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Vatican Money Laundering & Tax Charges Ensnare Flashy Monsignor

Monsignor Nunzio Scarano is called “Monsignor €500,” since he likes to flash the large denomination banknotes. It isn’t exactly the image the Vatican would like, but this bad boy cleric has other issues too. He was *already* charged with a plot to smuggle \$26 million from Switzerland into Italy.

Now the other shoe has fallen with new money laundering charges against him that look even worse. They involve claimed bogus donations from offshore companies that were allegedly processed through the Vatican Bank. It doesn’t help the Vatican’s image that the flashy cleric-accountant had worked 20 years at the Vatican bank.

The Vatican bank has had plenty of scandal in the past. To start, the Vatican bank is one of the world’s most secretive institutions. It has 114 employees and 5.4 billion euros of assets. Yet just as Swiss banks have had a sea change, even the Vatican bank is becoming a little more transparent.



Vatican Museum (Photo credit: jscoke)

In fact, the bank is undergoing a major restructuring on the direction of Pope Francis. Efforts are being made to examine all of the bank's approximately 19,000 accounts to ensure that international money laundering controls are being observed. This isn't your father's Vatican bank.

The Vatican was probably hoping for quiet reflection in 2014 rather than yet another scandal. Instead, the Italian tax police released a video showing details of Monsignor €500's luxurious 17-room home. It is even tricked out in valuable antiques.

Now, though, police have seized millions in cash and real estate, including Monsignor Scarano's luxury apartment. Another Catholic priest was also arrested for money laundering and making false statements. Some say that this could be the tip of the iceberg.

Diplomatic immunity might seem to be the obvious answer for the Vatican. Yet like the Swiss banks, the Vatican may offer almost an open door instead. Indeed, Pope Francis has increased the levels of cooperation between the Vatican and Italian authorities.

Some of the allegations against the flashy Monsignor are more than distasteful. Prosecutors claim that Monsignor Scarano induced dozens of

people to make contributions to a home for the terminally ill. Actually, though, the Monsignor allegedly used the money to pay off a mortgage on his property.

Sure, it's possible he was a rogue cleric. But Monsignor Scarano worked for two decades as a senior accountant at the Vatican, which has weathered some recent storms. Italian police launched an investigation into money laundering at the bank in 2010.

Shortly thereafter, the Vatican put in new rules to fight money laundering and increase transparency. Then heads began to roll in 2010 and in early 2013, the Italian central bank suspended all bank card payments in the Vatican. Turns out the anti-money laundering legislation wasn't implemented after.

Next was a new head for the Vatican bank (German lawyer Ernst von Freyberg), appointed in early 2013. By mid-2013, Pope Francis established a commission to review the bank's activities. And like the Swiss banks that are now working through their issues with the IRS, we might expect the Vatican bank to also peel back at least some of its mysteries.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.