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Vatican Bank transactions subject of Italian probe

by John L. Allen Jr.

Italian authorities froze some $30 million in assets of the Vatican Bank Sept. 20, and placed the bank?s president and general director under investigation for alleged violations of anti-money-laundering protocols.

It marked the first time that civil authorities in Italy have targeted the Vatican Bank since a 2003 ruling of the Italian Supreme Court recognized jurisdiction over the bank?s financial dealings in the country.

The probe began when the Bank of Italy, the country?s largest financial institution, signaled two suspicious transactions by the Vatican Bank in which the source of funds was not identified in keeping with protocols adopted by the European Union. The $30 million had been deposited in another Italian institution, Credito Artigiano, and the transactions involved transfers to two other banks, Banca del Fucino in Italy and JP Morgan in Frankfurt, Germany.

Authorities stressed that the move does not mean that the Vatican Bank, which is formally known as the ?Institute for the Works of Religion,? is necessarily guilty of money laundering, merely that the proper disclosures were not made at the time of the transfers. That omission, according to a 2007 Italian law applying the EU norms, carries a penalty of six months to a year in jail and a fine of U.S. $670 to $6,700. A related offense carries a penalty of six months to three years and a fine of $6,700 to $67,000.

Those laws were adopted in part to prevent terrorists, the mafia and tax cheats from disguising the sources of their funds. Secular financial experts have long feared that because of the Vatican Bank?s traditional independence from regulatory oversight, it could act as a haven for dubious transactions.

A Sept. 21 statement from the Vatican expressed ?perplexity and astonishment? at the move, insisting that the Vatican Bank has been working closely with the Bank of Italy to comply with anti-money-laundering protocols adopted by the European Union. A front-page editorial in *L?Osservatore Romano*, the Vatican newspaper, asserted that the case rests on a ?misunderstanding? that can be resolved ?quickly and easily.?

The Vatican also expressed ?full confidence? in the president of the Vatican Bank, layman Ettore Gotti Tedeschi, and in its general director, Paolo Cipriani. Gotti Tedeschi is a noted economist and a former board member of the Italian banking giant Sanpaolo, and his 2008 appointment was read as a signal of Pope Benedict XVI?s desire to ?normalize? the operations of the Vatican Bank.

Speaking on background, Vatican officials also said that Benedict is contemplating a ?global restructuring? of Vatican finances in the direction of greater accountability, which could culminate in a new *motu proprio*, or legal document under his personal authority.

They also pointed out that Benedict had already created an ?office for information? in the Vatican Bank under the direction of Italian Cardinal Attilio Nicora, president of the Apostolic Patrimony of the Holy See. Nicora enjoys a reputation as the Vatican?s best ?numbers cruncher.?

?Since I was nominated to the presidency of the Institute for the Works of Religion, I have worked, together with the director general, Paolo Cipriani, to resolve the problems for which today I?m being investigated,? Gotti Tedeschi told reporters after the investigation was announced.

?I feely deeply humiliated for what?s happening,? Gotti Tedeschi said to the Italian news agency Adnkronos.

During the 1970s and ?80s, the Vatican Bank was rocked by a series of scandals under American Archbishop Paul Marcinkus. Though it never acknowledged guilt, the bank paid out more than $240 million to creditors to settle claims.
