerned from its obligations under this Article.
- 11. Where an economic operator, after having expressly accepted to prioritise the orders requested by the Commission, intentionally or through gross negligence does not comply with the obligation to prioritise those orders, it shall be subject to fines set out in paragraphs 12 to 18 of this Article, except where:
 - a. the economic operator is unable to perform the priority-rated request on account of insufficient production capability or production capacity, or on technical grounds; or
 - b. performance or completion of the request would place an unreasonable economic burden on, and entail particular hardship for, the economic operator, including substantial risks relating to business continuity.

The revenue from the fines shall constitute external assigned revenue within the meaning of Article 21(5) of the Regulation (EU, Euratom) 2024/2509 to an external assistance programme under which Ukraine is eligible.

- 12. Where it deems it to be necessary and proportionate, the Commission may, by way of implementing acts, impose on the economic operators fines not exceeding EUR 300 000 where the economic operator, intentionally or through gross negligence, does not comply with the obligation to perform the priority-rated request pursuant to this Article.

The implementing acts referred to in the first subparagraph of this paragraph shall be adopted in accordance with the examination procedure referred to in Article 30(2).

- 13. Before taking a decision pursuant to paragraph 12, the Commission shall provide an opportunity for the economic operator concerned to be heard in accordance with

paragraph 15. The Commission shall take into account any duly reasoned justification presented by the economic operator for the purpose of determining whether fines are deemed necessary and proportionate.

14. In fixing the amount of the fine, the Commission shall take into consideration the nature, gravity and duration of the infringement, including whether the economic operator has partially complied with the priority-rated order or the priority-rated request.
15. Before adopting a decision pursuant to paragraph 12, the Commission shall ensure that the economic operators concerned have been given the opportunity to submit observations on:
 - a. the preliminary findings of the Commission, including any matter in relation to which the Commission has raised objections;
 - b. the measures that the Commission may intend to take in view of the preliminary findings pursuant to point (a) of this paragraph.
16. The economic operators concerned may submit to the Commission their observations on the Commission's preliminary findings within a time limit which shall be fixed by the Commission in its preliminary findings, and which may not be less than 14 working days.
17. The Commission shall base its imposition of fines only on objections on which the economic operators concerned have been able to comment.
18. Where the Commission has informed the economic operators concerned of its preliminary findings as referred to in paragraph 15, it shall give access, if so requested, to the Commission's file under the terms of a negotiated disclosure, subject to the legitimate interest of economic operators in the protection of their business secrets, or in order to preserve business secrets or other confidential information of any person. The right of access to the file shall not extend to confidential information and internal documents of the Commission or the authorities of the Member States, in particular to correspondence between the Commission and the authorities of the Member States. Nothing in this paragraph shall prevent the Commission from disclosing and using information necessary to prove an infringement.
19. This Article is without prejudice to the rights of the Member States to protect its essential security interests in accordance with Article 346(1)(b) TFEU.

CHAPTER V

FINANCING AND IMPLEMENTATION

Article 20

Reparations Loan Agreement

1. The detailed financial terms of the Reparations Loan shall be laid down in the Reparations Loan Agreement.
2. In addition to the elements laid down in Article 223(4) of Regulation (EU, Euratom) 2024/2509, the Reparations Loan Agreement shall require that:
 - (a) the Reparations Loan shall be a limited recourse loan that shall become due and payable upon the occurrence of a repayment trigger as defined in subparagraph (k);
 - (b) Ukraine shall provide the Union a security interest over its claim on Russia for reparations as security for the Reparations Loan. The value of that security interest shall at any given time be equal to the value of disbursed funds under the Reparations Loan;
 - (c) the rights, responsibilities and obligation provided for in the framework agreement under the Ukraine Facility referred to in Article 9 of Regulation (EU) 2024/792 apply to this Reparations Loan Agreement and the funds therein;
 - (d) the amount of assistance referred to in Article 8(2)(a)(ii) shall be implemented in accordance with Chapter III of Regulation (EU) 2024/792, with the exception of rules on the duration and repayment of the loan, which shall be governed by the rules of this Regulation;
 - (e) Ukraine utilises the same management and control systems as proposed in the Ukraine Plan established under Regulation (EU) 2024/792, including beyond the availability period referred to in Article 6(2) in that Regulation;
 - (f) the Commission have the right to monitor activities, expenditures and measures under Chapter IV of this Regulation that are carried out by the Ukrainian authorities, along the whole project cycle;
 - (g) Ukraine immediately notify the Commission should a draft contract or agreement financed through the Reparations Loan not be implemented;
 - (h) Ukraine continues to respect the precondition set out in Article 5(1);
 - (i) Ukraine does not reverse any measure taken under any other current or previous instruments of support provided by the Union or IMF concerning anti-corruption;
 - (j) prior to the disbursement of financial and economic assistance, Ukraine shall conclude a contribution agreement with the Commission pursuant to Article 4(2) of Regulation (EU) 2024/2773 to ensure the ERA Loans initiative is maintained;
 - (k) Ukraine shall be liable for the repayment of the principal of the Reparations Loan within 30 days, if any of the following conditions are fulfilled, each constituting a repayment trigger for the purposes of this Regulation:

- i. the receipt of cash by Ukraine for war reparations, indemnities or any financial settlement from Russia, up to the amount of such settlement; or
 - ii. 90 days from the receipt of non-monetary assets by Ukraine for war reparations, indemnities or any financial settlement from Russia, except territory, up to the amount of such settlement which shall be determined by an independent valuation. Upon request of Ukraine, the Commission may grant an extension of this timeframe if strictly warranted; or
 - iii. that Ukraine is in breach of subparagraph (h); or
 - iv. it has been established that, in relation to the management of the Reparations Loan, Ukraine has engaged in any act of fraud, corruption or any other illegal activity detrimental to the financial interests of the Union.
- (l) Ukraine is liable to repay the Reparations Loan:
- i. in the event of subparagraph (k), points (i) and (ii), for an amount of the monetary value of the war reparations, indemnities or any financial settlement from Russia equal to the proportion of the Reparations Loan outstanding against the sum of the value of the Reparations Loan outstanding, any outstanding reparations loans provided by G7 members and any outstanding liabilities under ERA loans;
 - ii. in the event of subparagraph (k), point (iii), for the total outstanding amount of the Reparations Loan;
 - iii. in the event of subparagraph (k), point (iv), for the value of fraud, corruption or any other illegal activity detrimental to the financial interests of the Union.
- (m) any amounts of the Reparations Loan not covered by the liability referred to in subparagraph (l) shall remain in place until future repayment trigger events occur;
- (n) in case of payments or recoveries, Ukraine shall indicate the relevant payments from the Reparations Loan that are being repaid or recovered in accordance with Article 25(6).

The Reparations Loan Agreement shall also include any other requirements needed for the implementation of the Reparations Loan.

3. Non-compliance with the terms of the Reparations Loan Agreement shall constitute a ground for the Commission to suspend or cancel, in full or in part, the release of the instalment or tranches.

4. The Reparations Loan Agreement shall be made available, upon request, simultaneously to the European Parliament and to the Council.

Article 21

Request for funds

1. To receive financial and economic assistance, Ukraine shall submit to the Commission a duly justified request for funds. Such a request for funds may be submitted by Ukraine to the Commission, in principle, six times a year.

2. For macro-financial assistance, the request for funds shall be accompanied by a report in accordance with the provisions of the MoU.
3. For assistance to support Ukraine's defence industrial capacities:
 - (a) the request for funds may cover multiple products. For each covered product, the request for funds shall contain a contract or agreement in compliance with Article 13 and a schedule in accordance with Article 14. Such contracts or agreements may be signed or in a finalised draft form;
 - (b) if the request for funds requests funding for an amount greater than 20% of the amount made accessible in accordance with the Council implementing decision referred to in Article 8, Ukraine shall provide a detailed justification, including on the impact for future requests for funds under that decision.

Article 22

Decision on the release of assistance

1. The Commission shall decide on the release of assistance subject to its assessment of the following requirements:
 - (a) for macro-financial assistance that is not designated budget assistance:
 - i. compliance with the precondition set out in Article 5(1);
 - ii. the satisfactory fulfilment of the policy conditions set out in the MoU referred to in Article 11; and
 - iii. compliance with the Reparations Loan Agreement referred to in Article 20.
 - (b) for designated budget assistance, that the request is in accordance with the modalities of the MoU as referred to in Article 11(3).
 - (c) for assistance to support Ukraine's defence industrial capacities:
 - i. compliance with the precondition set out in Article 5(1);
 - ii. confirmation that the contracts or agreements are for products in compliance with Article 13 and that the Commission does not object to the methods of implementation;
 - iii. confirmation that Ukraine broadly respects the qualitative and quantitative steps contained in the Annex to Implementing Decision (EU) 2024/1447 and any amendments thereto;
 - iv. compliance with the obligations referred to in Article 16 and the Reparations Loan Agreement referred to in Article 20; and
 - v. to the extent necessary, the adequacy of the detailed justification of Ukraine, taking into account the situation in Ukraine and the committed and expected external financing available.
2. Subject to compliance with the amount of assistance accessible provided for in the Council implementing decision adopted in accordance with Article 8, where the Commission makes a positive assessment of the request for funds, it shall adopt, without undue delay, a decision authorising the disbursement of the Reparations Loan. For assistance to support

Ukraine's defence industrial capacities, that amount to be disbursed shall be equal to the value of the contracts or agreements included in the request for funds.

3. The Commission may proceed with the decision referred to in paragraph 2 for points (a), (b) and (c) under paragraph 1 collectively or individually.

4. Where the Commission gives a negative assessment to the request for funds, it shall, without undue delay, inform Ukraine, giving reasons for its assessment. A negative assessment shall not prevent Ukraine from submitting a new request for funds.

Article 23

Financing of the Reparations Loan

1. In order to finance the assistance under the Reparations Loan, the Commission shall be empowered, on behalf of the Union, to borrow the necessary cash balances referred to in Article 4(1)(a). The diversified funding strategy referred to in Article 224 of Regulation (EU, Euratom) 2024/2509 shall not apply to that financing.

2. For the purposes of paragraph 1 of this Article, upon receipt of the Commission's call for funds, financial institutions shall provide the Commission with the necessary amount from the cash balances referred to in Article 4(1)(a). The following financial parameters shall apply to the debt obligation of the Union towards relevant financial institutions established upon the amount being received by the Commission ('debt instrument'):

- (a) the interest due by the Union shall be equal to the interest owed to the Central Bank of Russia under the terms of the relevant contracts or other arrangements by the relevant financial institution on the assets and reserves referred to in Article 4(1)(a);
- (b) the maturity of the debt instrument shall be:
 - i. for central securities depositories, one-day;
 - ii. for financial institutions that are not central securities depositories, adapted to the nature of the relevant contracts or other arrangements referred to in subparagraph (a);
- (c) the debt instrument shall be in the currency of the associated cash balance;
- (d) the repayment of the debt instrument shall be made in the form of cash, or, if strictly necessary, cash equivalents for the use as collateral;
- (e) the amount due by the Union under the debt instrument shall be reduced by an amount equal to the share of the outstanding balance of that debt instrument of the total outstanding balance of such debt instruments, against the amount reimbursed by the Union to Member States pursuant to Article 24(2). That reduction shall be carried out following a notification by the Union and occur at the occasion of the maturity of the debt instrument.

That debt instrument shall be treated as equivalent to cash under applicable accounting rules.

3. On the basis of applicable Union law, the Commission shall notify each financial institution from which it intends to call funds from. In deciding which financial institutions to notify, the Commission shall take into consideration the conditions of funding, including the

cost of funding, the availability of funds in euro and administrative demands, whilst ensuring the due involvement of all such financial institutions over time.

The Commission and the financial institutions may agree on arrangements specifying in particular the modalities of the call for funds, cost coverage and compensations related to the provision of funds and repayment modalities.

Any implementation of a debt instrument bearing costs for the Union is conditional upon contingent cost coverage:

(a) by the Member States via contributions in line with Article 21(2)(a) of Regulation (EU, Euratom) 2024/2509;

(b) by the Member States in accordance with the conditions set out in Article 26 or third countries in accordance with Article 27; or

(c) by the Union budget provided that the conditions set out in Article 4(5) are cumulatively fulfilled in a manner that allows coverage of those costs of the debt instrument.

4. For the purposes of paragraph 1 of this Article, the Commission shall be empowered on behalf of the Union to call the funding from financial institutions that it has notified in accordance with paragraph 3 for an amount equal to the instalment or tranche to be released. The call for funds shall include instructions on the payment of cash balances referred to in Article 4(1)(a) and repayment of the debt instrument.

5. By derogation from paragraph 4, if the application of point (e) of paragraph 2 leads to a reduction exceeding the outstanding balance of the debt instrument, the Commission shall be empowered on behalf of the Union to call the funding from financial institutions that it has notified in accordance with paragraph 3 for an amount equal to that excess.

6. The debt instrument referred to in paragraph 2 of this Article shall fully protect the financial position of the relevant financial institution and enable them to honour all contractual commitments related to the assets and reserves of the Central Bank of Russia.

7. By derogation from Articles 112(2) and 114(2) of the Regulation (EU, Euratom) 2024/2509, the legal commitment pursuant to Article 24 may be adopted without the prior making of a budgetary commitment, which may be broken down over several years into annual instalments.

8. A Union liquidity mechanism is established for the sole purpose of ensuring the repayment referred to in point (d) of paragraph 2. To finance the Union liquidity mechanism, the Commission shall be empowered, on behalf of the Union, to borrow the necessary funds on the capital markets or from financial institutions in accordance with Article 224 of Regulation (EU, Euratom) 2024/2509. The borrowing and lending operations related to the Union liquidity mechanism shall be carried out in euros.

9. The borrowing for the Union liquidity mechanism and its costs shall be covered in accordance with the guarantees provided:

- (a) by the Member States in accordance with the conditions set out in Article 26(e); or
 - (b) under the Union budget, if the Union liquidity facility is financed after the conditions set out in Article 4(5) are cumulatively fulfilled.
10. As of the moment the conditions set out in Article 4(5) are cumulatively fulfilled:
- (a) without prejudice to Article 223(4)(e) of Regulation (EU, Euratom) 2024/2509, any exchange rate costs related to the Reparations Loan shall initially be borne by the Union budget;
 - (b) by a way of derogation from Article 214(4), point (c) of Regulation (EU, Euratom) 2024/2509, where following repayment of the borrowing referred to in this Article by the guarantee under the Union budget referred to in Article 4(5), amounts paid by or recovered from Ukraine in respect of the assistance under the Reparations Loan referred to in Article 4(1) or amounts recovered on the basis of the right referred to in Article 24(2) shall be entered in the Union budget as other revenue.
11. By way of derogation from Article 31(3), second sentence, of Regulation (EU) 2021/947, the financial assistance provided to Ukraine under the Reparations Loan shall not be supported by the External Action Guarantee. No provisioning for the Reparations Loan shall be constituted and, by way of derogation from Article 214(1) of Regulation (EU, Euratom) 2024/2509, no provisioning rate shall be set.

Article 24

Fair sharing and solidarity

1. The Union and Member States shall undertake any action necessary to minimise financial and legal risks linked to the application of this Regulation. To achieve this objective, and without prejudice to Article 11, 11a, 11e and 11f of Regulation 833/2014 and of Article 5 of Regulation (EU) [*Article 122 Regulation*], Member States shall take any necessary measure in accordance with the Treaties.
2. With a view to ensure fair sharing and solidarity, the Union shall reimburse, within the limit of the amount which may be made available pursuant to Article 4(1), the amounts referred to in Article 5a(7), fifth subparagraph of Regulation 833/2014 and Article 4(4) of Regulation (EU) [*Article 122 proposal*] upon duly justified request of Member States if the relevant proceedings were launched by [*16.5 years from the date of entry into force of this Regulation*]. The Union shall assume any right in respect of the reimbursed amounts.
3. The reimbursement referred to in paragraph 2, shall draw, if necessary, on contributions by Member States in the form of the irrevocable, unconditional and on-demand guarantees as provided in Article 25.

4. The Commission shall explore all available options to safeguard Member States should that prove necessary for further strengthening of fair sharing and solidarity.

Article 25

Contribution in the form of guarantees by Member States

1. Member States may contribute by providing guarantees of up to the total amount of EUR 210 000 000 000 in respect of the assistance under the Reparations Loan in accordance with Article 4(1) and the fair sharing and solidarity pursuant to Article 24(2).
2. Where contributions from the Member States are made, they shall be provided in the form of irrevocable, unconditional and on-demand guarantees through a guarantee agreement with the Commission, in accordance with Article 26.
3. The relative share of the contribution of the Member State concerned (contribution key) to the amount referred to in paragraph 1 of this Article shall correspond to the relative share of that Member State in the total GNI of the Union, as resulting from heading ‘General Revenue’ of the budget for 2026, Part A (‘Financing of the Union’s annual budget, Introduction’), Table 4, column (1), set out in the general budget of the Union for the financial year 2026, as definitively adopted on [*date of adoption of the general budget of the Union for the financial year 2026*].
4. The guarantee shall become effective in respect of the Member States in two equal tranches. The following shall apply:
 - (a) the first tranche of the guarantees shall become effective in respect of the Member State as of the date of entry into force of the guarantee agreement between the Commission and the Member State concerned, referred to in Article 26;
 - (b) the second tranche of the guarantee shall become automatically effective in respect of the Member State on 1 January 2028 unless the Member State has notified the Commission by 31 December 2027 that the second tranche of the guarantee shall not become effective upon it as of 1 January 2028. Where the second tranche of the guarantee has not become automatically effective pursuant to the first sentence, it shall become effective in respect of the Member State concerned as of the date which that Member State notifies the Commission.

Cost coverage pursuant to point (c) of Article 26 shall reduce the amount of the available loan pursuant to Article 4(1) by an amount to be determined by the Commission.

5. Amounts resulting from calls on the guarantees other than those financed through the Union liquidity mechanism referred in Article 23(8) shall constitute external assigned revenue in accordance with Article 21(2), point (a), of Regulation (EU, Euratom) 2024/2509 for the repayment of financial liabilities of the Union towards financial institutions stemming from the assistance under the Reparations Loan referred to in Article 4(1).

6. By way of derogation from Article 214(4), point (c), of Regulation (EU, Euratom) 2024/2509, following the honouring of a guarantee call in accordance with Article 26(a), amounts paid by or recovered from Ukraine in respect of the assistance under the Reparations Loan referred to in Article 4(1) or amounts recovered on the basis of the right referred to in Article 24(2) shall be reimbursed to those Member States up to the amount of the guarantee calls honoured by Member States pursuant to Article 26(a). In such payments or recoveries from Ukraine, Ukraine shall indicate the relevant payments from the Reparations Loan that are being repaid or recovered, where it shall be ensured that a proportional repayment or recovery of funds takes place against the amounts outstanding for payments made under Chapters III and Chapter IV of this Regulation. On that basis, the reimbursements to Member States shall be provided in full respect of the security and defence policy of certain Member States and taking into account the security and defence interests of all Member States.

Article 26

Guarantee agreements

The Commission shall conclude a guarantee agreement with each Member State that provides a guarantee referred to in Article 25. That agreement shall set out the rules governing the guarantee, which shall be the same for all Member States, including, in particular, provisions:

- (a) establishing the obligation of the Member States to honour guarantee calls made by the Commission in respect of the financing referred to in Article 23 and in respect of the fair sharing and solidarity pursuant to Article 24(2);
- (b) ensuring that the guarantee calls are made:
 - i. in respect of the financing referred to in Article 23, pro rata based on the amount of the guarantee compared to the cumulative ceiling of the guarantees that are effective, including third country guarantees provided in accordance with Article 27(2);
 - ii. in respect of the application of Article 24(2), pro rata based on the amount of the guarantee compared to the cumulative ceiling of the guarantees from Member States that are effective.
- (c) providing that the guarantee calls ensure the Union's ability to:
 - i. repay the cash balances borrowed pursuant to Article 23 should such amount fall due in accordance with Article 23(2)(d) while Ukraine has not repaid the Reparations Loan, including if as Ukraine has no obligation to repay in accordance with Article 20(2)(a), as well as, where applicable, costs, including costs as referred to in point (b) of the third subparagraph of Article 23(3) and costs of exchanges to and from foreign currencies;
 - ii. honour any claims in accordance with Article 24.
- (d) regarding the payment conditions, including that a Member State may honour a guarantee call by providing cash or utilising the Union liquidity mechanism referred to in Article 23(8);

(e) establishing the provisions related to the Union liquidity mechanism referred to in Article 23(8) in line with Article 223 of Regulation (EU, Euratom) 2024/2509. Those provisions shall include the provision that the use of the Union liquidity mechanism shall be deemed requested by the Member State to the extent that the Member State does not indicate to the Commission, within a deadline set by the latter, the intention to use its own cash resources to honour the guarantee call; the maximum amount that a Member State may use under the Union liquidity mechanism, which shall be equal to the maximum value of the guarantee of that Member State; the maximum duration of each disbursement of the Union liquidity mechanism, which shall be strictly linked to the purpose of ensuring the repayment of the debt instrument; and that all costs incurred by the Union that relate to financial assistance shall be borne by the beneficiary Member State;

(f) ensuring that the guarantees shall cease to be callable upon notification by the Commission as of the earliest of:

- i. the date that the conditions referred to in Article 4(5) are met, without prejudice to any outstanding obligation of the Member State under paragraph (e) of this Article; or
- ii. the date where both (i) transactions related to the management of reserves as well as of assets of the Central Bank of Russia, including transactions with any legal person, entity or body acting on behalf of, or at the direction of, the Central Bank of Russia, such as the Russian National Wealth Fund, are permitted and (ii) there are no further possible claims under Article 24(2).

Article 27

Contribution by third countries

1. Third countries may contribute by providing guarantees or by supporting currency risk management related to any conversion of the cash balances borrowed from financial institutions in accordance with Article 23.
2. Where contributions from third countries are made in the form of guarantees, they shall be provided in the form of irrevocable, unconditional and on-demand guarantees through a guarantee agreement with the Commission. That agreement shall contain the provisions of Article 26(a), (b)(i), (c)(i) *mutatis mutandis*. Such guarantees shall be over and above the guarantees provided by Member States in accordance with Article 25.
3. Where contributions from third countries are made in the form of supporting currency risk management related to any conversion of cash balances borrowed from financial institutions in accordance with Article 23, the Commission shall conclude an agreement with each third country providing the necessary arrangements for such a contribution.

Those contributions shall constitute external assigned revenue in accordance with Article 21(2), point (e), of Regulation (EU, Euratom) 2024/2509.

4. The Commission shall inform the European Parliament and the Council simultaneously and without delay of agreements concluded pursuant to this Article.

Article 28

Application of the rules on classified information and sensitive information

1. Classified information that is created, handled, stored, exchanged or shared under this Regulation shall be protected in accordance with the security rules set out in Commission Decision (EU, Euratom) 2015/444 or the Agreement between the Member States of the European Union, meeting within the Council, regarding the protection of classified information exchanged in the interests of the European Union, as appropriate.
2. The Commission shall use a secured exchange system in order to facilitate the exchange of classified information and sensitive information between the Commission and Ukraine and, where appropriate, with the Member States.
3. The Commission shall have access to information, including classified information, necessary for the tasks assigned to it under this Regulation, in particular for the purpose of verifying the conditions for disbursement of payments and carrying out the checks, reviews, audits, investigations, reports as well as the controls and audits, as referred to in Article 20.
4. Information received as a result of the application of this Regulation shall be used only for the purpose for which it was requested.
5. The Commission and Member States shall ensure the protection of trade and business secrets and other sensitive information acquired and generated in application of this Regulation in accordance with Union law and respective national law.

CHAPTER VI

FINAL PROVISIONS

Article 29

Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The power to adopt delegated acts referred to in Article 13 shall be conferred on the Commission for an indeterminate period of time from seven days after the entry into force of this Regulation.
3. The delegation of power referred to in Article 13 may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect on the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making.
5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
6. A delegated act adopted pursuant to Article 13 shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of two months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

Article 30

Committee procedure

1. The Commission shall be assisted by a committee. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.
2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

Article 31

Reparations Loan dialogue

1. In order to enhance the dialogue between the Union institutions, in particular the European Parliament, the Council and the Commission, and to ensure greater transparency and accountability, the competent committee of the European Parliament may invite the Commission to discuss the implementation of this Regulation.
2. The European Parliament may express its views in resolutions as regards the Reparations Loan.
3. The Commission shall take into account any elements arising from the views expressed through the Reparations Loan dialogue, including the resolutions from the European Parliament if provided.

Article 32

Information to the European Parliament and to the Council

1. The Commission shall inform the European Parliament and the Council of developments regarding the implementation of this Regulation, including Article 4(4), Article 6(1), Article 7(5), Article 11(4), Article 20(3), Article 22(2) Article 24(2), Article 25(2) and Article 27(1), and shall provide those institutions with the relevant documents without undue delay. Information transmitted by the Commission to the Council in the context of this Regulation or its implementation shall simultaneously be made available to the European Parliament, subject to confidentiality arrangements if necessary.
2. By 30 June of each year, the Commission shall submit to the European Parliament and to the Council a report on the implementation of this Regulation in the preceding year, including an evaluation of that implementation. That report shall:
 - (a) examine progress made in implementing the Reparations Loan; and
 - (b) assess the economic situation and prospects of Ukraine, as well as progress made in implementing the policy conditions referred to in Article 11(1).
3. By 31 December 2031, the Commission shall submit to the European Parliament and to the Council an evaluation report, assessing the results and efficiency of the Reparations Loan provided under this Regulation and the extent to which it has contributed to the aims of the assistance.

Article 33

Amendments to Regulation (EU) 2024/792

Regulation (EU) 2024/792 is amended as follows:

1. In Article 6(4) the following subparagraph is added:

‘Amounts made accessible pursuant to Article 8(2)(a)(ii) of Regulation (EU) [*Reparations Loan Regulation*] shall be implemented as additional financial support pursuant to Chapter III in the form of loans and shall be in addition to the amounts referred to in paragraphs 2 and 3’,

2. In Article 22, the following subparagraph is added in paragraph 2:

‘Upon adoption of the Council implementing decision referred to in Article 19(1) in respect of the amount referred in second subparagraph of Article 6(4), the Commission shall enter into an amendment or addendum to a loan agreement with Ukraine referred to in the first subparagraph with the purpose of ensuring the implementation of the amounts pursuant to Chapter III, with the exception of rules on the duration and repayment of the loan, which shall be governed by the rules of Regulation (EU) [*Reparations Loan Regulation*].’

Article 34

Entry into Force

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

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

LEGISLATIVE FINANCIAL AND DIGITAL STATEMENT

1.	FRAMEWORK OF THE PROPOSAL/INITIATIVE	3
1.1.	Title of the proposal/initiative	3
1.2.	Policy area(s) concerned	3
1.3.	Objective(s)	3
1.3.1.	General objective(s)	3
1.3.2.	Specific objective(s).....	3
1.3.3.	Expected result(s) and impact	3
1.3.4.	Indicators of performance	3
1.4.	The proposal/initiative relates to:.....	4
1.5.	Grounds for the proposal/initiative	4
1.5.1.	Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative	4
1.5.2.	Added value of EU involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this section 'added value of EU involvement' is the value resulting from EU action, that is additional to the value that would have been otherwise created by Member States alone.	4
1.5.3.	Lessons learned from similar experiences in the past.....	4
1.5.4.	Compatibility with the multiannual financial framework and possible synergies with other appropriate instruments.....	5
1.5.5.	Assessment of the different available financing options, including scope for redeployment.....	5
1.6.	Duration of the proposal/initiative and of its financial impact	6
1.7.	Method(s) of budget implementation planned	6
2.	MANAGEMENT MEASURES.....	8
2.1.	Monitoring and reporting rules	8
2.2.	Management and control system(s)	8
2.2.1.	Justification of the budget implementation method(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed.....	8
2.2.2.	Information concerning the risks identified and the internal control system(s) set up to mitigate them.....	8
2.2.3.	Estimation and justification of the cost-effectiveness of the controls (ratio between the control costs and the value of the related funds managed), and assessment of the expected levels of risk of error (at payment & at closure).....	8
2.3.	Measures to prevent fraud and irregularities.....	9
3.	ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE.....	10
3.1.	Heading(s) of the multiannual financial framework and expenditure budget line(s) affected.....	10

3.2.	Estimated financial impact of the proposal on appropriations.....	12
3.2.1.	Summary of estimated impact on operational appropriations.....	12
3.2.1.1.	Appropriations from voted budget	12
3.2.1.2.	Appropriations from external assigned revenues	17
3.2.2.	Estimated output funded from operational appropriations.....	22
3.2.3.	Summary of estimated impact on administrative appropriations.....	24
3.2.3.1.	Appropriations from voted budget	24
3.2.3.2.	Appropriations from external assigned revenues	24
3.2.3.3.	Total appropriations	24
3.2.4.	Estimated requirements of human resources.....	25
3.2.4.1.	Financed from voted budget.....	25
3.2.4.2.	Financed from external assigned revenues	26
3.2.4.3.	Total requirements of human resources	26
3.2.5.	Overview of estimated impact on digital technology-related investments	28
3.2.6.	Compatibility with the current multiannual financial framework.....	28
3.2.7.	Third-party contributions	28
3.3.	Estimated impact on revenue	29
4.	DIGITAL DIMENSIONS	29
4.1.	Requirements of digital relevance.....	30
4.2.	Data	30
4.3.	Digital solutions	31
4.4.	Interoperability assessment	31
4.5.	Measures to support digital implementation	32

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a Regulation of the European Parliament and of the Council establishing the Reparations Loan to Ukraine and amending Regulation (EU) 2024/792 of the European Parliament and of the Council of 29 February 2024 establishing the Ukraine Facility.

1.2. Policy area(s) concerned

Economic and Financial Affairs as well as support to the Defence Industry.

1.3. Objective(s)

1.3.1. General objective(s)

To establish the Ukraine Reparations Loan and make available to Ukraine financial and economic assistance with a view to supporting Ukraine in covering its financing needs notably resulting from Russia's war of aggression and Russia's non-payment of reparations due. The Reparations Loan shall provide financial and economic assistance to Ukraine in a predictable, continuous, orderly, flexible and timely manner.

1.3.2. Specific objective(s)

To support macro-financial stability in Ukraine by easing its external and internal financing constraints, and to support Ukraine's defence industrial capacities through economic, financial and technical cooperation.

1.3.3. Expected result(s) and impact

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

Ukraine will be provided with sufficient and continuous financial support in response to and following the current crisis situation. The Reparations loan is expected to help support Ukraine's budgetary and defence needs for the immediate future.

1.3.4. Indicators of performance

Specify the indicators for monitoring progress and achievements.

The authorities of Ukraine will be required to regularly report on the implementation of previously granted assistance under the Reparations Loan. The Commission services will remain in close contact with the Ukraine Donor Platform to benefit from insights from ongoing activities of the respective donors.

As regards the objective on easing financing constraints, the authorities of Ukraine will be required to provide a report on the compliance with the agreed policy conditions ahead of the disbursement of the instalment of the macro-financial assistance. The Commission services will continue to monitor public finance management, following the operational assessment of the financial circuits and administrative procedures in Ukraine, which was delivered in June 2020.

An annual report on the implementation of this Regulation to the European Parliament and Council is foreseen. An ex-post evaluation of the Reparations Loan will be carried out by the Commission.

1.4. The proposal/initiative relates to:

☒ a new action

“ a new action following a pilot project / preparatory action³³

“ the extension of an existing action

“ a merger or redirection of one or more actions towards another/a new action

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative

For the implementation of the Reparations Loan, the Commission will enter into a Reparations Loan Agreement with Ukraine detailing the financial terms of the Reparations Loan.

The Commission will conclude a guarantee agreement with each Member State that provides a guarantee setting out the rules governing the guarantee, which shall be the same for all Member States. Such guarantees may also be provided by third countries.

Once the Reparations Loan Agreement and the necessary guarantees are in place, the disbursements from the Reparations Loan will be conditional on the submission and positive assessment of a Ukrainian Financing Strategy. Furthermore, for budget assistance, a memorandum of understanding (MoU) must be agreed between the Commission and the authorities of Ukraine. Disbursements will then be conditional upon relevant conditions for both budget assistance and assistance to support Ukraine's defence industrial capacities.

The Reparations Loan will be managed by the Commission. Specific provisions on the prevention of fraud and other irregularities, consistent with the Financial Regulation, are applicable, including the relevant provisions on ensuring the Union's financial interest as laid down in the Framework Agreement under Regulation (EU) 2024/792. The Commission and the Ukrainian authorities would agree on the MoU setting out reporting requirements.

1.5.2. Added value of EU involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this section 'added value of EU involvement' is the value resulting from EU action, that is additional to the value that would have been otherwise created by Member States alone.

Reasons for action at EU level (ex-ante): This proposal responds to the need for a common response in providing support to Ukraine on an adequate scale, which cannot be sufficiently achieved by the Member States alone and can be better achieved by the EU. The main reasons are the fiscal capacity and budgetary constraints faced at the national level and the need for strong coordination in order to maximise the scale and effectiveness of the support, while limiting the burden on the administrative capacity of Ukrainian authorities, which is very stretched in the current circumstances.

³³

As referred to in Article 58(2), point (a) or (b) of the Financial Regulation.

The initiative is part of the EU's objective to provide support to Ukraine and reinforces actions by the Union for economic and defence support, as well as the Union's initiatives to coordinate multilateral actions.

Expected generated EU added value (ex-post): The expected EU added value, notably in comparison to other EU instruments, is to swiftly support macro-financial stability via easing Ukraine's external and internal financing constraints and to support Ukraine's defence industrial capacities - within an appropriate framework for reporting requirements.

1.5.3. *Lessons learned from similar experiences in the past*

Previous Macro-financial assistance operations to Ukraine are subject to ex-post evaluation. Past ex-post evaluations of previous macro-financial assistance operations to Ukraine have shown that in general they were highly relevant in terms of its objectives, budget and policy objectives. They proved crucial to support Ukraine in addressing its balance-of-payment problems and implementing key structural reforms to stabilise the economy and enhance the sustainability of its external position. They allowed for fiscal savings and financial benefits, as well as acted as a catalyst for additional financial support and investor confidence.

1.5.4. *Compatibility with the multiannual financial framework and possible synergies with other appropriate instruments*

The proposal is compatible with the ceilings of the 2021-2027 multiannual financial framework. The Reparations Loan is also compatible with the ongoing provision of financial support to Ukraine through the Ukraine Loan Cooperation Mechanism and the related G7 ERA bilateral loans.

The resources for the Reparations Loan will be financed by borrowing through a specific form of debt instrument entered into between the Commission and the relevant financial institutions. Such borrowing will be guaranteed by Member States and potentially also third countries. In considering the financial risks and the budgetary coverage, no provisioning should be constituted for the support in the form of loans under this Regulation, to be guaranteed over and above the ceilings, and, by way of derogation from Article 214(1) of Regulation (EU, Euratom) 2024/2509, no provisioning rate should be set.

1.5.5. *Assessment of the different available financing options, including scope for redeployment*

By using loans financed by borrowing regarding cash balances at financial institutions in the Union that accumulate because transactions regarding the assets and reserves of the Central Bank of Russia are not permitted, this operation increases the effectiveness of the EU's financial response and provides for the most cost-efficient option. Other options such as grants from Member States or borrowing by the Union supported by contribution agreements from Member States would be expected to entail fiscal costs for Member States.

1.6. Duration of the proposal/initiative and of its financial impact

☒ **limited duration**

- ☒ in effect from 01/12/2025 to 31/12/2030, with the exception of the designated budget assistance that shall be available until 31/12/2055.
- ☐ financial impact from YYYY to YYYY for commitment appropriations and from YYYY to YYYY for payment appropriations.

☐ **unlimited duration**

1.7. Method(s) of budget implementation planned

☒ **Direct management** by the Commission

- ☒ by its departments, including by its staff in the Union delegations;
- ☐ by the executive agencies

☐ **Shared management** with the Member States

☐ **Indirect management** by entrusting budget implementation tasks to:

- ☐ third countries or the bodies they have designated
- ☐ international organisations and their agencies (to be specified)
- ☐ the European Investment Bank and the European Investment Fund
- ☐ bodies referred to in Articles 70 and 71 of the Financial Regulation
- ☐ public law bodies
- ☐ bodies governed by private law with a public service mission to the extent that they are provided with adequate financial guarantees
- ☐ bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that are provided with adequate financial guarantees
- ☐ bodies or persons entrusted with the implementation of specific actions in the common foreign and security policy pursuant to Title V of the Treaty on European Union, and identified in the relevant basic act
- ☐ bodies established in a Member State, governed by the private law of a Member State or Union law and eligible to be entrusted, in accordance with sector-specific rules, with the implementation of Union funds or budgetary guarantees, to the extent that such bodies are controlled by public law bodies or by bodies governed by private law with a public service mission, and are provided with adequate financial guarantees in the form of joint and several liability by the controlling bodies or equivalent financial guarantees and which may be, for each action, limited to the maximum amount of the Union support.

Comments

N/A

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

The monitoring and reporting obligations under Regulation (EU, Euratom) 2024/2509 apply.

The monitoring of the action by the Commission services will take place based on the implementation of previously granted assistance under the Reparations Loan.

Furthermore, the monitoring of the action will take into consideration the specific measures to be agreed with the Ukrainian authorities in the MoU. The Commission will verify the fulfilment of the policy conditions set out in the MoU. The Commission will inform the European Parliament and the Council about the results of that verification.

Finally, the monitoring of the action will take into consideration the engagement with the Ukrainian authorities, including the respective requests for funds and the information contained therein, regarding the assistance to support Ukraine's defence industrial capacities.

In order to ensure that the European Parliament and the Council are able to follow the implementation of this Regulation, the Commission should regularly inform them of developments relating to Union assistance to Ukraine under this Regulation and provide them with the relevant documents.

The Commission should regularly review the adequacy of such reporting and monitoring requirements and report to the European Parliament and to the Council thereon, thereby guaranteeing transparency and accountability.

No later than 31 December 2031, the Commission will submit to the European Parliament and to the Council an ex-post evaluation report, assessing the results and efficiency of the Reparations Loan provided under this Regulation and the extent to which it has contributed to the aims of the assistance.

2.2. Management and control system(s)

2.2.1. *Justification of the budget implementation method(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed*

The actions to be financed under this proposal will be implemented under direct management by the Commission. The financial support under the Reparations Loan will be made available by the Commission, subject to the availability of Member States' guarantees. The release of funds can be organised swiftly in the course of 2026, 2027 and beyond. To facilitate the Member States' liquidity management and ensure predictability in cases where the guarantee is called, the Commission should establish a liquidity mechanism.

2.2.2. *Information concerning the risks identified and the internal control system(s) set up to mitigate them*

The Commission shall have access to information, including classified information, strictly necessary for the tasks assigned to it under this Regulation, in particular for the purpose of verifying the conditions for disbursement of payments and carrying out the checks, reviews, audits, investigations, reports as well as the controls and audits, as referred to in Article 20.

To protect the Union's financial interests linked to the Reparations Loan, the Reparations Loan Agreement to be concluded between the Commission and the Ukrainian authorities should contain provisions aligned with the rights, responsibilities and obligations provided for in the framework agreement under the Ukraine Facility. Ukraine will utilise the same management and control systems as proposed in the Ukraine Plan established under Regulation (EU) 2024/792.

Ukraine will be required to provide monthly reports providing information covering all payments. It will open a special account for the sole purpose of the management of the financial and economic assistance received to support Ukraine's defence industrial capacities. All payments of the contracts or agreements that are requested for assistance to support Ukraine's defence industrial capacities will be paid from this account. The Commission will be granted monitoring rights of this account.

Additionally, if it has been established that Ukraine has engaged in acts of fraud, corruption or other illegal activity with respect to the management of the Reparations Loan, to the detriment of the Union's financial interests, the Union can demand early repayment of the Reparations loan.

In order to address the risks related to information confidentiality, classified information that is created, handled, stored, exchanged or shared under this Regulation should be protected in accordance with the security rules set out in Commission Decision (EU, Euratom) 2015/444 or the Agreement between the Member States of the European Union, meeting within the Council, regarding the protection of classified information exchanged in the interests of the European Union, as appropriate. The Commission should use a secured exchange system in order to facilitate the exchange of classified information and sensitive information between the Commission and Ukraine and, where appropriate, with the Member States.

The Commission should use a secured exchange system in order to facilitate the exchange of classified information and sensitive information between the Commission and Ukraine and, where appropriate, with the Member States.

2.2.3. Estimation and justification of the cost-effectiveness of the controls (ratio between the control costs and the value of the related funds managed), and assessment of the expected levels of risk of error (at payment & at closure)

The control systems in place have ensured an effective error rate for the macro-financial assistance type of payments so far of 0%. There are no known cases of fraud, corruption or illegal activity. Operations have a clear intervention logic, one that allows the Commission to evaluate their impact. The controls enable the confirmation of assurance and of attainment of policy objectives and priorities.

Measures to prevent fraud and irregularities

The Reparations Loan Agreement to be concluded between the Commission and the Ukrainian authorities will require that Ukraine utilises the same management and control systems as proposed in the Ukraine Plan established under Regulation (EU) 2024/792 that entered into force on 20 June 2024 to ensure that the Union's financial interests linked to the Reparations Loan are protected efficiently, providing the appropriate measures relating to the prevention of, and fight against, fraud, corruption and any other irregularities linked to the assistance. It will also, in accordance with the Financial Regulation, grant the necessary rights and access to the Commission, the European Anti-Fraud Office (OLAF), the European Court of

Auditors and, where applicable, the European Public Prosecutor's Office, including from third parties involved in the implementation of Union funds during and after the availability period of the Reparations Loan. Ukraine should also report irregularities in relation to the use of the funds to the Commission, in line with the procedures provided for in the framework agreement under the Ukraine Facility.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff. ³⁴	from EFTA countries ³⁵	from candidate countries and potential candidates ³⁶	From other third countries	other assigned revenue
	[XX.YY.YY.YY]	Diff./Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO

- New budget lines requested

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff.	from EFTA countries	from candidate countries and potential candidates	from other third countries	other assigned revenue
	[XX.YY.YY.YY]	Diff./Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO

³⁴ Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

³⁵ EFTA: European Free Trade Association.

³⁶ Candidate countries and, where applicable, potential candidates from the Western Balkans.

3.2. Estimated financial impact of the proposal on appropriations

3.2.1. Summary of estimated impact on operational appropriations

- ☐ The proposal/initiative does not require the use of operational appropriations
- ☐ The proposal/initiative requires the use of operational appropriations, as explained below

3.2.1.1. Appropriations from voted budget

EUR million (to three decimal places)

Heading of multiannual financial framework		Number					
DG: <.....>			Year	Year	Year	Year	TOTAL MFF
			2024	2025	2026	2027	2021-2027
Operational appropriations							
Budget line	Commitments	(1a)					0.000
	Payments	(2a)					0.000
Budget line	Commitments	(1b)					0.000
	Payments	(2b)					0.000
Appropriations of an administrative nature financed from the envelope of specific programmes							
Budget line		(3)					0.000
TOTAL appropriations for DG <.....>	Commitments	=1a+1b+3	0.000	0.000	0.000	0.000	0.000
	Payments	=2a+2b+3	0.000	0.000	0.000	0.000	0.000
			Year	Year	Year	Year	TOTAL MFF
			2024	2025	2026	2027	2021-2027
TOTAL operational appropriations	Commitments	(4)	0.000	0.000	0.000	0.000	0.000
	Payments	(5)	0.000	0.000	0.000	0.000	0.000

TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)	0.000	0.000	0.000	0.000	0.000
TOTAL appropriations under HEADING <....> of the multiannual financial framework	Commitments	=4+6	0.000	0.000	0.000	0.000	0.000
	Payments	=5+6	0.000	0.000	0.000	0.000	0.000
			Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021-2027
• TOTAL operational appropriations (all operational headings)	Commitments	(4)	0.000	0.000	0.000	0.000	0.000
	Payments	(5)	0.000	0.000	0.000	0.000	0.000
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes (all operational headings)		(6)	0.000	0.000	0.000	0.000	0.000
TOTAL appropriations Under Heading 1 to 6 of the multiannual financial framework (Reference amount)	Commitments	=4+6	0.000	0.000	0.000	0.000	0.000
	Payments	=5+6	0.000	0.000	0.000	0.000	0.000

Heading of multiannual financial framework	7	'Administrative expenditure'					
			Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021- 2027
• Human resources			0.000	0.000	11.554	11.554	23.108
• Other administrative expenditure			0.000	0.000	0.659	0.659	1.318
TOTAL	Appropriations		0.000	0.000	12.213	12.213	24.426

TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)	0.000	0.000	12.213	12.213	24.426
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EUR million (to three decimal places)

		Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021-2027
TOTAL appropriations under HEADINGS 1 to 7	Commitments	0.000	0.000	0.000	0.000	0.000
of the multiannual financial framework	Payments	0.000	0.000	0.000	0.000	0.000

3.2.1.2. Appropriations from external assigned revenues

EUR million (to three decimal places)

Heading of multiannual financial framework	Number	
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DG: <.....>			Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021-2027
Operational appropriations							
Budget line	Commitments	(1a)					0.000
	Payments	(2a)					0.000
Budget line	Commitments	(1b)					0.000
	Payments	(2b)					0.000
Appropriations of an administrative nature financed from the envelope of specific programmes							
Budget line		(3)					0.000
TOTAL appropriations for DG <.....>	Commitments	=1a+1b+3	0.000	0.000	0.000	0.000	0.000
	Payments	=2a+2b+3	0.000	0.000	0.000	0.000	0.000
			Year	Year	Year	Year	TOTAL MFF

			2024	2025	2026	2027	2021-2027
TOTAL operational appropriations	Commitments	(4)	0.000	0.000	0.000	0.000	0.000
	Payments	(5)	0.000	0.000	0.000	0.000	0.000
TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)	0.000	0.000	0.000	0.000	0.000
TOTAL appropriations under HEADING <....> of the multiannual financial framework	Commitments	=4+6	0.000	0.000	0.000	0.000	0.000
	Payments	=5+6	0.000	0.000	0.000	0.000	0.000
			Year	Year	Year	Year	TOTAL MFF 2021-2027
			2024	2025	2026	2027	
TOTAL operational appropriations	Commitments	(4)	0.000	0.000	0.000	0.000	0.000
	Payments	(5)	0.000	0.000	0.000	0.000	0.000
TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)	0.000	0.000	0.000	0.000	0.000
TOTAL appropriations under HEADING <....> of the multiannual financial framework	Commitments	=4+6	0.000	0.000	0.000	0.000	0.000
	Payments	=5+6	0.000	0.000	0.000	0.000	0.000
			Year	Year	Year	Year	TOTAL MFF 2021-2027
			2024	2025	2026	2027	
• TOTAL operational appropriations (all operational headings)	Commitments	(4)	0.000	0.000	0.000	0.000	0.000
	Payments	(5)	0.000	0.000	0.000	0.000	0.000

• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes (all operational headings)		(6)	0.000	0.000	0.000	0.000	0.000
TOTAL appropriations under Headings 1 to 6 of the multiannual financial framework (Reference amount)	Commitments	=4+6	0.000	0.000	0.000	0.000	0.000
	Payments	=5+6	0.000	0.000	0.000	0.000	0.000

Heading of multiannual financial framework	7	‘Administrative expenditure’
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EUR million (to three decimal places)

DG: <.....>		Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021- 2027
• Human resources		0.000	0.000	11.554	11.554	23.108
• Other administrative expenditure		0.000	0.000	0.659	0.659	1.318
TOTAL DG <.....>	Appropriations	0.000	0.000	12.213	12.213	24.426

TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)	0.000	0.000	12.213	12.213	24.426
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EUR million (to three decimal places)

		Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021-2027
TOTAL appropriations under HEADINGS 1 to 7	Commitments	0.000	0.000	0.000	0.000	0.000
of the multiannual financial framework	Payments	0.000	0.000	0.000	0.000	0.000

3.2.2. Estimated output funded from operational appropriations (not to be completed for decentralised agencies)

Commitment appropriations in EUR million (to three decimal places)

Indicate objectives and outputs ↓			Year 2024		Year 2025		Year 2026		Year 2027		Enter as many years as necessary to show the duration of the impact (see Section1.6)								TOTAL	
	OUTPUTS																			
	Type ³⁷	Average cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	Total No	Total cost		
SPECIFIC OBJECTIVE No 1 ³⁸ ...																				
- Output																				
- Output																				
- Output																				
Subtotal for specific objective No 1																				
SPECIFIC OBJECTIVE No 2 ...																				
- Output																				
Subtotal for specific objective No 2																				
TOTALS																				

³⁷ Outputs are products and services to be supplied (e.g. number of student exchanges financed, number of km of roads built, etc.).

³⁸ As described in Section 1.3.2. 'Specific objective(s)'

3.2.3. Summary of estimated impact on administrative appropriations

- ☐ The proposal/initiative does not require the use of appropriations of an administrative nature
- ☐ The proposal/initiative requires the use of appropriations of an administrative nature, as explained below

3.2.3.1. Appropriations from voted budget

VOTED APPROPRIATIONS	Year	Year	Year	Year	TOTAL 2021 - 2027
	2024	2025	2026	2027	
HEADING 7					
Human resources	0.000	0.000	11.554	11.554	23.108
Other administrative expenditure	0.000	0.000	0.659	0.659	1.318
Subtotal HEADING 7	0.000	0.000	12.213	12.213	24.426
Outside HEADING 7					
Human resources	0.000	0.000	0.000	0.000	0.000
Other expenditure of an administrative nature	0.000	0.000	0.000	0.000	0.000
Subtotal outside HEADING 7	0.000	0.000	0.000	0.000	0.000
TOTAL	0.000	0.000	12.213	12.213	24.426

3.2.3.2. Appropriations from external assigned revenues

EXTERNAL ASSIGNED REVENUES	Year	Year	Year	Year	TOTAL
	2024	2025	2026	2027	2021 - 2027
HEADING 7					
Human resources	0.000	0.000	0.000	0.000	0.000
Other administrative expenditure	0.000	0.000	0.000	0.000	0.000
Subtotal HEADING 7	0.000	0.000	0.000	0.000	0.000
Outside HEADING 7					
Human resources	0.000	0.000	0.000	0.000	0.000
Other expenditure of an administrative nature	0.000	0.000	0.000	0.000	0.000
Subtotal outside HEADING 7	0.000	0.000	0.000	0.000	0.000
TOTAL	0.000	0.000	0.000	0.000	0.000

3.2.3.3. Total appropriations

TOTAL VOTED APPROPRIATIONS + EXTERNAL ASSIGNED REVENUES	Year 2024	Year 2025	Year 2026	Year 2027	TOTAL 2021 - 2027
HEADING 7					
Human resources	0.000	0.000	11.554	11.554	23.108
Other administrative expenditure	0.000	0.000	0.659	0.659	1.318
Subtotal HEADING 7	0.000	0.000	12.213	12.213	24.426
Outside HEADING 7					
Human resources	0.000	0.000	0.000	0.000	0.000

Other expenditure of an administrative nature	0.000	0.000	0.000	0.000	0.000
Subtotal outside HEADING 7	0.000	0.000	0.000	0.000	0.000
TOTAL	0.000	0.000	12.213	12.213	24.426

3.2.4. Estimated requirements of human resources

- ☐ The proposal/initiative does not require the use of human resources
- ☒ The proposal/initiative requires the use of human resources, as explained below

3.2.4.1. Financed from voted budget

Estimate to be expressed in full-time equivalent units (FTEs)

VOTED APPROPRIATIONS		Year 2024	Year 2025	Year 2026	Year 2027
• Establishment plan posts (officials and temporary staff)					
20 01 02 01 (Headquarters and Commission's Representation Offices)		0	0	44	44
20 01 02 03 (EU Delegations)		0	0	10	10
01 01 01 01 (Indirect research)		0	0	0	0
01 01 01 11 (Direct research)		0	0	0	0
Other budget lines (specify)		0	0	0	0
• External staff (inFTEs)					
20 02 01 (AC, END from the 'global envelope')		0	0	2	2
20 02 03 (AC, AL, END and JPD in the EU Delegations)		0	0	0	0
Admin. Support line [XX.01.YY.YY]	- at Headquarters	0	0	0	0
	- in EU Delegations	0	0	0	0
01 01 01 02 (AC, END - Indirect research)		0	0	0	0
01 01 01 12 (AC, END - Direct research)		0	0	0	0
Other budget lines (specify) - Heading 7		0	0	0	0
Other budget lines (specify) - Outside Heading 7		0	0	0	0
TOTAL		0	0	56	56

3.2.4.2. Financed from external assigned revenues

EXTERNAL ASSIGNED REVENUES		Year 2024	Year 2025	Year 2026	Year 2027
• Establishment plan posts (officials and temporary staff)					
20 01 02 01 (Headquarters and Commission's Representation Offices)		0	0	0	0
20 01 02 03 (EU Delegations)		0	0	0	0
01 01 01 01 (Indirect research)		0	0	0	0
01 01 01 11 (Direct research)		0	0	0	0
Other budget lines (specify)		0	0	0	0
• External staff (in full time equivalent units)					
20 02 01 (AC, END from the 'global envelope')		0	0	0	0
20 02 03 (AC, AL, END and JPD in the EU Delegations)		0	0	0	0
Admin. Support		0	0	0	0
	- at Headquarters				

line [XX.01.YY.YY]	- in EU Delegations	0	0	0	0
01 01 01 02 (AC, END - Indirect research)		0	0	0	0
01 01 01 12 (AC, END - Direct research)		0	0	0	0
Other budget lines (specify) - Heading 7		0	0	0	0
Other budget lines (specify) - Outside Heading 7		0	0	0	0
TOTAL		0	0	0	0

3.2.4.3. Total requirements of human resources

TOTAL VOTED APPROPRIATIONS + EXTERNAL ASSIGNED REVENUES		Year 2024	Year 2025	Year 2026	Year 2027
• Establishment plan posts (officials and temporary staff)					
20 01 02 01 (Headquarters and Commission's Representation Offices)		0	0	44	44
20 01 02 03 (EU Delegations)		0	0	10	10
01 01 01 01 (Indirect research)		0	0	0	0
01 01 01 11 (Direct research)		0	0	0	0
Other budget lines (specify)		0	0	0	0
• External staff (in full time equivalent units)					
20 02 01 (AC, END from the 'global envelope')		0	0	2	2
20 02 03 (AC, AL, END and JPD in the EU Delegations)		0	0	0	0
Admin. Support line [XX.01.YY.YY]	- at Headquarters	0	0	0	0
	- in EU Delegations	0	0	0	0
01 01 01 02 (AC, END - Indirect research)		0	0	0	0
01 01 01 12 (AC, END - Direct research)		0	0	0	0
Other budget lines (specify) - Heading 7		0	0	0	0
Other budget lines (specify) - Outside Heading 7		0	0	0	0
TOTAL		0	0	56	56

12 posts and 2 FTE will come from redeployments from the limited Commission redeployment pool.

The implementation of this proposal requires 42 additional posts on top of the establishment plan, all to be financed by Heading 7 beyond stable staffing. A statement to this effect will be proposed as part of the legislative procedure.

All staff will be financed by Heading 7.

The staff required to implement the proposal (in FTEs):

	To be covered by current staff available in the Commission services	Exceptional additional staff*		
		To be financed under Heading 7 or Research	To be financed from BA line	To be financed from fees
Establishment	12 posts	42 posts	N/A	

plan posts				
External staff (CA, SNEs, INT)	2 CA			

Description of tasks to be carried out by:

Officials and temporary staff	54 officials and temporary staff to work on: - Programming/expert group/Committee - Implementation: horizontal tasks, thematic/technical expertise for EU and UA desks - Ukraine financing strategy - Work on MFA - Audit and control - Legal work - Financial circuit design - Accounting tasks - Headroom sustainability - Short-term borrowing (to repay financial institutions) and longer-term debt - Cash calls, settlement reporting, etc. - Manage contracts
External staff	2 FTE to support the work on programming/expert group/committee

3.2.5. Overview of estimated impact on digital technology-related investments

Compulsory: the best estimate of the digital technology-related investments entailed by the proposal/initiative should be included in the table below.

Exceptionally, when required for the implementation of the proposal/initiative, the appropriations under Heading 7 should be presented in the designated line.

The appropriations under Headings 1-6 should be reflected as “Policy IT expenditure on operational programmes”. This expenditure refers to the operational budget to be used to re-use/ buy/ develop IT platforms/ tools directly linked to the implementation of the initiative and their associated investments (e.g. licences, studies, data storage etc). The information provided in this table should be consistent with details presented under Section 4 “Digital dimensions”.

TOTAL Digital and IT appropriations	Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021 - 2027
HEADING 7					
IT expenditure (corporate)	0.000	0.000	0.443	0.443	0.886
Subtotal HEADING 7	0.000	0.000	0.443	0.443	0.886
Outside HEADING 7					
Policy IT expenditure on operational programmes	0.000	0.000	0.000	0.000	0.000
Subtotal outside HEADING 7	0.000	0.000	0.000	0.000	0.000

TOTAL	0.000	0.000	0.443	0.443	0.886
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3.2.6. Compatibility with the current multiannual financial framework

The proposal/initiative:

- ☐ can be fully financed through redeployment within the relevant heading of the multiannual financial framework (MFF)
- ☐ requires use of the unallocated margin under the relevant heading of the MFF and/or use of the special instruments as defined in the MFF Regulation
- ☐ requires a revision of the MFF

3.2.7. Third-party contributions

The proposal/initiative:

- ☐ does not provide for co-financing by third parties

☒ provides for the co-financing by third parties estimated below: third country contributions are enabled but are not mandatory as the proposal is based on Member State guarantees. Appropriations in EUR million (to three decimal places)

	Year 2024	Year 2025	Year 2026	Year 2027	Total
Specify the co-financing body					
TOTAL appropriations co-financed					

3.3. Estimated impact on revenue

- ☐ The proposal/initiative has no financial impact on revenue.
- The proposal/initiative has the following financial impact:
 - ☐ on own resources
 - ☐ on other revenue
 - ☐ please indicate, if the revenue is assigned to expenditure lines

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative ³⁹			
		Year 2024	Year 2025	Year 2026	Year 2027
Item 6642 Ukraine Loan Cooperation Mechanism — Assigned Revenue					

For assigned revenue, specify the budget expenditure line(s) affected.

³⁹

As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20% for collection costs.

Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).

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4. DIGITAL DIMENSIONS

4.1. Requirements of digital relevance

The initiative provides support to a third country and does not establish new EU-level digital public services for natural or legal persons inside the Union. Nonetheless, digital elements are supportive for the Reparations Loan where financial assistance management, defence industrial capability support, and loan initiatives require information exchange, verification, storage and also provision of information to the Council and European Parliament where applicable.

R1 – Digital processes for financing and implementation (Chapter V and in particular Article 27)

Description: transmission of reports, statements or supporting documents electronically using secure channels and Commission systems for workflows such as requests, verification, implementing decision or disbursements.

Stakeholders: Commission services and Council; beneficiary authorities, and EEAS for monitoring the preconditions defined in Article 5.

Processes: Reporting, monitoring, financial management, information exchange.

R2 – Administration of defence-industrial capability support (Chapter IV, in particular Article 16)

Description: Beneficiary authorities must transmit digital documentation demonstrating progress on supported defence-industrial capabilities, following Commission standard templates enabling automated verification.

Stakeholders: Beneficiary authorities; Commission services.

Processes: Monitoring of the implementation and validation of procurements in accordance with the Regulation.

R3 – Administration of Member State and potential third-country guarantee contributions (in particular Chapter V Articles 25, 26 and 27)

Description: Member States and eligible third countries, where applicable, submit information on guarantee commitments and related financial data via secure electronic channels, enabling the Commission to maintain an up-to-date digital register of contributions.

Stakeholders: Commission services; Member States; potential contributing third countries.

Processes: Notification; registry management; financial monitoring.

R4 – Exchange with the European Parliament and the Council, including audit-relevant information (in particular Chapter VI Articles 31 and 32)

Description: The Commission must provide the European Parliament and Council with

reports and sensitive information through secure systems, where necessary.
Stakeholders: Commission services; European Parliament; Council; beneficiary authorities (upstream).
Processes: Reporting; audit information exchange; transmission of classified/sensitive documents.

4.2. Data

For R1–R4, the data includes financial figures, disbursement documentation, defence-industrial capability data, guarantee contribution data, and other information (including potentially sensitive/classified material).

Data exchanges are purpose-bound, minimal, interoperable and carried out through existing secure EU systems, avoiding duplicate data collection, aligning with the European Data Strategy.

Existing Commission datasets and reporting channels will get reused and the aim is that data already submitted for disbursement or monitoring is not requested again, in-line with the once-only principle.

Providers: Beneficiary authorities (R1–R2); Member States/third countries (R3).

Recipients: Commission services; European Parliament and Council for reporting (R4).

Triggers: Reporting cycles, disbursement requests, guarantee notifications, audit requirements.

Frequency: Periodic (e.g. monthly, or as otherwise defined in the Regulation), and ad hoc for financial or audit needs.

4.3. Digital solutions

Concerning all relevant requirements of digital relevance (R1-4), the Commission shall use a secured exchange system and data templates in order to facilitate the exchange of classified information and sensitive information between the Commission and Ukraine and, where appropriate, with the Member States.

Responsibility: Commission services and beneficiary authorities or Member States or third countries, where appropriate.

AI: No AI functionality is mandated.

Compliance: All systems shall comply with the EU cybersecurity framework, eIDAS, data-protection rules, and Commission rules on handling classified information.

Reusability: All digital solutions build on existing Commission infrastructure.

4.4. Interoperability assessment

The Regulation requires secure exchange of classified/sensitive information, access by the Commission to all necessary data for obligations laid down in the Regulation, including verification, and protection of data. All obligations are planned to be met using existing Commission secure systems without interoperability gaps. This supports R1–R4.

4.5. Measures to support digital implementation

As the Commission already provides assistance to the beneficiary country under existing

financial and operational support frameworks, no additional digital implementation measures are required for R1, R3 and R4. For defence-industrial capability reporting (R2), the Commission may, at service level, provide guidance and clarification on the digital templates and secure exchange procedures to ensure readiness and consistent use by the involved parties.