

Vatican Bank hit by financial scandal... again

Investigators are closing in on the Pope's bank, dissatisfied by claims that it will change its ways

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St Peter's Square on 8 December during the Angelus noon prayer

This is no ordinary [bank](#). The ATMs are in Latin, priests use a private entrance, and a life-sized portrait of Pope Benedict XVI hangs on the wall. Nevertheless, l'Istituto per le Opere di Religione (the Institute for Religious Works) is a [bank](#), and it is under harsh new scrutiny, including money-laundering allegations that led police to seize €23m (£19.5m) in Vatican assets in September. Critics say the case shows that the "Vatican Bank" has never shed its penchant for secrecy and scandal.

The Vatican calls the seizure of [assets](#) a "misunderstanding" and expresses optimism that it will be cleared up quickly. But court documents show that prosecutors say the Vatican Bank deliberately flouted anti-laundering laws "with the aim of hiding the ownership, [destination](#) and origin of the capital". The documents also reveal investigators' suspicions that clergy may have acted as fronts for corrupt businessmen and the Mafia. The documents pinpoint two transactions that have not been reported: one in 2009 involving the use of a false name, and another in 2010 in which the Vatican Bank withdrew €650,000 from an [Italian](#) bank account but ignored bank requests to disclose where the money was headed.

The new allegations of financial impropriety could not have come at a worse time for the Vatican, already hit by revelations that it sheltered paedophile priests. The corruption probe has also given new hope to Holocaust survivors who tried unsuccessfully to sue the Vatican in the US, alleging that Nazi loot was stored in the bank.

Yet the scandal is hardly the first for the centuries-old bank. In 1986, a Vatican financial adviser died after drinking cyanide-laced coffee in prison. Another was found dangling from a rope under London's Blackfriars Bridge in 1982, his pockets stuffed with money and stones. The incidents blackened the bank's reputation, raised suspicions of ties with the Mafia, and cost the Vatican hundreds of millions of dollars in legal clashes with Italian authorities.

On 21 September, financial police seized assets from a Vatican Bank account at the Rome branch of Credito Artigiano. Investigators said the Vatican had failed to furnish information on the origin or destination of the funds, as required by Italian law. The bulk of the money, €20m, was destined for the American JP Morgan's Frankfurt branch in Germany, with the remainder going to Banca del Fucino, an Italian bank. Prosecutors alleged the Vatican ignored regulations that foreign banks must communicate to Italian financial authorities where their money has come from. All banks have declined to comment.

In another case, financial police in Sicily said in late October that they had uncovered money laundering involving the use of a Vatican Bank account by a priest in Rome whose uncle was convicted of association with the Mafia. Authorities say some €250,000, illegally obtained from the regional government of Sicily for a fish-breeding company, was sent to the priest by his father as a "charitable donation", then sent back to Sicily from a Vatican Bank account using a series of home-banking operations to make it difficult to trace.

The prosecutors' office stated in court papers last month that while the bank has expressed a "generic and stated will" to conform to international standards, "there is no sign that the institutions of the Catholic Church are moving in that direction". It said its investigation had found "exactly the opposite".

Legal waters are murky because of the Vatican's special status as an independent state within Italy. This time, Italian investigators were able to move against the Vatican Bank because the Bank of Italy classifies it as a foreign financial institution operating in Italy. However, in one of the 1980s scandals, prosecutors could not arrest the then bank head Paul Marcinkus, an American archbishop, because Italy's highest court ruled he had immunity. Marcinkus, who died in 2006 and always proclaimed his innocence, was the inspiration for Archbishop Gilday in Francis Ford Coppola's *The Godfather: Part III*.

The Vatican has pledged to comply with EU financial standards and create a watchdog authority. Gianluigi Nuzzi, author of *Vatican SpA*, a 2009 book outlining the bank's dealings, said it is possible the Vatican is serious about coming clean, but he is not optimistic. "I don't trust them," he said. "After the previous big scandals, they said 'we'll change' and they didn't. It's happened too many times." He said the structure and culture of the institution is such that powerful account holders can exert pressure on management. In addition, some managers are simply resistant to change.

The list of account holders is secret, though bank officials say there are some 40,000-45,000 among religious congregations, clergy, Vatican officials, and lay-people with Vatican connections. The bank chairman, Ettore Gotti Tedeschi, who is also chairman of Santander's Italian operations, was brought in last year to bring the Vatican Bank in line with Italian and international regulations. Mr Gotti Tedeschi has been on a public speaking tour extolling the benefits of a morality-based financial system. "He went to sell the new image ... not knowing that inside the same things were still happening," Mr Nuzzi said. "They continued to do these transfers without the names, not necessarily in bad faith, but out of habit."

It does not help that Mr Gotti Tedeschi himself and the bank's number two, Paolo Cipriani, are under investigation for alleged violations of money-laundering laws. Both were questioned by Rome prosecutors on 30 September, although no charges have been filed. In his testimony, Mr Gotti Tedeschi said he knew little about the bank's day-to-day operations, noting that he had been in the job less than a year.

According to the prosecutors' interrogation transcripts, Mr Gotti Tedeschi deflected most questions about the suspect transactions to Mr Cipriani. He in turn said that when the Holy See transferred money without identifying the sender, it was the Vatican's own money, not a client's. Mr Gotti Tedeschi rejected a request for an interview but has stated that he questions the motivations of prosecutors. In a speech in October, he described a wider plot against the church, decrying "personal attacks on the Pope" and "the facts linked to paedophilia". As the Vatican proclaims its innocence, the courts are holding firm. An Italian court has rejected a Vatican appeal against the order to seize assets.

The Vatican Bank was founded in 1942 by Pope Pius XII to manage assets destined for religious or charitable works. The bank, located in the tower of Niccolo V, is not open to the public. There are about 100 staffers, 10 bank windows, a vault for safe-deposit boxes, and ATMs that open in Latin but can be accessed in modern languages. In another concession to modern times, the bank recently began issuing credit cards.

During the scandals three decades ago, the Sicilian financier Michele Sindona, who had been appointed by the Pope to manage the Vatican's foreign investments, brought in Roberto Calvi, a Catholic banker in northern Italy. After Sindona's banking empire collapsed in the mid-1970s, his links to the mob were exposed, sending him to prison in 1980 and his eventual death from poisoned coffee six years later. Calvi, who inherited his role, headed Banco Ambrosiano, which collapsed in 1982 after the disappearance of \$1.3bn in loans made to dummy companies in Latin America. The Vatican had provided letters of credit for the loans.

Calvi was found a short time later hanging from scaffolding on Blackfriars Bridge, his pockets loaded with bricks and \$11,700 in various currencies. After an initial ruling of suicide, murder charges were filed against five people, including a major Mafia figure, but all were acquitted after being tried. While denying wrongdoing, the Vatican Bank paid \$250m to Ambrosiano's creditors. Both the Calvi and Sindona cases remain unsolved.