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The Integration Dividend of a European Safe Asset

A European Perspective on Economic Integration and Strategic Assertiveness

In the Stoic tradition founded by Zeno of Citium in the 3rd century BC, eudaimonia arises from participation in a cosmopolis grounded in shared obligations and common destiny.⁽¹⁾ This enduring idea of shared purpose and collective responsibility finds a modern echo in Europe's ongoing efforts to strengthen its financial architecture.

The debate surrounding the creation of a European safe asset has evolved significantly in recent years. What was once viewed primarily through the lens of crisis management is increasingly seen as a structural question concerning Europe's long-term growth model, economic integration, and strategic autonomy. A rare alignment of economic, geopolitical, and institutional conditions has created a compelling case for the issuance of a common European safe asset in pursuit of European public goods. The imperative to enhance economic competitiveness, to accelerate green and digital transitions, to strengthen defense capabilities, and to safeguard energy security, transcends national boundaries and demands an ambitious co-ordinated response.⁽²⁾⁽³⁾

This note aims to deepen the case for advancing a common European benchmark asset, which would constitute foundational market infrastructure for a deeper and more integrated European economy.

A European safe asset would serve as a launchpad for deeper financial integration and innovation by enhancing liquidity across Europe through the creation of a deep and unified benchmark yield curve comparable in function to the role played by U.S. Treasuries in global markets.

Europe continues to operate with fragmented sovereign bond markets, heterogeneous risk premia, and incomplete financial integration. The absence of a sufficiently deep and common safe asset has constrained the advancement of truly integrated capital markets.

Modern financial systems rely on highly liquid benchmark assets to support collateral markets, repo activity, derivatives pricing, and institutional portfolio allocation. Emerging financial technologies seek to further enhance seamless settlement and efficiency.

Large-scale, standardized and highly liquid European safe assets would provide an efficient foundation for the development of integrated digital capital-market infrastructures, including tokenized securities, programmable settlement systems, and interoperable collateral frameworks. The development of the tokenized form of debt would complement and naturally intersect with the European Central Bank's work on Distributed Ledger



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Technologies (DLT), the Appia and Pontes projects, and would be aligned with the Bank for International Settlements-led project, Agora, which aims to explore how DLT can modernize cross-border wholesale finance.

The creation of such an asset would act as a catalyst for the **Savings and Investments Union**.

⁽⁴⁾ The relationship would be mutually reinforcing. On the one hand, a common safe asset would provide the collateral foundation, pricing benchmark, and liquidity pool required for integrated European capital markets. On the other hand, deeper and more integrated capital markets would themselves strengthen the safe asset by broadening the investor base, increasing market depth, and supporting greater issuance capacity. This virtuous circle would help mobilize Europe's substantial pool of savings toward productive investment and generate positive spillovers for the venture-capital and start-up ecosystem, further fostering innovation and productivity.

At the same time, Europe's challenge is not merely one of innovation, but increasingly one of scale. European firms often succeed technologically yet struggle to achieve continental scale in financing, production, and market access. Fragmented capital markets continue to impede the emergence of globally competitive firms in strategic sectors such as artificial intelligence, clean technology, digital infrastructure, defense, pharmaceuticals, and advanced manufacturing. Firms operating at scale require funding at scale. A deeper and more liquid European capital market, anchored by a common benchmark asset, would facilitate larger institutional pools of capital, support long-duration investment, and lower financing costs across borders.

A European safe asset **would also strengthen the Banking Union**⁽⁵⁾ and **enhance financial stability**. While the sovereign-bank nexus in the euro area has weakened considerably, it remains a potential source of vulnerability, given the persistence of banks' exposures to domestic sovereign debt. A common safe asset would further diversify bank balance sheets, improve the quality and liquidity of collateral, and facilitate the emergence of genuinely pan-European banking institutions. Cross-border banks require highly liquid and universally accepted euro-denominated assets for treasury management, collateral operations, and regulatory liquidity buffers. By supporting deeper financial integration, a safe asset would reinforce the logic and resilience of the Banking Union itself and facilitate banking consolidation.

An added benefit of the further development of the European capital markets would be the broadening of the funding sources of the European economy, further supporting financial stability. Whereas in the United States around 70% of corporate financing comes from capital markets, spanning multiple investor categories, in the case of the European Union 70% of financing to corporates is provided by banks only.



A key strategic gain of a European safe asset would be the bolstering of the **international role of the euro**. Reserve currencies require not only economic size, but also deep and liquid safe asset markets. The United States benefits enormously from the global role of Treasuries as the world's principal reserve and collateral asset. Europe already possesses many of the structural characteristics required to support a global safe asset: a market of approximately 450 million people, 33,4 million companies, the world's largest trading bloc (16% of world trade and a substantial share of trade invoicing), strong institutions, an independent central bank, and the euro's position as the world's second most important reserve currency at a share of 20%. Yet Europe still lacks a benchmark asset of sufficient scale and uniformity to match its economic weight.

In this sense, a European safe asset would not merely constitute a European public good. It would also become a **global public good**. This would provide international investors, reserve managers, sovereign wealth funds, pension funds, and financial institutions with an additional source of high-quality liquid assets denominated in euros (supported indirectly by the Eurosystem repo facility for central banks, as recently enhanced). Ultimately, this would enhance the resilience of the international monetary system by contributing to a more stable global financial architecture.

The issuance of common European debt would be the vehicle for financing common European public goods and strategic priorities. This could include common defense initiatives, the green transition and climate adaptation, health preparedness, cross-border energy infrastructure, and digital transformation, including AI initiatives. As such, this would enhance Europe's capacity to finance shared strategic objectives and exercise greater strategic assertiveness globally.

Successful common financing for common public goods would lead to further functional integration as countries move towards greater sharing of public goods. The scope of public goods would broaden, giving rise to new networks of shared provision, and eventually deepen economic interdependence.

The establishment of a permanent **European Safe Asset Programme** could provide the institutional framework for the regular issuance of common European debt to finance shared strategic priorities. Building on the experience of NextGenerationEU⁽⁶⁾, such a programme could support investment in areas of clear European added value. Anchored in a transparent governance framework and backed by strong fiscal safeguards, the programme would provide markets with clarity, predictability, and scale, while contributing to deeper and more integrated European capital markets. Importantly, there are multiple institutional mechanisms through which a European Safe Asset Programme could be achieved. Proposals range from jointly issued Eurobonds to diversified sovereign bond-backed securities,



common investment vehicles, supranational issuance linked to strategic investment programs, and hybrid institutional arrangements. Economists, notably Olivier Blanchard and Ángel Ubide⁽⁷⁾, have further explored pathways toward the creation of a common European safe asset by safeguarding the sustainability of the joint debt and providing adequate liquidity.

I would argue that the Union's objectives would be best served by a European Safe Asset Programme built around a **Two-Pillar Architecture** separating debt issuance from capital deployment.

The financing vehicle would be dedicated to the creation and operation of a deep and liquid safe-asset market and to the advancement of the technological frontier of the bond-market infrastructure, with the aim to establish itself as the **global benchmark for debt management**.

The deployment vehicle would be responsible for channeling capital toward strategic investments and common public goods, advancing the systematic construction of a **European public-goods union**. Such a mechanism would facilitate and enhance the transition from nationally fragmented provision toward genuinely shared public goods. Economies of scale generated through a European public-goods union would foster deeper and wider market integration across the continent. This would allow Europe to compete more effectively with large-scale economic actors, such as the United States and China, whose markets benefit from integrated financing and productive capacities.

At a deeper level, the question of a European safe asset concerns the evolution of Economic and Monetary Union itself. The euro created a common currency, but Europe's financial system remains only partially integrated. A common safe asset would help bridge the gap between the monetary union and a genuinely integrated financial union. The reduction in financial markets fragmentation would also enhance the effectiveness and transmission of monetary policy across the euro area. In essence, it would strengthen Europe's strategic autonomy **and** assertiveness in an increasingly fragmented global environment

Europe already shares a currency. According to the European Commission's Eurobarometer⁽⁸⁾, 82% of citizens living in euro-area countries support the euro. Increasingly, Europe shares common challenges and common interests. A common currency calls for a common safe asset. Significantly, according to the European Parliament's survey⁽⁹⁾, 78% of EU citizens are in favour of common funding for common tasks.

Zeno's cosmopolis was grounded on the idea that prosperity emerges when individuals recognize their participation in a wider community bound by shared obligations and common destiny. The European project is, in many respects, a modern expression of that ideal. A



European safe asset would embody the principles of shared obligations and common destiny that lie at the heart of the European project.

Ultimately, the dividend of a European safe asset would derive not only from lower borrowing costs or enhanced market liquidity, but from its potential to catalyse broader European integration.

⁽¹⁾ Cicero, De Officiis (44 BC); Diogenes Laertius, Lives of Eminent Philosophers, Book VII (200-250 AD).

⁽²⁾ Draghi, M. (2024), [The future of European competitiveness](#), September.

⁽³⁾ Letta, E. (2024), [Much more than a market](#), April.

⁽⁴⁾ [Savings and Investments Union – A Strategy to Foster Citizens’ Wealth and Economic Competitiveness in the EU](#) (COM(2025) 124 final, 19 March 2025).

⁽⁵⁾ European Commission, *Banking Union – What is the banking union?*

⁽⁶⁾ European Parliament and Council (2021), [Regulation \(EU\) 2021/241 establishing the Recovery and Resilience Facility](#), OJ L 57.

⁽⁷⁾ Blanchard, O. and Ubide, Á. (2025), [Now is the time for Eurobonds: A specific proposal](#), Peterson Institute for International Economics, 30 May.

⁽⁸⁾ [Standard Eurobarometer 105 - Spring 2026 - May 2026 - Eurobarometer survey.](#)

⁽⁹⁾ [EP Spring 2025 survey - September 2025 - Eurobarometer survey.](#)