

The IOR is the Vatican's bank and which holds 5 billion euros in deposits
It offers exceptional returns along with invisibility and complete secrecy

Scandal, intrigue and mystery

The secrets of the Vatican Bank

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The Catholic Church is the only religion to have a social doctrine founded on the war on poverty and the demonisation of money, or “the Devil’s excrement”. The Gospel according to St. Matthew reads: “It is easier for a camel to pass through the eye of a needle, than for a rich man to enter the Kingdom of Heaven.” It is, however, the only religion to have its own bank to handle business affairs and investments, called L’Istituto per le Opere di Religione (Institute for Religious Works) or IOR.

The headquarters of the IOR is a little stone box within the Vatican’s walls. A striking 14th century tower built by Pope Nicholas V, it has walls which are often nine metres thick at the base. The entrance is by a discreet door with neither sign nor symbol upon it. It is only the round-the-clock presence of a garrison of Swiss Guards which hints at its importance. Inside are a large computer room, one single counter and one single ATM. Through this needle’s eye immense and often shady fortunes pass. The most conservative estimates put it at 5 billion euros in deposit accounts. In return, account holders, some of whom “have had problems with the law” according to the bank’s president Angelo Caloia, receive higher returns than those offered by any hedge-fund and another inestimable advantage: complete secrecy. More impenetrable to investigators than the Cayman Islands, more discreet than a Swiss bank, the IOR is indeed a (fiscal) paradise on Earth. There are no Vatican chequebooks. All deposits and transfers are made by transfer, in cash or in gold bullion. Untraceable.

The court case following the Banco Ambrosiano scandal closed twenty years ago now, and since then the IOR has been a black hole into which no one dare look. To extricate itself from the bank’s collapse which had ruined tens of thousands of families, the Vatican Bank paid out US\$406 million to the receivers. According to the then Treasury Minister Beniamino Andreatta, this was less than a quarter of the US\$1159 million owing. The scandal gave rise to innumerable legends and has left many noble corpses in its wake. Michele Sindona was found poisoned in Voghera prison, Roberto Calvi hanging under Blackfriars Bridge, investigating magistrate Emilio Alessandrini killed by left-wing terrorist group Prima Linea, lawyer Giorgio Ambrosoli silenced by an American mafia killer on his doorstep.

The most worrying mystery surrounds that of the death of Pope John Paul I after only 33 days in office, on the eve of the decision whether to remove Paul Marcinkus and the other heads of the IOR or Vatican Bank. Macabre rumours about his sudden demise surfaced, nourished by the Vatican's silence. There would be no autopsy to confirm the allegedly devastating heart attack and the pad containing notes on the IOR that according to many he took to bed on his final night would never be found.

This was the IOR of Paul Marcinkus, born in Cicero, Chicago, the son of a Lithuanian window cleaner two streets away from Al Capone's headquarters, and the subject of one of the most sensational yet perplexing careers in the recent history of the Church. Tall and athletic, good at baseball and golf, he had been the man who had saved Pope Paul VI from assassination in the Philippines. It is perhaps not enough to explain why an intellectual such as Montini (author of the most progressive encyclical in history, the *Populorum Progressio*) would be attracted to this American priest with the perpetual Wall Street adventurer look, complete with golf clubs sticking out of his custom-built car, huge Havana between his teeth, beautiful blonde secretaries and poker friends from the P2 Masonic Lodge.

With Pope John Paul II, Marcinkus had an immediate rapport. The new Polish Pope Wojtyla liked this son of Eastern European immigrants very much. Marcinkus spoke good Polish, hated communists and seemed very sympathetic to the Polish Solidarity cause. When the Milanese magistrates issued an arrest warrant for Marcinkus, the Vatican closed up like a fortress to protect him, refusing any cooperation with the Italian legal system, waving their foreign passports in a show of diplomatic immunity. It would take another ten years before the Pope would decide to remove from the IOR presidency one of the main men responsible for the collapse of the Banco Ambrosiano. Without, though, uttering a word of condemnation or even veiled criticism: to the Vatican hierarchy, Marcinkus was and still remains "a victim", even "a naive victim".

Many things changed at the Vatican Bank after 1989, with the arrival Angelo Caloia as president, a gentleman of the "Catholic" bankers' circle and friend and colleague of Gianni Bazoli (head of Banca Intesa San Paolo). Some things didn't change. The role of "new broom" at the Vatican Bank given to the "lay" banker Caloia was much heralded by the Vatican hierarchy to outsiders, whilst inside the Vatican he faced many obstacles, at least in the first few years. He confided in his biographer, the Catholic journalist Giancarlo Galli (author of the fundamental but unavailable "Finanza bianca" Mondadori, 2003) that "the real power at the Vatican Bank remained in the hands of Monsignor Donato de Bonis, who was in contact with everyone in Rome who mattered, politically and otherwise. Francesco Cossiga (former Italian President) called him Donatino, Giulio Andreotti (former Italian PM and political deity) held him in high esteem, followed by aristocrats, financiers and artists like Sophia Loren. This explains why the bank would hold accounts even for people who would soon have to face the justice system. All it needed was a signal from the Monsignor and a secret account was opened".

Sometimes Monsignor De Bonis accompanied account holders and their cash or gold to the vault, up the staircase and "closer to heaven" at the top of the tower. Clashes between bank president Caloia and the theoretically subordinate De Bonis were frequent and bitter. Galli comments that "a golden rule of management says, in the case of a conflict between a superior and a subordinate, that the

latter should give way. At the very peculiar organisation that is the IOR, however, when a suit clashes with a cassock it's no longer a question of rank".

Galoia's period of financial "Glasnost" proceeds apace, but it doesn't stop the shadow of the Vatican Bank being implicated in just about every scandal of the last twenty years. From *Tangetopoli* (Bribesville) and the judge murders of '93, to the shady takeovers in the banking sector and the recent football corruption scandals called *Calciopoli*. It seems, though, that the shadow is slowly disappearing. Nobody wants nor knows how to look behind the impenetrable walls of the Vatican Bank.

The Autumn of 1993 was the cruellest season of the Bribesville scandal. On the morning of 4th October, straight after the alleged or real suicides of businessmen Gabriele Cagliari and Raul Gardini, a telephone call came into the office of the IOR's president from the top corruption-busting magistrate in Milan, Francesco Saverio Borrelli: "My dear Signor Galoia, we have some problems concerning the IOR and its contacts with Enimont (Gardini's company)...". The problem was that a large portion of the "mother of all bribes" (€55.7 million in Treasury bonds) passed through the IOR. It hit the account of an old client, Luigi Bisignani, a journalist, businessman and "P2" Freemason sentenced to 3 years and 4 months over the Enimont scandal and who recently resurfaced in connection with the so-called "Why Not" investigation under Luigi De Magistris. After the call from Borrelli, Galoia rushed to seek the advice of Monsignor Dardozi, a trusted associate of the Vatican Secretary of State Agostino Casaroli. He later related the conversation to Galli and in his customarily colourful language, he told Monsignor Dardozi that he was "in the shit". The cleric immediately ordered him a fold-up bed in the Vatican City to underline the seriousness of the situation. "I refused, and replied that I would remain at the Hassler" (a top Roman hotel near the Spanish Steps). "In any case, I accepted his advice to urgently consult some top legal minds, as ignoring Borrelli was not an option!" The response to Borrelli's request was short but to the point: "Any potential testimony will be subject to request by international letter rogatory".

The corruption-busting magistrates knew what this meant. The Vatican Bank has no branches on Italian territory, doesn't issue cheque books and, as a "foreign" entity based in the Vatican City, is protected by the Concordat treaty. Any request must therefore come from the Italian Foreign Office. The chances of obtaining a testimony under these circumstances are virtually zero. However, the effect of a request by Milanese magistrates would have a devastating effect on public opinion. The magistrates withdrew and accepted the official explanation: "The IOR could not have known the destination of this money".

The other and even more shadowy episode was back in the mid-1990s during Marcello dell'Utri's trial on charges of mafia involvement. In a video link from the United States, Mafia Supergrass Francesco Marino Mannoia revealed that "Licio Gelli was investing Palermo Mafioso Salvatore Riina's money with the Vatican Bank." The IOR offered the Sicilians investments and discretion". Mannoia had been providing information at first hand, as head of all the heroin refineries in western Sicily, the principal source of profit for the mafia cells. They cannot be unaware of where mafia money ends up. Then he goes further, with a hypothesis: "When Pope John Paul II came to Sicily and ex-communicated the Mafiosi, the Mafia bosses felt aggrieved especially because they were putting their money into the Vatican. It was from this that the decision was taken to explode bombs outside two churches in Rome". Mannoia is not just anybody.

According to murdered anti-mafia magistrate Giovanni Falcone, Mannoia was “the most reliable prosecution witness”. Each of his claims has had objective verification, except for the claims about the Vatican Bank, for which there has been no verification of facts. The magistrates working on the Dell’Utri case didn’t look into the IOR connection because it didn’t concern Dell’Utri or the Berlusconi group. They passed it on to their colleagues working on the case against Andreotti. Palermo prosecutor Scarpinato and others were aware of the precedent set by Borelli and didn’t sign the rogatory application [to be served on the Vatican Bank]. Someone high up at the Palermo Court House remarked: “Go after the Vatican?? Haven’t we made enough enemies already??”

The curtain fell on the goings on at the IOR for ten years, until the scandal broke surrounding a series of shady takeovers in the Italian banking industry. On 10th July 2007, the imprisoned leader of the takeover rogues, Giampero Fiorani, told a magistrate: “At the BSI Switzerland there are three Vatican accounts with, no exaggeration, €2 or €3 billion apiece.” He gave the Milan prosecutor Francesco Greco a list of illegal payments made to the Vatican’s coffers: “I gave the first lot of money to Cardinal Castillo Lara (president of APSA, the Vatican’s Department of Administration) when I bought out the Cassa Lombarda bank. He asked me for €15.5 million, possibly in a foreign account”.

Many will follow him judging from Fiorani’s complaints concerning Cardinal Giovanni Battista Re, the powerful Prefect of the Bishops’ Conference and Cardinal Ruini’s right-hand-man: “One guy always gave him the money, as I always gave it to him in cash, and everything was great, but when the guy was disgraced he didn’t even phone his wife to ask whether she was all right.” The Vatican dropped Fiorani like a hot potato, but by contrast it defended Antonio Fazio (former governor of the Banca d’Italia) right up until the day he resigned, at which point they all abandoned him. L’Avvenire and Osservatore Romano (Vatican news organisations) were repeating the theory of a “political conspiracy” against governor Fazio right up until the final day. Besides, the career of this strange banker who never quoted Keynes at governors’ board meetings but rather the Encyclicals at least a hundred times, can be explained largely through the support of the Vatican. Firstly in the person of Camillo Ruini, president of the Bishops’ Conference and then in Giovanni Battista Re, a close friend of Fazio’s to the extent of having performed mass in 2003 for the 25th anniversary of his marriage to Maria Cristina Rosati.

Of course not even Fiorani’s tales have opened the chamber of secrets at the IOR and the APSA, whose links with Swiss banks and off-shore tax havens around the world are at the very least peculiar. It is difficult, for example, to use “pastoral needs” to explain the Vatican’s decision to excise the Cayman Islands from its natural Jamaican diocese of Kingston, in order to proclaim them “*missio sui juris*” under the direct control of the Holy See and entrust them to Cardinal Adam Joseph Maida, a member of the IOR board.

The fourth and final episode involving the IOR in an Italian scandal is almost comical compared to its predecessors and concerns Calciopoli, the football corruption scandal. According to the Roman magistrates Palamara and Palaia, the dirty money belonging to the sports management agency GEA run by Luciano Moggi’s son is supposedly held at the Vatican Bank, having passed through the offices of Cesare Geronzi, another Vatican-approved banker with a less-than-immaculate criminal record and father of the largest shareholder of GEA. The IOR’s vault also allegedly contains Luciano Moggi’s personal “nest-egg” estimated at €150 million. As usual, letters rogatory and verification are impossible, but what is clear is that Moggi enjoys considerable respect inside the Vatican. Defended

by the Catholic Press at every turn and invited on pilgrimages to Lourdes in the court of Cardinal Ruini, Moggi has recently been given a regular column about "Ethics and sport" on Petrus, an online daily news site close to Pope Benedict XVI, from where the indicted former Juventus manager immediately started throwing the first stones against corruption (of others).

With the image of Luciano Moggi as paragon of Catholic morals, this latest chapter of our investigation into the Church's money draws to a close. The IOR's secrets will perhaps forever remain sealed inside the tower of treasure. The Marcinkus era has drawn to a close but the fog which surrounds the Vatican Bank shows no sign of washing away in clear water. All we know is that the Vatican Bank's vault has never bulged so much nor its tills rung so loudly and the deposits continue to flow in encouraged by interest rates of 12% p.a. or even higher. Getting precise figures is impossible, as we have said. The only verifiable figures are these: according to the excellent investigation published by Marina Marinetti in Panorama Economy magazine, with more than US\$407 million in per capita GDP, the Vatican City is by far the "richest country in the world". According to the US Federal Reserve's 2002 estimate and the result of the only enquiry by a foreign authority into the Vatican's finances and concerning only those interests situated on American soil, the Catholic Church in the US owned US\$298 million in stocks, US\$195 million in shares, US\$102 million in long-term bonds, and joint ventures with US partners to the tune of US\$273 million. No Italian authority has ever launched an enquiry into establishing the Vatican's economic burden on the country which houses it. It has enormous power, both direct and indirect and over the last few decades the Catholic world has conquered the traditional bastion of the small liberal and secular sections of Italian society: finance. After the decline of the banker's banker and arch-enemy of the IOR, Enrico Cuccia, "finanza bianca" or Catholic finance has moved into sector after sector. The definition is very generic, and covers a disparate group of people, but they are all in a direct relationship with the Church hierarchy, Catholic organisations and the Opus Dei prelature. In Italy where politics now counts for less than finance, the Catholic Church has more power and influence over the banks than it ever had even in the heyday of the Christian Democrats.

(in collaboration with Carlo Pontesilli and Maurizio Turco)

La Repubblica 26 January 2008