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A lot rides on new Vatican Bank appointment

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Benedict Resigns
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Conventional wisdom about Benedict XVI holds that he's a strong teaching pope but weak on the business management side, reflected in the "Vatileaks" mess and other internal breakdowns. Yet defenders argue he's actually been a reformer, perhaps nowhere more so than on Vatican finances.

The next few days seem likely to bring one final twist to the story, with the naming of a new president for the embattled Vatican Bank.

On Tuesday, Italian Cardinal Tarcisio Bertone, the Vatican's Secretary of State, announced during a reception for the 84th anniversary of the Lateran Pacts that a new president of the Institute for the Works of Religion, better known as the "Vatican Bank," would be named shortly. That was confirmed Wednesday by Jesuit Fr. Federico Lombardi, the Vatican spokesperson.

"It's plausible that the appointment could come in the next few days," Lombardi said. "It's a process that's been under way for a long time, and I don't see why it should stop because of the pope's resignation."

Fairly or not, the Vatican Bank has long been a symbol of what critics see as shady practices and corruption in the Holy See.

In the 1980s, the collapse of the Banco Ambrosiano led to spectacular charges that the Vatican Bank had been complicit in laundering money for the Sicilian mob and was linked to shadowy Masonic networks. In the 1990s, charges emerged that the Vatican Bank had sheltered assets of the Nazi-allied regime in Croatia during the Second World War.

Both the president and the director of the Vatican Bank were placed under investigation by Italian authorities in 2010 and $30 million in assets were seized for allegedly failing to follow European protocols against money laundering. The money was released in May 2011 and no criminal charges were filed.

In May 2012, Ettore Gotti Tedeschi was ousted as president of the Vatican Bank following an internal power struggle. He had been appointed in 2009 with the profile of a reformer, but a council of supervisors led by American Carl Anderson, head of the Knights of Columbus, faulted him for erratic behavior and poor job performance.

Most recently, the Deutsche Bank Italian announced Dec. 31 that it was suspending electronic payment services for the Vatican because it lacked an adequate banking regulatory authority to control money laundering. That meant that the Vatican became a "cash only" business for weeks, unable to accept credit cards at its museums and post office. Those services were set to be restored this week after the Vatican worked out a deal with the Swiss cashless payment firm Aduno SA.

Given all that, it's understandable why the appointment of a new president for the troubled bank is seen as perhaps the most important remaining decision on Benedict's agenda.

What some observers have described as Benedict's effort at a financial glasnost began in 2010 with the creation of a new watchdog unit called the "Financial Information Authority," charged with overseeing all monetary and commercial activities of Vatican departments.

The current director is René Brülhart, who previously led anti-money-laundering efforts in the tiny European principality of Liechtenstein. He's also served as vice president of the Egmont Group, the global network of financial intelligence units, which are national-level bodies that coordinate the policing of financial transparency requirements.

The Brülhart appointment signaled to the financial world that the Vatican meant business.

At the Egmont Group, Brülhart directed efforts to identify illegitimate assets held by the Gadhafi regime in Libya and by various armed movements in Nigeria. He achieved brief fame in 2003 when he helped return a Falcon 50 business jet worth several million dollars to the new Iraqi government after the fall of Saddam Hussein -- the first case in which an asset held by Saddam outside Iraq was repatriated.

The watershed in Benedict's purported glasnost came in 2012 with the first evaluation of the Vatican's financial operations by Moneyval, the Council of Europe's anti-money-laundering agency. Never before has the Vatican opened its financial and legal systems to this sort of external, independent review with the results made public.

In centuries past, had secular authorities shown up to conduct such an investigation, they would have been fought off tooth and nail. For Moneyval, the red carpet was rolled out. American lawyer Jeffrey Lena, an adviser to the Vatican on the Moneyval process, said evaluators were able to examine records of judicial and diplomatic cooperation, anti-money-laundering certifications, accountancy management letters, foundation registry records, and other confidential legal documents.

In the end, Moneyval delivered a mixed verdict. They found the Vatican "has come a long way in a very short time" toward greater transparency, but that problems remain. They included confusion about the powers of the Financial Information Authority and the lack of external regulation of the Vatican Bank.

The Vatican pledged to work to remedy the difficulties identified in the Moneyval evaluation.

Insiders say a process of reform at the Vatican Bank actually predates the creation of the Financial Information Authority. They say its lay director, Paolo Cipriani, is a serious professional, who among other things initiated an internal review of accounts to make sure no one who wasn't supposed to had money stashed in the bank.

If the new president is someone seen as a "clean hands" figure with good credentials in the banking world, critics may be slightly more inclined to accept Benedict as a reformer. (As a technical matter, the Vatican Bank president is not appointed by the pope but by a council of cardinals.) If the person is perceived as a Vatican crony, on the other hand, that case may be harder to make. Most observers expect the nod to go to a non-Italian in part to demonstrate a break with old ways of doing business.

Given all that's at stake, veteran Italian commentator Andrea Tornielli suggested Wednesday that it would be better to wait to make the appointment in order not to further roil the waters after the shock of Benedict's resignation.

"It couldn't come at a worse moment," Tornielli wrote. Noting that the job has been vacant for nine months, he

asked, "What would another month change?"

Historically, it's not unusual for pending appointments to be pushed through the pipeline when the end of a papacy seems to be drawing near. On April 1, 2005, the Vatican announced 18 different personnel moves just a day before the death of Pope John Paul II, including a new archbishop of Managua in Nicaragua.

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