

WALL STREET JOURNAL

Secretive Vatican Bank Publishes First Financial Accounts

Earnings Report Comes Amid Review of Scandal-Marked Bank

October 1, 2013

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ROME—The Vatican bank published its financial accounts Tuesday for the first time in its 126-year history, reflecting Pope Francis's push for greater transparency at the secretive and scandal-plagued financial institution.

The move comes as the pope is exploring other ways to reform the bank and has even suggested he is open to turning it into a charitable fund or shutting it down.

The Vatican bank, called the Institute of Religious Works, or IOR, said its 2012 net income more than quadrupled to €6.6 million (\$116.9 million) from €0.2 million, thanks mainly to trading in fixed-income securities, including government bonds. The profit enabled it to give €4.7 million to the Holy See, which the pope can hand out to Catholic charities of his choice.



L'Osservatore Romano/Associated Press

Cardinals charged with overhauling the Roman Curia arrived at the Vatican on Tuesday to meet with the pope.

But the bank, located in a medieval tower inside Vatican City walls, warned that its performance this year would suffer from legal, audit and communications costs tied to its bid to increase transparency and to open the bank to greater accountability.

"With the publication of our annual report, we are meeting our commitment to provide transparency about our activities," said Ernst von Freyberg, whose appointment to head the bank earlier this year was one of Pope Benedict XVI's last official acts before he resigned in February.

The Vatican bank has been trying to overcome decades of scandals, most notably the 1982 collapse of Banco Ambrosiano, in which it was a main shareholder. Then-Banco Ambrosiano Chairman Roberto Calvi—who was called "God's Banker" because of his ties to the Vatican—was found hanging from Blackfriars Bridge in London that year. Foul play was suspected, but nobody was ever convicted.

In 2010, Italy placed two top officials at the Vatican bank under investigation on suspicion that they failed to comply with laws against money laundering. The investigation is ongoing. The two individuals and the bank have denied wrongdoing.

Most recently, in June, Italian police detained a Vatican accountant, a financial broker and a former member of the country's secret services in connection with an alleged plot to smuggle €20 million in cash into Italy from a Swiss bank. Italian prosecutors said they stumbled onto the alleged plot while investigating the money-laundering accusations.

In recent years, the Holy See has taken steps to improve the bank's transparency, including creating a financial watchdog and establishing new rules for monitoring the movement of funds in and out of the Vatican.

In the summer of 2012, Moneyval—a committee of financial experts backed by the 47-nation Council of Europe—gave the Vatican a mixed report card on its actions. The panel urged the institution to further strengthen measures aimed at preventing money laundering and terrorist financing.

"This is another step toward the creation of a righteous and transparent institute, for which the pope will decide later this year or the next one which direction he wants us to take," Mr. von Freyberg said in an interview with Vatican Radio on Tuesday.

The bank has hired consulting firm Promontory Financial Group LLC to review all customer relationships and procedures to safeguard against money-laundering. The review is expected to end this year. "This is indicative of the desire for the activities of the IOR to be more transparent and to help the faithful understand how the IOR contributes to the church's well-being throughout the world," said Francesco Cesareo, president of Assumption College in Worcester, Mass.

As the Vatican bank seeks to shed its image of secrecy, its future remains uncertain. Pope Francis suggested this summer that he was considering transforming the bank into a charitable fund or even shutting it down entirely. This summer he set up a special commission to review the bank.

Separately, the pope, who has been pushing for a more open, pastoral church, met with eight cardinals charged with reforming the Roman Curia, which has been riven by its own scandals

and infighting in recent years. The cardinals' recommendations aren't expected for months, and the group hasn't been mandated with discussing potential overhauls of the Vatican bank.

The pope on Tuesday also criticized church leaders who have put their career ahead of their flock.

"Leaders of the church have often been narcissists, gratified and sickeningly excited by their courtiers," Pope Francis said in an interview with Italian daily La Repubblica. The Curia "is Vatican-centric....I don't share this view, and I'll do all I can to change it."

Pope Francis also said that for a brief moment he considered turning down the papacy when he was elected by the other cardinals in March.

"I closed my eyes and all thoughts disappeared, including the one of rejecting the nomination," he recalled. "At a certain point, a great light filled me up....Then the light went away and in a sudden rush, I went to the room where the cardinals were waiting for me with the acceptance document on the table. I signed it."