

# Vatican bank touts transparency amid scandals

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c. 2012 Religion News Service VATICAN CITY (RNS) As European financial regulators meet in Strasbourg, France, the Vatican is bracing for a decision that could determine the success of its years-long drive to adopt international financial transparency standards -- and along the way help restore the reputation of the scandal-plagued institution.

On Wednesday (July 4), Moneyval, a European watchdog, will discuss a report assessing the Holy See's progress in preventing money laundering and terrorism financing, a crucial step toward international recognition as a financially responsible country.

Setting up a full-fledged regulation system is a challenge, and it is especially difficult for the world's smallest state. But it is also a critical step for an institution that has called for a radical reform of the global financial system and prides itself on bringing an ethical voice to today's financial world.

Paolo Cipriani, who since 2007 has been director general of the Vatican Bank -- formally known as the Institute for the Works of Religion (IOR) -- knows what is at stake in the Moneyval report.

"We want to radically change the face of IOR," he told journalists during a June 28 media tour of the bank, a first for an institution based behind the high walls of Vatican City. "We want to lift the 'veil of secrecy' hanging around the institute and show that our effort for transparency is real."

In recent decades, the Vatican Bank has repeatedly been mired in financial scandals and controversies. They have ranged from the mysterious 1982 murder of Roberto Calvi, head of a failed bank that was partly owned by the Vatican Bank, to a recent Italian investigation of the IOR for suspected money laundering.

In May, the Vatican Bank unceremoniously sacked its president, Ettore Gotti Tedeschi, officially for his poor governance of the bank. But Gotti Tedeschi may also be implicated in the leak of sensitive Vatican documents that has been a public relations disaster for the pope. The Vatican is still looking for a replacement.

Since its creation in 1942, the Vatican Bank's operations have always been shrouded in secrecy. In the 80s, the Vatican famously invoked its diplomatic status to shield American Archbishop Paul Marcinkus, then IOR's president, from arrest by Italian police.

According to the bank's management, things have now changed. Cipriani assured journalists that since 1996 the bank has no secret accounts and that the investment policy for its estimated \$7.5 billion in assets is "very conservative." Only 5 percent goes into the stock market while the rest is invested in bonds with a minimum "A" rating.

"Our main goal is not to make a profit," he said.

Cipriani described at length the internal and external control mechanisms the Vatican Bank has set up to make sure that no suspicious transfers get through and that no one without an official link to the Catholic Church gets to open an account at the bank. "Everyone is thoroughly vetted," he said.

According to Giuseppe Di Taranto, professor of finance at LUISS University in Rome, the impetus for the Vatican actions on international compliance was the adoption of the euro in 2000. In order to continue using the common European currency, the Vatican -- an absolute monarchy where the pope has the last word on practically everything -- has been working to "modernize" itself, he said, and this meant getting in line with international regulations on financial transparency.

The process hasn't been easy, however. Leaked documents have shown senior Vatican officials fretting over the pace of the bank's reforms, and the dismissal of Gotti Tedeschi was a huge black eye.

The Vatican Bank had already suffered an embarrassing fiasco in March when JPMorgan Chase rescinded its relationship with IOR. Chase alleged that the Vatican Bank hadn't fully cooperated with disclosure requests -- something Cipriani denied in his June 28 briefing. Chase declined to comment.

With only a few days before the Strasbourg meeting, the bank's director general was understandably nervous during his meeting with journalists. In his long presentation, Cipriani fumbled on a couple of occasions, first confusing nuns' vows of poverty with their "vows of chastity," then letting slip that "the pope is a tyrant" -- an awkward reference to the pope's absolute power within the Vatican walls.

But despite the difficulties, Di Taranto of Rome's LUISS University is sure that the Vatican and its bank will eventually benefit from the Moneyval process in part because it will be more attractive to depositors.

"It's not just ethical reasons," Di Taranto said.