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New bank head has 'nothing to do' with arms trade, Vatican says

John L. Allen Jr. | Feb. 15, 2013 NCR Today
Benedict Resigns
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An appointment intended to nail down Benedict XVI's legacy as a financial reformer today threatened to stir controversy on another front, as a German lawyer and businessman with ties to a company that makes military warships was named the new president of the Vatican Bank.

The Vatican announced today that Ernst von Freyberg would become the new head of the embattled bank, which in recent months has faced charges of failure to comply with anti-money laundering standards and a lack of regulatory oversight.

In a statement released today, the Vatican hailed the "professional and moral excellence" of the 55-year-old von Freyberg, noting that he not only sits on the boards of multi-billion dollar global firms, but is also a member of the Knights of Malta and organizes pilgrimages to Lourdes on behalf of the Berlin archdiocese.

Yet during a briefing this morning to present the appointment, a journalist asked about his ties to the Hamburg-based Blohm + Voss Group, a shipbuilding and engineering firm where von Freyberg has served as chairman since 2012.

According to its web site, Blohm + Voss makes a wide range of commercial vessels, but it also includes warships among its product line. The site lists frigates, destroyers and patrol boats designed in the past for the navies of Nigeria, Argentina, Portugal and Germany.

The Vatican has said that von Freyberg will remain the chairman of Blohm + Voss. In that light, the journalist asked, is it appropriate for him to be spending part of the week making weapons and the rest working for the church?

This afternoon, the Vatican clarified that von Freyberg is chairman of a "white business" component of Blohm + Voss. At the moment, a statement said, his division is constructing four frigates for the German navy, after which it will be "100 percent non-military."

"The military part of Blohm + Voss is part of the Thyssen Krupp and trades under Blohm + Voss Naval," the statement said. "Ernst von Freyberg has nothing to do with it."

Over the years the Vatican has repeatedly called for limits on the arms trade, and as recently as this past July strongly supported a new United Nations treaty to control the flow of arms.

Assuming this indirect connection to the arms trade doesn't build into a PR problem, attention will turn to the

challenges awaiting von Freyberg at the Institute for the Works of Religion, popularly known as the "Vatican Bank."

Of late, the bank has once again found itself struggling with an image problem.

Both the president and the director, Italian layman Paolo Cipriani, were placed under investigation by Italian authorities in 2010 and $30 million in assets seized for allegedly failing to follow European anti-money laundering protocols. The money was released in May 2011, and no criminal charges were filed.

Last May, renowned Italian economist Ettore Gotti Tedeschi was ousted as the bank's president following an internal power struggle. He had been appointed in 2009 with the profile of a reformer, but a council of supervisors led by American Carl Anderson, head of the Knights of Columbus, faulted him for erratic behavior and poor job performance.

Most recently, the Deutsche Bank Italy announced on Dec. 31 that it was suspending electronic payment services for the Vatican because it lacked an adequate banking regulatory authority to control money laundering. That meant that the Vatican became a "cash only" business for weeks, unable to accept credit cards at its museums and post office. Those services were set to be restored this week after the Vatican worked out a deal with the Swiss cashless payment firm Aduno SA.

Defenders insist that Benedict has initiated a serious transparency campaign with regard to Vatican finances, creating a new watchdog unit, presently led by a Swiss anti-money laundering expert, and for the first time opened up the Vatican to outside secular inspection by the Council of Europe's anti-money laundering agency.

On background, some officials charge that the investigations and punitive measures imposed by Italy in recent months have more to do with political and commercial factors, including the desire to cajole some depositors to abandon the Vatican Bank in favor of rival Italian banks, than with any substantive problems.

Part of the reason it's taken nine months to name a new president at the Vatican Bank, according to Lombardi, is because the five cardinals who make up its oversight commission, and the five lay professionals who compose its supervisory council, wanted the process to be "exemplary for its seriousness and its credibility."

Lombardi said the supervisory council had used the London-based headhunting firm of Spencer Stewart to help with the initial search, which turned up 40 candidates. That list was pared down to six brought in for personal interviews, then three, finally arriving at the choice of von Freyberg yesterday.

Though the Vatican Bank president is appointed by the cardinals, Lombardi said Benedict XVI had been informed and offered his "full consent" to the move. Although the German pope does not know von Freyberg personally, Lombardi said, he's familiar with the family.

On background, Vatican officials had been saying for weeks that the new president would likely be a non-Italian, partly in order to ensure that he didn't carry any baggage from internal Italian squabbles, and in order to globalize the vision and operations of the bank.

Lombardi also announced that the five lay members of the bank's supervisory council will remain in place. Anderson is the the secretary of that body, and he played a lead role in the push to fire Gotti Tedeschi.

Finally, Lombardi also said that changes to the oversight commission of cardinals could also be announced soon. At present, that body is composed of:

- Italian Cardinal Tarcisio Bertone, Secretary of State

- Italian Cardinal Attilio Nicora, retired president of the Apostolic Patrimony of the Holy See
- French Cardinal Jean-Louis Tauran, president of the Pontifical Council for Interreligious Dialogue and a veteran Vatican diplomat
- Cardinal Odilo Pedro Scherer of São Paulo, Brazil
- Cardinal Telesphore Toppo of Ranchi, India

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