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Facing financial scandals, pope creates new Vatican watchdog

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NCR Today

New law also criminalizes environmental pollution

Against a backdrop of criminal probes related to alleged financial misconduct both in the Vatican Bank and at the Congregation for the Evangelization of Peoples, the Vatican's wealthy missionary department better known as "Propaganda Fide", Pope Benedict XVI today created a new in-house watchdog to promote compliance with international rules against financing terrorism, money-laundering, insider trading and market abuse.

The move amounts to a potential sea change for the Vatican, where traditionally the various departments have been largely autonomous in their financial dealings, with only a loose coordination provided by the office of the Apostolic Patrimony of the Holy See (APSA). By pledging cooperation with international monitoring agencies, the new laws also mark a break with the Vatican's traditional reluctance to open up its internal financial operations to outside scrutiny.

The Vatican spokesperson, Jesuit Fr. Federico Lombardi, today described the new laws as "a step towards transparency and credibility" with "far-reaching moral and pastoral significance."

"This morning, the Vatican announced that Benedict has created a new department called the "Authority of Financial Information," with the power to supervise all Vatican transactions, including those of both the Vatican Bank and Propaganda Fide.

The move comes as part of a package of four new laws designed to combat money-laundering and counterfeiting, the most complex of which is a "Law Concerning Prevention and Combating the

Laundering of Revenue from Criminal Activity and the Financing of Terrorism," elaborated in 43 articles. It specifies that the new Authority of Financial Information will have "full autonomy and independence," including the right to examine the books of all Vatican departments.

In part, the law is designed to implement an agreement between the Vatican and the European Commission on fighting money-laundering signed in December 2009. In September, the Vatican also said it's in talks with the Organization for Economic Cooperation and Development about getting on the Paris-based group's so-called White List of nations that comply with global norms on financial transparency.

The new law establishes criminal penalties for violation of financial norms, including four to twelve years in prison and fines of almost \$20,000. (Typically, enforcement of criminal laws at the Vatican, such as those against pickpocketing, is entrusted to the Italian penal system.)

The new law is to take effect on April 1, 2011.

Benedict's new laws come amid the backdrop of two financial scandals that erupted in 2010, both of which are the subject of on-going civil investigations in Italy.

One is related to suspicions that the former prefect of Propaganda Fide, Naples Cardinal Crescenzio Sepe, gave sweetheart deals on Roman apartments owned by the congregation to Italian politicians in exchange for millions of Euros in public funds for construction and restoration, in some cases for work that was never completed.

The other is focused on the Vatican Bank, where some \$30 million in assets was seized by civil authorities earlier this year for violations of European anti-money laundering laws.

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An Italian judge recently ruled that those assets should remain frozen, and a November brief filed by prosecutors asserted that while the bank has expressed a "generic will" to conform to international standards, "there is no sign that the institutions of the Catholic church are moving in that direction."

Today's package of new laws is, in part, designed to combat those impressions.

One intriguing footnote: In addition to creating new penalties for financial misconduct, Benedict XVI has also criminalized environmental pollution.

In article 18, the new law establishes a penalty of up to six months imprisonment and a fine of \$3,500 to \$35,000 for anyone who pollutes the soil or water, and establishes the same penalties for polluting the atmosphere. The jail term rises to a year, and the fines range from \$7,000 to \$70,000, if the pollution occurs with hazardous substances.

Benedict's environmental teaching and activism, including the installation of solar panels both at the Vatican's audience hall and his private home in Regensburg, Germany, have already earned the pontiff the nickname the "Green Pope."

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