

# Pope signs new measures to guarantee financial transparency in Vatican

VATICAN CITY - Pope Benedict XVI has instituted a new agency to monitor all Vatican financial operations and make sure they meet international norms against money-laundering and the financing of terrorism.

The pope issued an apostolic letter Dec. 30 that established the Financial Information Authority as an independent agency to oversee the monetary and commercial activities of all Vatican-related institutions, including the Vatican bank.

At the same time, the Vatican promulgated a detailed new law that defined financial crimes and established penalties - including possible jail time - for their violation. The list of transgressions includes corruption, market manipulation, fraud and virtually any activity that facilitates or provides funding to acts of terrorism. The new law, which reflects the latest European Union regulations, takes effect April 1.

The pope's brief apostolic letter said the Vatican fully supported the international community's efforts to coordinate a response to financial crimes, which often involve more than one country.

"In our age of increasing globalization, peace is unfortunately threatened by many factors, including an improper use of the market and the economy, and the terrible and destructive violence perpetrated by terrorism, which causes death, suffering, hatred and social instability," the pope said.

The creation of such an oversight agency is unprecedented at the Vatican, where several departments have operated with some degree of financial independence for decades or centuries.

The Vatican spokesman, Jesuit Father Federico Lombardi, described the move as a courageous step that reflects the moral requirement of "transparency, honesty and responsibility" in the Vatican's operations.

“Vatican organizations will be less vulnerable in the face of the continuous risks that inevitably arise in the handling of money. Those errors which so quickly become the cause of ‘scandal’ for public opinion and the faithful will be avoided,” Father Lombardi said.

“In the final analysis, the church will be more credible before the members of the international community, and this is of vital importance for her evangelical mission,” he said.

The move came several months after Italian treasury police, in a money-laundering probe, seized 23 million euros (US\$30 million) that the Vatican bank had deposited in a Rome bank account. The Vatican criticized the confiscation, saying the deposit was legitimate and that the Vatican bank was committed to “full transparency” in its operations.

The Vatican has been working for some time with Italian and international authorities to comply with procedures that ensure funds are not used for terrorism or money-laundering. The new documents represent the fruit of those efforts.

In addition, the Vatican announced three new laws aimed at curbing counterfeiting of euros and currency fraud.

The Financial Information Authority will operate with full autonomy and monitor all Vatican agencies that have financial dealings or commercial transactions. That includes major institutions like the Vatican City State, the Vatican bank, the Vatican’s investment agency (APSA) and the Congregation for the Evangelization of Peoples, and smaller agencies like the Vatican pharmacy, supermarket and the Vatican Museums.

The authority will be headed by a president and a council of four other people, all appointed by the pope. The president will name a director and additional staff. The appointments were expected to be announced in early 2011.

In addition to investigating reports of suspicious activity, the authority is obligated to examine any new business relationships by Vatican agencies and any single transaction involving more than 15,000 euros (\$20,000). The authority has access to

all financial and administrative records of the agencies; Vatican officials and employees are required to furnish all such information, an exception to the normal rules of secrecy in Vatican institutions.

All Vatican agencies are now required to verify the standing of any potential business partners, keep detailed records of all transactions and report any suspicious transactions. Anyone entering or leaving Vatican City with 10,000 euros or more in cash must now declare it in writing.

If the Financial Information Authority investigates and discovers evidence of financial impropriety, it is to report its findings to the Vatican's judicial system for prosecution. If a conviction results in a prison sentence, it would presumably be served in Italy, in accordance with an agreement between the Vatican and the Italian government.

The Vatican bank handles accounts of religious orders and other Catholic institutions. It was involved in a major Italian banking scandal in the 1980s, when fraud led to the collapse of Italy's Banco Ambrosiano. Although denying wrongdoing, Vatican bank officials made what they called a "good-will payment" of about \$240 million to the failed bank's creditors.