THE FINANCIAL SECURITY COMMITTEE

HOLY SEE

VATICAN CITY STATE

GENERAL RISK ASSESSMENT

PREVENTION AND COUNTERING
OF MONEY LAUNDERING
AND THE FINANCING OF TERRORISM

EXECUTIVE SUMMARY

2025 Update

Reference years
2021–2024

DISCLAIMER

The General Risk Assessment of Money Laundering and Terrorism Financing Risks in the Vatican City State was carried out by the competent authorities of the Holy See and the Vatican City State, based on the methodology set out by the World Bank in the 'National Risk Assessment Tool for Money Laundering and Terrorism Financing'.

Experts from the World Bank were involved in the assessment process, although their contribution was limited to providing technical support for the correct implementation of the methodology. Responsibility for the data, statistics and information contained in the General Risk Assessment – as well as for any omissions – or regarding the interpretation and assessment falling within the scope of the interpretative exercise – lies with the competent authorities of the Holy See and the Vatican City State and does not reflect the views of the World Bank, its Board of Directors, or the governments it represents.

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1. INTRODUCTION

1.1 Competent Authority

1. The Financial Security Committee[1] is, amongst other things, the competent authority a) for defining criteria and procedures; and b) for approving the General Risk Assessment (GRA) on the prevention and countering of money laundering and terrorism financing (AML/CFT), as well as for its regular updating[2] .

1.2 Methodology

2. The General Risk Assessment (GRA) of Money Laundering (ML) and Terrorism Financing (TF) is a process aimed at identifying and analysing the potential factors and sources of ML/TF risk within the Holy See and the Vatican City State, based on the World Bank (WB) methodology.

3. The GRA process analyses the risks of money laundering and terrorism financing separately and is based on the following pillars:

(a) identification and assessment of ML threats;

(b) identification and assessment of ML vulnerability factors;

(c) identification and assessment of TF threats;

(d) identification and assessment of TF vulnerability factors;

4. To set up the GRA process, the Financial Security Committee utilised the following modules from the World Bank's *'Generic National ML/TF Risk Assessment Tool*':

(a) Module 1: 'Threat Assessment';

(b) Module 2: 'Internal Vulnerabilities';

[1] The Financial Security Committee is the coordinating body comprising the competent authorities of the Holy See and the Vatican City State responsible for preventing and countering money laundering, the financing of terrorism and the financing of the proliferation of weapons of mass destruction, as set out in Article 8 of Law No. XVIII of 8 October 2013 (see *the Apostolic Letter in the form of a 'Motu Proprio' on the prevention and combating of money laundering, the financing of terrorism and the proliferation of weapons of mass destruction*, promulgated by Pope Francis on 8 August 2013). Pursuant to *the Rescript 'Ex Audientia SS.MI'* of 4 April 2016 'Amending the Statute of the Financial Security Committee', the members of the Financial Security Committee are: *'a) the Assessor for General Affairs of the Secretariat of State, who chairs it; b) the Under-Secretary for Relations with States; c) the Secretary-General of the Governorate of Vatican City State; d) the Secretary-General of the Secretariat for the Economy; e) the Promoter of Justice at the Tribunal of Vatican City State; f) one of the Assistant Auditors of the Office of the Auditor-General; g) the Director of the Supervisory and Financial Information Authority; h) the Director of Security and Civil Protection Services of the Governorate of Vatican City State; i) the Commander of the Pontifical Swiss Guard*'.

[2] See Article 2(a)(b) of the Financial Security Committee Statute.

(c) Module 3: 'Vulnerabilities in the financial sector';

(d) Module 8: 'TF Risk Assessment'.

1.3 Assessment and coordination process

5. Following the publication of the Mutual Evaluation Report on the jurisdiction by the Council of Europe's Moneyval Committee (April 2021)[3] , the update to the World Bank's methodology and the regulatory developments that have taken place in recent years, the Financial Security Committee decided to commence work on the development of a new Mutual Evaluation Report (MER) which, structurally, would also incorporate the process of aligning with the 'recommended actions' set out in the Mutual Evaluation Report and, methodologically, would allow for a clearer distinction between assessments relating to money laundering risk and those relating to terrorism financing risk.

6. The project was developed in collaboration with all the authorities represented within the Financial Security Committee, as well as through engagement with all relevant bodies – with particular regard to the sole body authorised to carry out professional financial activities within the jurisdiction.

1.4 Objectives

7. The main objectives of the GRA process are:

(a) to identify and analyse the main sources and risk factors in the area of money laundering and terrorism financing, with a view to planning, structuring and implementing appropriate mitigation measures;

(b) to provide guidance on individual risk assessments, which must be carried out by the entities required to do so in accordance with the current regulatory framework.

8. In the Vatican City State, there is no free market in the economic, financial and professional sectors. At present, no designated non-financial businesses and professions (DNFBPs) are based in the Vatican City State. No foreign financial institutions or foreign[4] regulated entities have subsidiaries, branches or offices within the territory of the Vatican City State. Consequently, in addition to assessing potential ML/FT threats and vulnerabilities across the jurisdiction as a whole, the GRA focuses on financial activities carried out professionally by the sole institution authorised and supervised by the Supervisory and Financial Information Authority (ASIF)[5] and, with regard to the analysis of terrorism financing risk, on the non-profit organisations (NPOs) sector.

[3] https://rm.coe.int/moneyval-2021-4/1680a2c80b

[4] For the definition of 'obliged entity', see Article 1(22) of the Law on *Transparency, Supervision and Financial Intelligence*, No. XVIII of 8 October 2013 (Law No. XVIII).

[5] See Article 1(2) of the Law on *Transparency, Supervision and Financial Intelligence*, No. XVIII of 8 October 2013 (Law No. XVIII).

Effectiveness and sustainability of the system for preventing and countering money laundering and terrorism financing (AML/CFT)

The effective functioning and sustainability of the AML/CFT system are a priority for the Holy See, both to safeguard its fundamental interests and to ensure the integrity of the limited financial activities carried out within the Vatican City State.

International cooperation

The unique geographical location of the Vatican City State and the global reach of the financial sector and non-profit organisations with their registered offices there, expose the jurisdiction to international and cross-border threats. It is therefore necessary to ensure effective and proactive international cooperation.

Table 1

Regulatory framework for the assessment of ML/TF risks

The regulatory framework for the identification, assessment, management and mitigation of risks relating to money laundering, terrorism financing and the financing of the proliferation of weapons of mass destruction – as set out in Articles 9, 10 and *13bis* of the Law on *Transparency, Supervision and Financial Intelligence*, No. XVIII of 8 October 2013 (Law No. XVIII) – is structured across three levels: 'general', 'sectoral' and 'specific'. Within the comprehensive approach adopted by the jurisdiction, these three levels constitute three autonomous yet interconnected spheres of action.

General Risk Assessment

The General Risk Assessment, approved and updated by the Financial Security Committee, covers all potential risks and vulnerabilities within the system for preventing and countering money laundering and terrorism financing. The GRA therefore takes into account both international developments and the results of sectorial risk assessments and particular risk assessments. Subsequent interactions between sectorial risk assessments and particular risk assessments will, in turn, take into account the findings of the GRA.

Sectorial Risk Assessment

ASIF, in its capacity as the supervisory authority, pursuant to Article 9 of Law No. XVIII, is required to communicate the results of the general risk assessment to entities that carry out financial activities on a professional basis[6], providing the relevant data, information and analyses to enable 'them to carry out their own risk assessment'.[7]

Particular risk assessment

With regard to obliged entities: *'obliged entities are required to identify, assess, manage and mitigate the risks of money laundering, terrorism financing and the financing of the proliferation of weapons of mass destruction. To this end, each entity shall draw up and periodically update its own risk assessment'.*[8] *'When drawing up their specific risk assessment, obliged entities shall take into account, amongst other things: (a) the category of counterparties; (b) the jurisdiction or geographical area concerned; (c) the type of relationship, the level of assets held and the volume of transactions carried out, the product, the service, the operation, the transaction and the distribution channel'* [9] .

The '*risk assessment must be documented and submitted to the Financial Supervision and Information Authority, which may request a review thereof'*.[10]

[6] Article 1(22) of Law No. XVIII defines 'obliged entities' as *'entities that are required to comply with the provisions of Title II, in accordance with Articles 2 and 3*'. The 'obliged entities' within the State are set out in a list published and updated by ASIF (see Article 4).

[7] See Article 9(2)(b)(ii)(iii) of Law No. XVIII.

[8] See Article 10(1) of Law No. XVIII.

[9] See Article 10(*1a*) of Law No. XVIII.

[10] See Article 10(2) of Law No. XVIII.

With regard to legal persons and public authorities (reporting entities pursuant to Article 40(2) of Law No. XVIII): *'reporting entities […] are required to identify, assess, manage and mitigate the risk that their activities may be exploited for the purposes of money laundering and the financing of terrorism and the financing of proliferation of weapons of mass destruction'*.[11] The method typically used is self-assessment, albeit in accordance with guidelines and on the basis of tools developed by the relevant supervisory authorities.[12]

2. BACKGROUND

2.1 The institutional framework

9. The Holy See, the Catholic Church and the Vatican City State are three distinct entities, each with a different status under international law.

2.1.1 The Holy See

10. The Holy See is a sovereign entity which enjoys full international legal personality, on a par with other states. It maintains diplomatic relations with 183 states and concludes treaties and agreements with other states and with various international organisations. It is a 'Member State' or an 'Observer State' in various international organisations.

11. In canon law, the term 'Holy See' (or 'Apostolic See') refers, strictly speaking, to the Roman Pontiff. At the same time, unless the nature of the matter under consideration or the context suggests otherwise, it also refers to the 'Roman Curia'[13], which is *'the institution of which the Roman Pontiff ordinarily makes use in the exercise of his supreme pastoral office and his universal mission in the world*'.[14] In particular, *'[t]he Roman Curia is composed of the Secretariat of State, the Dicasteries and the Organisations, all of which are legally equal to one another*'[15] (that is, the 'Curial Institutions'[16]), together with the Offices[17] and the Associated Institutions.[18]

In accordance with Article 10(4): *'The senior management of the obliged entity shall adopt the policies, procedures, measures and controls necessary to comply with the obligations set out in this Article. These measures shall be communicated in a timely manner to the Supervisory and Financial Information Authority, which may require them to be amended or strengthened*'.

[11] See Article *13bis*(1) of Law No. XVIII.

[12] See Article *13bis*(2)(a)(i) and (b)(i) of Law No. XVIII.

[13] See Canon 361.

[14] See the Apostolic Constitution *'Praedicate Evangelium*' promulgated by the Holy Father Francis on 19 March 2022 (hereinafter *'Praedicate Evangelium*').

[15] See Article 12 § 1 of *'Praedicate Evangelium*'.

[16] See Article 12 § 2 of *'Praedicate Evangelium*'.

[17] Namely: the Prefecture of the Papal Household, the Office for the Liturgical Celebrations of the Supreme Pontiff and the Camerlengo of the Holy Roman Church (see Article 12 § 3 of *'Praedicate Evangelium*').

[18] Article 241 of *'Praedicate Evangelium*' states, in fact, that *'there are certain Institutes, both of ancient origin and of more recent establishment, which, whilst not strictly part of the Roman Curia and possessing their own legal personality, nevertheless provide various services necessary or useful to the Roman Pontiff himself, to the Roman Curia and to the universal Church, and are in some way connected with the Curia itself*'. In particular: the Vatican Apostolic Archives, the Vatican Apostolic Library, the Fabric of St Peter's, the Pontifical Commission for Sacred Archaeology, the various Academies, the Holy See's Agency for the Evaluation and Promotion of Quality in Ecclesiastical Universities and Faculties, and the Supervisory and Financial Information Authority. It seems worth noting at this stage – to safeguard the autonomy and independence of ASIF – that Article 249 of *'Praedicate Evangelium*' stipulates that '[*a*]*ll the institutions connected with the Holy See mentioned above are governed by*

2.1.2 The Catholic Church

12. The Catholic Church is the spiritual, not territorial, community of believers in Christ, founded on bonds of unity, charity and peace, as well as on a common profession of faith. The relationship between the Roman Pontiff, individual bishops and the Catholic faithful is defined by theological principles characterised by communion and subsidiarity.[19]

13. The Holy See does not exercise jurisdiction – in the sense that this term is understood in international law – over the institutions of the Catholic Church (dioceses, parishes, etc.) situated within the territory of other States. These are subject to the laws of the State in which they are located.

14. The administration and supervision of assets belonging to the institutions of the Catholic Church fall within the remit of the local ecclesiastical authority (e.g. bishops, etc.).[20]

2.1.3 The Vatican City State

15. The Vatican City State has a territory of 0.44 square kilometres, entirely surrounded by the territory of the Italian Republic. It was established in 1929 with the aim of *'ensuring the Holy See's absolute and visible independence*' and guaranteeing it *'indisputable sovereignty, even in the international arena',* by conferring upon the Holy See itself *'full ownership and exclusive and absolute sovereign power and jurisdiction*' over the State.[21]

16. The State and its legal system are distinct from the Roman Curia and the other institutions of the Holy See.[22]

17. In the Vatican City State, the Supreme Pontiff *'holds full governing authority, which encompasses legislative, executive and judicial power*'[23] , the first two being exercised, respectively, through the Pontifical Commission for the Vatican City State[24] and through the Governorate of the Vatican City State.[25]

18. The legislative function, except in cases which the Supreme Pontiff intends to reserve for himself, is exercised by the Pontifical Commission for the Vatican City State[26], composed of cardinals and other members appointed for a five-year term.[27] The Commission exercises the powers conferred upon it in accordance with the laws

their own laws as regards their constitution and administration'.

[19] See Vatican II. Dogmatic Constitution *'Lumen Gentium'*, nos. 8, 13, 22, 23.

[20] See Canon 1276 (1): '*It is the duty of the Ordinary to exercise careful oversight over the administration of all assets belonging to public legal persons subject to him*'.

[21] See Treaty between the Holy See and Italy, 11 February 1929, preamble.

[22] See Article 2(2) of *the Fundamental Law of the Vatican City State* of 13 May 2023 ('*Fundamental* Law').

[23] See Article 1 of *the Fundamental Law*.

[24] See Article 7 of *the Fundamental Law*.

[25] See Article 15 of *the Fundamental Law*.

[26] See Article 7 of *the Fundamental Law*.

[27] See Article 8(1) of *the Fundamental Law*.

and other regulatory provisions.[28]

19. Executive power is exercised by the President of the Governorate, who is also the President of the Pontifical Commission for the Vatican City State[29], and who is assisted by the *'Governorate, whose governing bodies and organisations contribute to the exercise of the State's executive power*'[30] , and is supported by the Secretary-General.[31]

20. The judicial function is exercised, in the name of the Supreme Pontiff, *'by the bodies established in accordance with the judicial system and by the other bodies to which the law confers jurisdiction over specific matters*'.[32] In particular, judicial power is exercised by the Tribunal, the Court of Appeal and the Court of Cassation.[33] Although judges are hierarchically subordinate to the Supreme Pontiff, in the exercise of their functions they are subject only to the law.[34] *'The Office of the Promoter of Justice exercises, autonomously and independently*, *the functions of public prosecutor and those assigned to it by law*'.[35] The Office is directed and managed by the Promoter of Justice[36] who, for the performance of his institutional duties, has operational control over the judicial police section of the Corp of the Gendarmerie[37].

2.2 Jurisdiction Fact Sheet

VATICAN CITY STATE

Area	0.44 km^2 (0.17 square miles)
Citizens	675
Resident population	881
- of whom: Vatican citizens	435
- of whom: third-country nationals	446
Currency	Euro
Per capita GDP	*N/A*

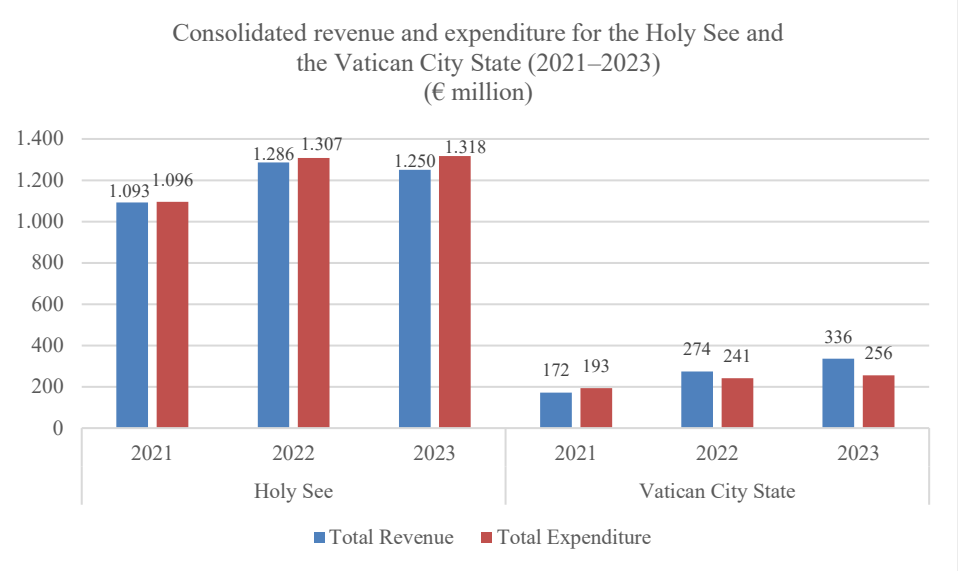
(Source: Governorate of Vatican City State – 2025)

2.3 The economic overview

21. The most recent data, covering the three-year period 2021–2023, highlight the small size of the economy of the Holy See and the Vatican City State (**Table 2**).

[28] See Article 9(1) of *the Fundamental Law*.
[29] See Article 15(1) of *the Fundamental Law*.
[30] See Article 15(2) of *the Fundamental Law*.
[31] See Article 16(1) of *the Fundamental Law*.
[32] See Article 21(1) of *the Fundamental Law*.
[33] See Article 1 of *the Law on the Judicial System of the Vatican City State*, No. CCCLI, of 16 March 2020 (*'Law on the Judicial System*').
[34] See Article 2(1) of *the Law on the Judicial System*.
[35] See Article 12(1) of *the Law on the Judicial System*.
[36] See Article 13(1) of *the Law on the Judicial System*.
[37] See Article 13(3) of *the Law on the Judicial System*.

Table 2



(Source: Secretariat for the Economy*)

* Data prepared in accordance with the Vatican Financial Management Policies (VFMP) approved 'in forma specifica' by Pope Francis on 24 October 2014.

The scope of consolidation of the Holy See comprises the entities included in the List of Entities pursuant to Article 1(1) of the Statute of the Council for the Economy, approved for the 2023 and 2022 financial statements at the meeting of 15 December 2022, and subsequent amendments relating to the abolition and creation of new entities, for the 2021 financial statements, on 14 and 15 July 2021.

2.3.1 The Holy See

22. In the absence of a productive system in the strict sense, the Holy See's revenue derives mainly from the proceeds of its sovereign financial activities and its assets, as well as from contributions from the Vatican City State (see **Table 3**). The Holy See also receives contributions from local Churches (in accordance with the provisions of Canon 1271 of the Code of Canon Law[38]) and donations (mainly from members of the Catholic Church) (**Table 4**).

Table 3

Sovereign finance

The *Apostolic Letter in the form of a 'Motu Proprio' entitled 'Il Diritto Nativo'*, promulgated by Pope Francis on 20 February 2023, established the following.

1) All assets, movable and immovable, including cash and securities, which have been or will be acquired, by whatever means, by Curial Institutions and Entities Associated with the Holy See, are public ecclesiastical assets and, as such, are owned, held in title or subject to other real rights, by the Holy See as a whole and therefore

[38] Canon 1271 of the Code of Canon Law states that: '*Bishops, by virtue of the bond of unity and charity, and in accordance with the resources of their own dioceses, shall contribute to providing the means which the Apostolic See requires, in accordance with the circumstances of the times, so that it may be able to render its service to the universal Church in an appropriate manner*'.

belong, irrespective of civil authority, to its unified, indivisible and sovereign patrimony.

2) No institution or body may therefore claim private and exclusive ownership or title to the Holy See's assets, having always acted – and being required to act – in the name, on behalf of and for the purposes of the Holy See as a whole, understood as a single legal entity, merely representing it where required and permitted under civil law.

3) The assets are entrusted to institutions and bodies so that, as public administrators and not as owners, they may use them as provided for by current legislation, in accordance with and within the limits set by the respective institutional competences and purposes of each, always for the common good of the Church[39] .

The Administration of the Patrimony of the Apostolic See (APSA) is the body responsible for the administration and management of the Holy See's immovable and movable property, intended to provide the resources necessary for the Roman Curia to fulfil its proper function for the good and in the service of the particular Churches.

It is also responsible for administering the immovable and movable property of the entities that have entrusted their assets to the Holy See, in accordance with the specific purpose for which the assets were established and with the general guidelines and policies approved by the competent bodies.

The Holy See's financial investment activities, which are intended for its own use and carried out in accordance with Article 219 of the Apostolic Constitution *'Praedicate Evangelium',* must comply with the provisions laid down by the Investment Committee, in accordance with the approved Investment Policy[40] .

In determining the Holy See's financial investment activities, APSA generally makes effective use of the internal organisational structure of the Institute for the Works of Religion, unless the competent bodies, as laid down in the statutes of the Investment Committee, deem it more efficient or expedient to use financial intermediaries established in other States[41] .

APSA takes the necessary steps to ensure the day-to-day running of the Roman Curia, overseeing the treasury, accounting, procurement and other services[42] .

Pursuant to Article 40(2) of Law No. XVIII, APSA is obliged to report suspicious activity to ASIF.

The Investment Committee is responsible for ensuring that the Holy See's securities investments are ethical in accordance with the social doctrine of the Church and, at the same time, that they are profitable, appropriate and subject to an acceptable level of risk.[43]

On 14 July 2022, the new Investment Policy of the Holy See and the Vatican City State was issued, including the Committee's Statutes, which aim to regulate the investments of the Holy See and the Vatican City State.

During 2024, responsibility for investment management was transferred from APSA to the Investment Committee. APSA now handles only the administrative and accounting aspects.

Supervision and audit

The *Apostolic Letter in the form of a Motu Proprio*, *'Fidelis Dispensator et Prudens',* promulgated by Pope Francis on 24 February 2014, established three new bodies responsible for the supervision and control of sovereign finances:

(a) The Council for the Economy: responsible for supervising the administrative and financial structures and activities of the bodies of the Roman Curia and the Vatican City State[44] ;

(b) The Secretariat for the Economy: responsible for supervising the bodies referred to in point (a) above[45] ;

[39] See Articles 1 to 3 of *the Apostolic Letter in the form of a Motu Proprio 'Il Diritto Nativo',* promulgated by Pope Francis on 20 February 2023.
[40] See §2 of *the Apostolic Letter in the form of a Motu Proprio 'Coniuncta Cura',* promulgated by Pope Leo XIV on 29 September 2025.
[41] See §3 of *the Apostolic Letter in the form of a 'Motu Proprio 'Coniuncta Cura',* promulgated by Pope Leo XIV on 29 September 2025.
[42] See Article 220 § 1 of *'Praedicate Evangelium'.*
[43] See Article 227 § 1 of *'Praedicate Evangelium'.*
[44] See Articles 1 to 3 of *the Apostolic Letter in the form of a Motu Proprio 'Fidelis Dispensator et Prudens',* promulgated by Pope Francis on 24 February 2014.
[45] See *ibid*., Articles 4 to 6.

(c) The Auditor General, hereafter the Office of the Auditor General, responsible for carrying out the audit of the bodies referred to in point (a) above.[46] Furthermore, Article 1(3) of the new Statute, approved by the Holy Father on 21 January 2019, assigns to the Office of the Auditor General the role of Anti-Corruption Authority pursuant to the UN Convention against Corruption (Mérida, 2003), which has been in force for the Holy See and the Vatican City State since 19 October 2016.

The *Apostolic Letter in the form of a Motu* Proprio *'I Beni Temporali',* promulgated by Pope Francis on 4 July 2016, further consolidated the oversight system, introducing a clear separation between the management of the Holy See's assets (the responsibility of APSA) and oversight (the responsibility of the Secretariat for the Economy).[47]

By *the Apostolic Letter in the form of a Motu Proprio 'Una migliore organizzazione'* of 26 December 2020, the Holy Father entrusted the Secretariat for the Economy with the role of Papal Secretariat for economic and financial matters, issuing specific provisions regarding economic and financial control and oversight.[48]

Of particular significance is the provision set out in Article 3, *'Provisions on economic and financial control and supervision*', paragraph 4 *'The Chair of the boards of statutory auditors or board of auditors, however they may be designated, or the sole statutory auditor or auditor, where provided for in the Statutes of the entities included in a list approved by the Council for the Economy, shall be appointed by the Prefect of the Secretariat for the Economy, who shall ascertain their suitability and professional competence and verify the existence of any conflicts of interest*'.

Finally, the Apostolic Constitution *'Praedicate Evangelium*', promulgated by Pope Francis on 19 March 2022, harmonised all the previous provisions, bringing them into a coherent system.

Supervision

The Secretariat for the Economy […] exercises control and supervision in administrative, economic and financial matters over the bodies referred to in point (a) above, as well as specific oversight of St Peter's Pence and other papal funds.[49] This consists of:

- issuing economic and financial guidelines for the Holy See and ensuring that activities are carried out in accordance with approved operational plans and programmes;

- to monitor the administrative, economic and financial activities of the institutions under its control and supervision, and to propose and ensure that any necessary corrective measures are taken;

- to draw up the annual budget, ensuring that it is adhered to, and the consolidated final accounts of the Holy See, and to submit them to the Council for the Economy;

- carry out the annual risk assessment of the Holy See's financial position and submit it to the Council for the Economy;

- to draw up guidelines, policies, models and procedures relating to procurement, aimed at ensuring that all goods and services required are acquired in the most prudent, efficient and cost-effective manner, in accordance with appropriate internal checks and procedures;

- to put in place appropriate IT tools to ensure that administrative, economic and financial management is effective and transparent, and to ensure that records and accounts are kept accurately, in accordance with approved procedures;[50]

- to approve any disposal, purchase or extraordinary administrative act carried out.[51]

[46] See *ibid*., Article 7.
[47] See Preamble, § 4 *of the Apostolic Letter in the form of a Motu Proprio 'I Beni Temporali',* promulgated by Pope Francis on 4 July 2016.
[48] See Article 1 § 1 and Article 3 of *the Apostolic Letter in the form of a Motu Proprio 'Una migliore organizzazione',* promulgated by Pope Francis on 26 December 2020.
[49] See Article 212 of *'Praedicate Evangelium*'.
[50] See Articles 215 and 216 of *'Praedicate Evangelium*'.
[51] See Article 218 of *'Praedicate Evangelium'.*

Audit

The audit of the consolidated financial statements of the Holy See and the Vatican City State conducted by the Office of the Auditor General follows internationally recognised best practices in the field of public administration, provided that these do not conflict with the precepts of divine law, the provisions of canon law or the doctrine of the Church. These best practices are represented by the ISSAI – *International Standards of Supreme Audit Institutions* – issued by the *International Organisation of Supreme Audit Institutions* (INTOSAI). This audit work involves carrying out checks on the individual reporting packages of the entities included in the Holy See's consolidated financial statements. The audit approaches vary and are tailored according to the materiality of the entities and their respective accounting values:[52]

- *Full Audit* (fully comprehensive audit), which involves codified audit procedures;

- *Limited Review*, in which essentially the same audit procedures as those for a 'Full Audit' are applied, but which do not require the issuance of an opinion;

- *Desk Review*.

Upon completion of the audit work, for each entity subject to a Full Audit, the Auditor General issues:

- an audit report ('opinion'), addressed to the Head of the entity audited and to the Secretariat for the Economy, unless there are specific impediments or particular grounds for confidentiality established by the Statute, the law or the Supreme Authority;

- a letter of recommendations (management letter), addressed to the Head of the Entity subject to the audit, containing recommendations on any actions to be taken to address the issues highlighted during the audit; management letters may also be issued, at the discretion of the Auditor General, in the case of a 'limited review'.

Table 4

Donations

Donations are typically collected through institutional channels, including the 'Office of St Peter's Pence', the 'Office of the Papal Almoner' and the 'Pontifical Mission Societies'.

The Office of St Peter's Pence

St Peter's Pence is the financial contribution that the faithful offer to the Holy Father as a sign of their support for the Successor of Peter's concern for the many needs of the universal Church and for works of charity in favour of those most in need.[53] The management and administration of St Peter's Pence, pursuant to the *Apostolic Letter in the form of Motu Proprio 'Una migliore organizzazione'* of 26 December 2020, has been entrusted to APSA[54] and is subject to *ad hoc* oversight by the Secretariat for the Economy under the Apostolic Constitution '*Praedicate Evangelium*'.[55]

Donations are generally received by bank transfer or credit card.[56] Small donations may also be received in cash or by cheque (the relevant details concerning the donor are recorded at the St Peter's Pence Office).

The Office of the Papal Almoner

The Dicastery for the Service of Charity, also known as the Office of the Papal Almoner, is a special expression of the Holy See's care for the poorest, most vulnerable and marginalised; it carries out works of assistance and aid on their behalf throughout the world in the name of the Roman Pontiff, who, in cases of particular destitution or other need, may also personally direct the allocation of aid.[57] The acceptance of donations is coordinated by

[52] The SCV has a single set of financial statements and – given its assets and financial position – is subject to a *full audit*.

[53] See https://www.obolodisanpietro.va/it/cos-e-l-obolo.html

[54] See Article 1 § of *the Apostolic Letter in the form of a Motu Proprio 'Una migliore organizzazione',* promulgated by Pope Francis on 26 December 2020.

[55] See Article 212 § 3 of the Apostolic Constitution *'Praedicate Evangelium*'.

[56] See https://www.obolodisanpietro.va/it/dona.

[57] See Article 79 of *'Praedicate Evangelium*'.

this same Office.

Donations are generally received by bank transfer (to a dedicated current account held with the IOR), via by credit card, or by cheque. Small donations may also be received in cash (the relevant details concerning the donor are recorded by the Office of the Papal Almoner).

The Pontifical Mission Societies

The 'Pontifical Mission Societies' comprise four initiatives – organised at supranational, national and diocesan levels – entrusted to the Section for the First Evangelisation and the New Particular Churches of the Dicastery for Evangelisation[58], namely:

(a) The Society for the Propagation of the Faith[59];

(b) The Society of St Peter the Apostle[60];

(c) The Holy Childhood Association[61];

(d) The Pontifical Missionary Union[62].

The Pontifical Works are subject to the laws in force in the jurisdictions in which they are located and/or operate.

Each Society has its own specific mission, but they all contribute to the missionary commitment of every baptised person in supporting the new particular Churches.

Donations are made to the National Directorates and are administered by the Secretariats of the individual Societies to support humanitarian activities and charitable works, with the support of the respective Apostolic Nunciatures and dioceses.

Other institutional channels

Various Curial institutions and Offices of the Holy See may receive – and indeed do receive – donations from the faithful or from other natural or legal persons (for example: foundations, associations, etc.).

Pursuant to canon 1267 (2): '*offering* […] *may not be refused unless there is a just cause and, in the case of a public legal person in matters of greater importance, with the permission of the Ordinary; the permission of the same Ordinary is required for offerings subject to conditions or obligations'*.

2.3.2 The Vatican City State

23. In the Vatican City State, there is no free market in the economic, financial and professional sectors[63].

24. Goods and services are mainly imported from Italy. The transit of goods is governed *by the Customs Agreement between the Vatican City State and the Kingdom of Italy* of 30 June 1939, and the subsequent *Protocol* of 15 February 2007; agreements and cooperation protocols are currently being examined to improve the interoperability of the two systems, the Vatican's and the Italian/EU system.

25. Owing to their specific characteristics and scale, it is not possible to assign a 'gross value' to the economic activities carried out within the borders of the Vatican

[58] See Article 67 of the Apostolic Constitution *'Praedicate Evangelium*'.
[59] See https://www.ppoomm.va/it/chi-siamo/le-4-opere-missionarie.html.
[60] See https://www.ppoomm.va/it/chi-siamo/le-4-opere-missionarie.html.
[61] See https://www.ppoomm.va/it/chi-siamo/le-4-opere-missionarie.html.
[62] See https://www.ppoomm.va/it/chi-siamo/le-4-opere-missionarie.html.
[63] See Article 7 of the Law *on Economic, Commercial and Professional Organisation,* No. V of 7 June 1929.

City State, or to calculate the cost of the goods and services consumed within it. The Gross Domestic Product (GDP) index is therefore not applicable to the jurisdiction.

26. The State of Vatican City's revenue consists mainly of income derived from the management of its assets and from services provided to resident citizens, employees and their families (for example: the sale of food and other commercial goods, etc.) and to the general public (for example: admission to the Vatican Museums, the sale of medicines at the Vatican Pharmacy, postal services, the sale of commemorative coins and medals, etc.).

27. Although the Vatican City State is not a member of the European Union, it has used the euro as its official currency since January 2002.[64]

28. The statutory interest rate is the same as that applicable in the Italian Republic[65].

29. On 21 November 2018, the Vatican City State was admitted by the *European Payments Council* (EPC) into the geographical scope of *the Single Euro Payments Area* (SEPA)[66], following a favourable opinion from the European Commission.

Institutions authorised to carry out wire transfers and payment services were able to apply for inclusion within the scope of the SEPA payment schemes from 1 March 2019. The Institute for the Works of Religion (IOR) began operating within *the 'SEPA Credit Transfer* Scheme' from 1 October 2019.

In November 2021, following discussions at the Joint Committee for the implementation of the Monetary Agreement between the Vatican City State and the European Union, held in October 2021, the European Commission recognised the IOR's legal equivalence with other financial operators within the SEPA network.

30. There are no designated non-financial businesses and professions (DNFBPs) or providers of cryptocurrency, electronic, virtual or synthetic currency services (VASPs) based in the Vatican City State; such instruments are prohibited by law[67]. Furthermore, in the Vatican City State:

(a) there is no financial market (e.g. a regulated market, a multilateral trading facility (MTF) or an organised trading facility (OTF);

(b) no public debt securities, equity instruments or other securities or related instruments are issued;

(c) there are no insurance companies, trust companies or securitisation

[64] See Law No. CCCLVII of 26 July 2001.

[65] See Article 3 of Law No. CCCLXXXIII of 14 June 2002.

[66] As at 1 March 2019, the SEPA geographical area comprised 36 jurisdictions: Andorra, Austria, Belgium, Bulgaria, Croatia, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, Norway, the Netherlands, Poland, Portugal, Romania, the United Kingdom, the Czech Republic, San Marino, Slovakia, Slovenia, Spain, Vatican City State, Sweden, Switzerland, Hungary.

[67] See Article 5(g) of Law No. XVIII.

companies;

(d) there are no branches, subsidiaries or offices of foreign credit institutions or financial institutions.

2.4 Regulatory framework and competent authorities

2.4.1 Legislative framework

31. The relevant legislative framework for AML/CFT comprises:

(a) Law No. XVIII of 8 October 2013, as last amended by Law No. DCXIV of 7 November 2023, also for the purposes of transposing *Directive (EU) 2018/843 of 30 May 2018* ('5th Anti-Money Laundering Directive') implementing the Monetary Agreement between the European Union and the Vatican City State;

(b) Law No. VIII of 11 July 2013 *on supplementary provisions in criminal matters*, as subsequently amended;

(c) Law *amending the Criminal Code and the Code of Criminal Procedure*, No. IX of 11 July 2013;

(d) Law *on General Provisions concerning Administrative Sanctions*, No. X of 11 July 2013;

(e) Decree of the President of the Governorate No. CCLXXVII *containing urgent provisions on asset-related preventive measures* of 10 December 2018 (subsequently converted by Law No. CCLXXXXI of 8 February 2019);

(f) Decree of the President of the Governorate No. CCCXXIX *introducing amendments to the criminal law of the Vatican City State* of 1 October 2019;

(g) *Motu Proprio* of the Supreme Pontiff of 19 May 2020 on *'Transparency, oversight and competition in public procurement procedures of the Holy See and the Vatican City State*' (NCP), updated by *the Motu Proprio 'Per meglio armonizzare*', of 16 January 2024;

(h) *Apostolic Letter in the form of a Motu Proprio* by the Supreme Pontiff Francis *setting out Provisions on Transparency in the Management of Public Finance*, of 26 April 2021;

(i) Law No. DL *on legal persons* of 5 December 2022, and Apostolic Letter in the form of a Motu Proprio *on instrumental legal persons*, of 5 December 2022;

(j) Law No. DXXXI *amending the Criminal Code and the Code of Criminal Procedure,* of 6 September 2022.

2.4.2 Regulatory framework

32. The relevant regulatory framework in the area of AML/CFT comprises:

(a) Regulation No. 1, *on the prudential supervision of entities carrying out financial activities on a professional basis*, of 25 September 2014, updated following approval by the Holy Father on 28 August 2023.

With regard to the specific requirements relevant to AML/CFT, Regulation No.1 governs (i) the competence and good repute requirements that members of senior management and the executive board, as well as persons responsible for internal control or relevant organisational and management functions within institutions carrying out financial activities on a professional basis, must possess and maintain; (ii) the issue of conflicts of interest for members of senior management.

(b) Regulation No. 2*, with which are established the data and information accompanying fund transfers and the technical requirements for credit transfers and direct debits in euros*, of 12 December 2017, updated on 27 November 2023, defining the technical requirements for fund transfers.

(c) Regulation No. 4 *on customer due diligence obligations for entities carrying out financial activities on a professional basis*, of 19 September 2018, updated on 21 June 2024, which sets out in detail the due diligence obligations to which supervised entities are subject.

More specifically, Regulation No. 4 sets out the procedures for identifying and verifying the customer's identity, and for assigning an appropriate customer profile (category and *status*, financial profile, risk profile) consistently with a risk-based approach.

(d) Regulation No. 5 *on the reporting of suspicious activities*, of 19 September 2018, implementing Article 40 of Law No. XVIII.

More specifically, Regulation No. 5 establishes indicators of anomalies, both general ones in the areas of money laundering and terrorism financing (including the non-profit sector and its potential exploitation), and sector-specific ones in areas identified by the GRA (donations, public procurement contracts, compliance with tax obligations, auditing, cross-border cash transport and market abuse), as well as specific reporting forms.

(e) Regulation No. 6*, which regulates the Central Register pursuant to Article 51bis of Law No. XVIII on transparency, supervision and financial intelligence of 8 October 2013,* of 20 December 2022.

Specifically, Regulation No. 6 aims to regulate the procedures for the establishment, updating, maintenance, management and security of the Register of persons who hold or control accounts, payment accounts, IBAN-identified

accounts and safe-deposit boxes held with entities that carry out financial activities on a professional basis.

In addition, three Instructions are currently in force:

(a) Instruction No. 1*, which sets out the list of high-risk jurisdictions and jurisdictions under increased monitoring*, in its latest version dated 28 March 2023, the annex to which is updated three times a year, at the plenary meetings of the Financial Action Task Force;

Table 5

Instruction No. 1, *setting out the List of High-Risk Jurisdictions and Jurisdictions Subject to Enhanced Monitoring*, dated 28 March 2023

ASIF, pursuant to Article 9(2)(b)(vi), informs the competent authorities and obliged entities of the risks and vulnerabilities in the systems for preventing and countering money laundering, terrorism financing and the financing of the proliferation of weapons of mass destruction in other jurisdictions and, to this end, publishes a list of high-risk jurisdictions ('black list') and a list of jurisdictions under increased monitoring ('grey list'). This list, annexed to Instruction No. 1, is regularly amended to take account of updates to the lists published by the relevant international and regional bodies, and in particular the Financial Action Task Force (FATF) and the European Union (EU). ASIF shall promptly communicate updates to the list to the other competent authorities and to the IOR.

Instruction No. 1 sets out specific enhanced obligations for supervised entities in relation to business relationships and transactions involving the jurisdictions included on the list, and in particular:

(i) with regard to the jurisdictions included in the list of high-risk jurisdictions, supervised entities are required to:

a) suspend any transaction or operation directly or indirectly connected with those Jurisdictions, unless specifically authorised otherwise by ASIF;
b) immediately report to ASIF any attempt at a transaction or operation directly or indirectly connected with those jurisdictions;

The ASIF's Financial Intelligence Unit (UIF) therefore receives advance notification of transactions to and from the jurisdictions included on the high-risk list, in order to assess potential ML/TF threats.

(ii) with regard to the Jurisdictions included in the list of Jurisdictions under increased monitoring, supervised entities must, instead:

a) apply enhanced customer due diligence, proportionate to the risks, to relationships, operations or transactions with natural or legal persons, including financial institutions and credit institutions, in each jurisdiction on the list;
b) apply enhanced customer due diligence, proportionate to the risks, to operations or transactions, including those indirectly linked to each jurisdiction on the list;
c) report to ASIF the relationships, operations and transactions referred to in points (a) and (b).

(b) Instruction No. 5 setting out *the list of the functions that within the Holy See and the Vatican City State are qualified as politically exposed persons*, dated 19 September 2018, updated on 20 December 2022 following the promulgation of the Apostolic Constitution *'Praedicate Evangelium'* on 19 March 2022;

(c) Instruction No. 6 *on the monitoring of lists of designated subjects*, dated 19 September 2019.

2.4.3 Authorities involved in the system for preventing and countering money laundering and terrorism financing

33. Various authorities of the Holy See and the Vatican City State have specific political, strategic and operational responsibilities in the field of ML/TF, pursuant to Article 8 of Law No. XVIII and their respective statutes and regulations:

(a) The *Secretariat of State* is responsible for:

(i) the formulation of general policies and strategies on AML/CFT;

(ii) accession to and implementation of international treaties and agreements;

(iii) participation in international institutions and bodies, including those responsible for establishing standards and best practices in the field of AML/CFT.

(b) The *President of the Governorate* of Vatican City State is responsible for:

(i) the imposition of administrative sanctions in the cases provided for by law;

(ii) maintaining the register of legal entities and their beneficial owners, as well as carrying out the other supervisory obligations provided for by law;

(iii) the adoption and updating of the list of entities (natural and legal persons) that threaten international peace and security.

(c) The *Financial Security Committee* promotes coordination and cooperation between the various competent authorities.

(d) *The Supervisory and Financial Information Authority* is responsible for:

(i) supervision and regulation in the field of AML/CFT/CFP in the cases provided for by the Law[68] (including the adoption of regulations and instructions and the imposition of administrative sanctions[69]);

(ii) financial intelligence;

(iii) cooperation and exchange of information with similar authorities in other countries;

(iv) providing regular training on the AML/CFT system.

[68] See Articles 2 and 3 of Law No. XVIII.
[69] See Articles 47 and 66 of Law No. XVIII.

(e) The *Corps of the Gendarmerie* performs judicial police functions and is responsible for the prevention and prosecution of economic and financial offences. In its judicial police functions, it must, including on its own initiative, gather information on offences, prevent them from leading to further consequences, track down the perpetrators, take the necessary steps to secure evidence and collect any information that may be useful to the judicial authorities. It also carries out any investigations and activities ordered or delegated by those authorities. To achieve these aims:

(i) it employs up-to-date investigative techniques in the field of money laundering and terrorism financing;

(ii) it utilises cooperation mechanisms with counterpart organisations in other States to prevent and combat criminal activities, including money laundering and terrorism financing, as well as their predicate offences;

(iii) it undertakes training and professional development in the field of money laundering and terrorism financing;

(iv) co-operates internally by exchanging information with ASIF and other government departments to prevent and combat specific offences relating to money laundering and terrorism financing;

(v) monitors the country's entry and exit points, where it periodically carries out specific checks on incoming and outgoing cross-border cash movements;

(vi) it utilises its own *Economic and Financial Police Section* to prevent and combat all offences related to money laundering and terrorism financing;

(vii) carries out specific intelligence activities aimed at gathering all information relating to potential threats and risks associated with terrorism.

(f) *The Office of the Promoter of Justice* is responsible for coordinating investigations and prosecuting offences relating to money laundering and terrorism financing, as well as related predicate offences, even when committed by public officials working in the Dicasteries and other bodies and institutions under the authority of the Holy See[70]. The Office is also responsible for potential cases of administrative liability arising from offences committed by foundations and legal persons registered in the Vatican City State, in the cases provided for by Vatican law[71].

[70] See Articles 1 to 3 of *the Motu Proprio on the jurisdiction of the judicial bodies of the Vatican City State in criminal matters,* promulgated by Pope Francis on 11 July 2013.
[71] *Ibid*., Article 4.

34. In addition to the competent authorities established by Article 8 of Law No. XVIII, the jurisdiction's AML/CFT system relies on the cooperation and support of other authorities, which are either members of the Financial Security Committee or attend its meetings as invited guests.

(a) The *Secretariat for the Economy,* which acts as the Papal Secretariat for economic and financial matters and exercises control and supervision in administrative, economic and financial matters over the Curial institutions, offices and institutions connected with the Holy See or reporting to it, as set out in the list annexed to the Statute of the Council for the Economy[72].

(b) *The Office of the Auditor General*, which is the Economic Body of the Holy See entrusted with the task of auditing the consolidated final accounts of the Holy See, the Governorate of Vatican City State and the individual annual accounts of the Dicasteries, as well as those of the institutions linked to the Holy See or reporting to it. Furthermore, Article 1 § 3 of the new Statute of the Office of the Auditor General, approved by the Holy Father on 21 January 2019, assigns to the Office of the Auditor General the role of Anti-Corruption Authority within the meaning of the UN Convention against Corruption (Mérida, 2003), which has been in force for the Holy See and the Vatican City State since 19 October 2016. The Office of the Auditor General, at the request of the Council for the Economy, or the Secretariat for the Economy, or the heads of the bodies and administrations referred to in Article 205 §1 of the Apostolic Constitution *'Praedicate Evangelium*', carries out audits on specific situations relating to: irregularities in the use or allocation of financial or material resources; irregularities in the awarding of contracts or in the conduct of transactions or disposals; acts of corruption or fraud. Such audits may also be initiated independently by the Auditor General, who shall inform the Cardinal Coordinator of the Council for the Economy in advance, stating the reasons therefor.

(c) *The courts of the Vatican City State,* which have jurisdiction over judicial matters and also over cases of money laundering and terrorism financing[73].

(d) *The Pontifical Swiss Guard*, founded by Pope Julius II on 22 January 1506, is a military corps composed of Swiss citizens, whose primary task is to ensure the constant security of the Person of the Supreme Pontiff and His Residence. In addition to this primary mission, the Swiss Guard has other duties, including accompanying the Holy Father on his travels, guarding the entrances to Vatican City State, protecting the College of Cardinals during the Vacant See of the Roman Pontiff, and performing other duties of order and honour. The Pontifical Swiss Guard reports directly to the Supreme Pontiff, who exercises this authority through the Cardinal Secretary of State.

[72] See Article 212, paragraphs 1 and 2, of *'Praedicate Evangelium'.*

[73] See the Law *'Approval of the Judicial Order of the Vatican City* State', No. CXIX of 21 November 1987.

Coordination and internal cooperation

35. Internal cooperation between the competent authorities has its legislative basis in Articles 6 and 69(1) of Law No. XVIII.

Furthermore, in 2013, the Financial Security Committee was established, with the primary aim of promoting stable coordination amongst the competent authorities. The Financial Security Committee, which meets at regular intervals, is specifically responsible for the adoption and regular updating of the GRA. In 2016, the membership of the Financial Security Committee was expanded to include the Pontifical Swiss Guard, as well as the Secretariat for the Economy and the Office of the Auditor General, two of the three economic bodies established in 2014.

Among the various responsibilities expressly set out in Article 9(2)(a) of Law No. XVIII, it is worth noting that the Financial Security Committee *'coordinates the adoption and regular updating of policies and procedures for the prevention and countering of money laundering, terrorism financing and the financing of the proliferation of weapons of mass destruction*' (point iii) and *'draws up a report on the institutional structure and the main procedures of the system for preventing and combating money laundering, terrorism financing and the financing of the proliferation of weapons of mass destruction, including the main competent authorities* […]*, as well as the human and financial resources allocated*' (point iv) and *'draws up a report on the activities and the human and financial resources allocated to combating money laundering, terrorism financing and the financing of the proliferation of weapons of mass destruction*' (point v). These reports are then brought to the attention of the relevant institutions for the purpose of taking the appropriate decisions in this regard.

3. LEGAL PERSONS AND NON-PROFIT ORGANISATIONS

36. As also noted in the latest Mutual Evaluation Report by the Council of Europe's Moneyval Committee (April 2021), the institutional and economic architecture of the jurisdiction *'prevents the establishment of legal persons for private purposes. In fact, no legal person is incorporated in the jurisdiction to pursue private productive or commercial purposes; rather, they serve exclusively the mission of the Holy See, the Vatican City State and the Catholic Church, and are incorporated in collaboration with the public authorities of the Holy See and the Vatican City State. This cooperation ensures, even prior to the incorporation of a legal person, that it is structured in such a way that its purpose is in accordance with the mission of the Holy See, the Vatican City State and the Catholic Church*'[74] .

37. Legal entities are governed by *the Law on Legal Entities*, No. DL, of 5 December 2022 (see **Table 6**) and the Apostolic Letter in the form of a Motu Proprio *on instrumental legal entities* (see **Table 7**).

38. In particular, the Motu Proprio of 5 December 2022 governs *'the various funds,*

[74] See Moneyval, *Anti-money laundering and counter-terrorism financing measures – Holy See (including Vatican City State), Fifth Round Mutual Evaluation Report*, MONEYVAL (2021) 4: April 2021, § 88, p. 32.

foundations and bodies which, over the years, have been established within the Curial Institutions and which are directly dependent on them'. Whilst recognising that these bodies possess *'a formally separate legal personality and a certain degree of administrative autonomy*', the Motu Proprio acknowledges that *'they are instrumental to the fulfilment of the specific purposes of the Curial Institutions in the service of the ministry of the Successor of Peter and that, therefore, they too are, unless otherwise specified by the legislation establishing them in some way, public bodies of the Holy See*'. These 'instrumental legal entities' are *'clearly distinct from other foundations, associations and non-profit organisations which, although based in the Vatican City State, were nevertheless established on the initiative of private individuals and are not instrumental to the fulfilment of the specific purposes of the Curial Institutions*' and '[*s]ince their temporal assets form part of the patrimony of the Apostolic See, it is necessary that they be subject not only to the supervision of the curial institutions on which they depend, but also to the control and oversight of the economic bodies of the Roman Curia*'. As noted by the Moneyval Committee, 'instrumental legal persons' fall outside the scope of Recommendation 24 of the Financial Action Task Force.[75]

Table 6

Regulations on legal entities in general

All entities with their registered office in the State are included in the Register of Legal Entities maintained by the Governorate[76], in which all relevant information on the structure, composition and activities of the entities is recorded.
With the entry into force of Law No. DL *on legal entities* of 5 December 2022 and the Motu Proprio *on instrumental legal entities of the Roman Curia* of 5 December 2022, the previous sections into which legal entities were categorised have been amended. There is a single Register of Legal Entities.

Table 7

Regulations on instrumental legal persons

The majority of entities registered and/or having their registered office in the State qualify as 'instrumental legal persons', that is, legal entities serving the purposes of the curial institutions to which they are canonically subject and falling within the sphere of supervision and control of the relevant curial institution, the Council for the Economy, the Secretariat for the Economy[77] and the Office of the Auditor General, as specified in the Rescriptum ex Audientia Ss.mi of 9 June 2015 and the subsequent Rescriptum ex Audientia SS.mi of 21 September 2017, and most recently by the Motu Proprio *on the instrumental legal entities of the Roman Curia* of 5 December 2022.

39. Vatican legislation provides a definition of 'non-profit organisations' of a functional nature and in line with the provisions of the Financial Action Task Force.[78]

[75] See Moneyval, *Anti-money laundering and counter-terrorism financing measures – Holy See* (including Vatican City State),*1stRegular Follow-up Report & Technical Compliance Re-Rating*, MONEYVAL (2024) 6: May 2024, Recommendation 24, § 2, p. 9.
[76] In particular, by the Legal Office of the Governorate pursuant to Article 17 of *the Law on the Government of the Vatican City State* No. CCLXXIV of 25 November 2018.
[77] See Statute, Article 1.
[78] Article 1(3) of *the Law on Legal Persons*, No. DL, of 5 December 2022 ('Law No. DL') provides that: *'The term "non-profit organisations" refers to legal persons whose principal activity is the collection or distribution of funds or other economic resources for charitable, religious, cultural, educational, social or humanitarian purposes*'. The

Consequently, there are entities falling within the definition of 'non-profit organisations' among both 'instrumental legal persons' and 'non-instrumental legal persons'.

40. All legal persons are subject to *'the rules on the prevention and combating of money laundering, terrorism financing and the proliferation of weapons of mass destruction laid down in Law No. XVIII on transparency, supervision and financial reporting of 8 October 2013, as subsequently amended and supplemented*'.[79]

Risk assessment of legal persons

41. Following the recommendations set out in the Mutual Evaluation Report adopted by the Moneyval Committee in April 2021[80] and the provisions of Article *13bis* of Law No. XVIII of 8 October 2013, a risk assessment was carried out in 2022 on legal entities registered in the Register of the Governorate of Vatican City State and not classified as non-profit organisations.

During the analysis phase, the data and information provided by each legal entity in the 'Self-Assessment Questionnaire' were processed, supplementing and verifying the available material with information obtained through collaboration between competent authorities and open sources. Subsequently, using the World Bank's tool[81], it was possible to assess the threats, risks and vulnerabilities relating to ML and, separately, to TF.[82]

42. The legal entities analysed are mostly small organisations operating predominantly in the sectors of education, training and religious activities.

Table 8

Key findings of the risk assessment of legal entities

Money laundering risk

The sources of funding for these legal entities are mainly attributable to institutional grants, financial income and, to a lesser extent, rental income and donations from known and recurring donors.

Interpretative Note to Recommendation 8 of the Financial Action Task Force states that: *'For the purposes of this Recommendation, NPO refers to a legal person, arrangement or organisation that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of 'good* works' (see FATF Recommendation, *Interpretative Note to Recommendation 8 (Non-Profit Organisations)*, (A) (1), p. 60 – November 2023).

[79] See Article 11(1) of Decree-Law No. With regard to 'instrumental legal persons' – including 'non-profit organisations' falling within this category – see Article 7(1)(e)(f) of *the Apostolic Letter in the form of a 'Motu Proprio' on instrumental legal persons* of 5 December 2022.

[80] See Recommendation 24 and *'Recommended Action*' (b) under *Immediate Outcome* 5 ('*The ASIF should complete the ML/TF risk assessments for legal persons other than NPOs*')

[81] '*Legal persons and arrangements ML risk assessment tool*', version 1.0, June 2022.

[82] *If jurisdictions wish to carry out a separate threat assessment of the misuse of legal structures for terrorism financing, the Excel threat assessment tool can easily be adapted and completed using data on terrorism financing offences involving the misuse of legal structures. The TF threat assessment is optional – jurisdictions may decide whether to assess TF threats separately or not, depending on their context and priorities*' (see p. 18 of the Guidance manual for the ML risk assessment tool for legal persons and arrangements).

Financial operations are generally limited and transparent: transactions are predominantly carried out via bank transfer, involve modest amounts and show no links to trusts, high-risk jurisdictions or non-cooperative jurisdictions for tax purposes. No reports of suspicious transactions relating to the sector were identified during the period under review.

In terms of vulnerability, the sector has a structured control framework, underpinned by regulatory obligations regarding the identification of beneficial owners, financial reporting, risk self-assessment and the reporting of suspicious activities. Legal entities adopt procedures to verify the source of funds and regularly participate in training initiatives organised by the competent authorities.

In light of the identified threats and existing mitigation measures, the level of inherent risk, the level of vulnerability and the residual risk of money laundering have been assessed as medium-low.

Risk of terrorism financing

All the entities under consideration are based in the Vatican City State and have no branches or operational facilities in conflict zones or high-risk jurisdictions. Activities are carried out predominantly in the Vatican City State and in Italy; in the limited instances of operations outside Europe, funds are transferred to Nunciatures and Dioceses via traceable banking channels and using accounts held with the Institute for the Works of Religion (IOR), without any exposure to conflict zones or high-risk territories.

No evidence has emerged to suggest or raise suspicion of any involvement by the organisations, their directors or staff in the financing of terrorism, nor are there any links, affiliations or forms of support for terrorism organisations. Financial operations are characterised primarily by the use of bank transfers, whilst the use of cash is minimal and limited to administrative expenses of modest amounts. Furthermore, the use of virtual currencies is not permitted under the legal framework of the jurisdiction. During the reporting period, no reports of suspicious transactions related to terrorism financing concerning the legal entities sector were recorded.

In terms of vulnerability, the sector benefits from a regulatory framework that imposes obligations regarding risk self-assessment, the adoption of proportionate mitigation measures and the reporting of suspicious activities. Legal entities regularly participate in specialist training programmes organised by the competent authorities and have procedures and controls in place to prevent the risk of terrorism financing, including checks on conflict zones, persons subject to restrictive measures and the proper traceability of transactions.

The assessment also highlights a good level of risk awareness within the sector and a generally adequate level of control, monitoring and information retention systems.

In light of the threats identified and the existing mitigation measures, the level of inherent risk, the level of vulnerability and the residual risk of terrorism financing have been assessed as medium-low.

Risk assessment of non-profit organisations

43. The risk assessment of non-profit organisations was carried out in accordance with the provisions of Article *13bis* of Law No. XVIII of 8 October 2013 and in line with criterion 8.1 of FATF Recommendation No. 8 *'Non-Profit Organisations (NPOs)*'.

44. For the purposes of identifying and assessing risks associated with the non-profit sector, the legal entities within the Jurisdiction - all of which are nonprofit in nature - were analysed to determine which fell within the FATF's definition of NPOs[83], also with a view to implementing *Moneyval's* recommendations on this matter.[84]

[83] *'NPO refers to a legal person, arrangement or organisation that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of "good works"'.* (FATF – Methodology for assessing technical compliance with the FATF Recommendations and the effectiveness of AML/CFT/CPF systems, last updated: August 2024, Recommendation 8, footnote 61).

[84] See *'Holy See (including Vatican City State) Fifth Round Mutual Evaluation Report*', April 2021, para. 4.1 *'Terrorism Financing and Financing of Proliferation*', Recommended Actions IO 10, points (b) and (c), p. 100.

45. Subsequent assessments focused on the risk of terrorism financing and were carried out by ASIF using tools developed independently on the basis of the World Bank's TF risk assessment model for NPOs. For the purposes of the assessment, quantitative data were used and account was taken of the up-to-date information provided by each organisation via self-assessment questionnaires. To supplement the information base, use was made of data and information available from the Register of Legal Entities maintained by the Governorate, as well as that available to ASIF – including in its capacity as the Financial Intelligence Unit (FIU) – obtained through collaboration with the Secretariat for the Economic and the Corps of the Gendarmerie, provided by the limited domestic financial sector and from open sources.

46. The assessment of the identified NPOs aimed to: (i) identify potential TF threats and the inherent risk level of the organisations, including possible methods of abuse for TF purposes; (ii) analyse the internal control mechanisms designed to mitigate potential TF threats and determine the level of vulnerability of the organisations' safeguards; (iii) assess the residual risk of the organisations' exposure to money laundering; (iv) identify a subset of organisations potentially exposed to a higher risk of money laundering; (v) examine in greater detail the risks and controls of the organisations referred to in point (iv), with a view to identifying appropriate mitigation measures.

Table 9

Key findings of the risk assessment of non-profit organisations

The assessment of the risk of terrorism financing in the Vatican's non-profit organisation (NPO) sector, carried out in accordance with the methodology and tools developed by the World Bank, indicates an overall low level of risk. No evidence has emerged to suggest a concrete risk of these organisations being misused for the purposes of terrorism financing, particularly given their size – which is generally modest by international standards, with the exception of a limited number of larger organisations – as well as the overall modest scale of the financial flows they handle.

The current regulatory and institutional framework, together with the awareness-raising and training activities promoted by the Financial Security Committee and the institutions' ongoing commitment to implementing the relevant measures, helps to ensure a substantially effective system for preventing and mitigating the risk of terrorism financing. Compared with the previous assessment in 2020, significant progress has also been noted in strengthening internal controls and adopting risk-based procedures, to protect both the institutions themselves and the Holy See, whose mission and values they uphold with a high sense of responsibility.

Analysis of funding sources shows that, for four entities, over 90 per cent of their income derives from bodies of the Holy See or the Vatican City State, as well as from income generated by their own assets. This significantly reduces the risk associated with the inflow of funds from third jurisdictions.

As regards expenditure, a minority of the entities allocate over 90 per cent of their resources within the Vatican City State. In other cases, the transfer of funds to foreign jurisdictions is closely linked to the entities' institutional purposes and to the universal dimension of the Holy See's mission.

Such transactions do not in themselves constitute an indicator of the risk of terrorism financing. The awareness-raising activities developed over time, the checks on the origin and destination of funds - carried out in accordance with a risk-based approach - and the internal procedures adopted by the entities ensure, in fact, adequate preventive safeguards. Any anomalies or risk factors can be identified and investigated in greater depth, not least thanks to the specialist support provided by ASIF. Furthermore, for transactions of greater economic significance, the procedure for prior authorisation of extraordinary administrative acts by the Secretariat for the Economy applies.

In light of the factors analysed, the residual risk of terrorism financing within the sector of Vatican non-profit organisations is assessed as low, given the limited exposure to risk factors, the effectiveness of existing control mechanisms and the gradual development of a culture of prevention within the sector.

4. FINANCIAL ACTIVITIES CARRIED OUT ON A PROFESSIONAL BASIS

47. The financial sector of the Vatican City State[85] is limited in scope, public in nature and *de facto* closed. For the purposes of the GRA, this sector is defined as comprising entities that carry out financial activities on a professional basis[86] and are subject to supervision by ASIF.

48. To be authorised to carry out financial activities on a professional basis (for example: on behalf of third parties or non-governmental entities), two conditions must be met:

(a) the entity must be established by the competent Authorities of the Holy See[87]; and

(b) the entity must be authorised by ASIF, in accordance with the principles and rules governing prudential supervision.[88]

49. To date, only the IOR has been authorised by ASIF to carry out financial activities on a professional basis.[89]

50. The nature and mission of the IOR are unique:

(a) it is a public foundation under canon law;[90]

(b) its purpose is to *'provide for the custody and administration of movable and immovable property transferred or entrusted to it by natural or legal persons and intended for religious or charitable works*';[91]

(c) it is not open to the general public, and offers its services only to a select category of natural and legal persons;

[85] For the purposes of the GRA only, the financial sector is defined as the sector comprising entities that carry out financial activities on a professional basis and are subject to authorisation and supervision by ASIF.
[86] See Article 1(2) of Law No. XVIII.
[87] See Article 7 of Law No. V of 7 June 1929 and Article 54(3) of Law No. XVIII.
[88] See Article 54(1) of Law No. XVIII and Article 4 of ASIF Regulation No. 1 on *the prudential supervision of institutions carrying out financial activities on a professional basis,* dated 23 December 2014 (Regulation No. 1).
[89] The IOR was authorised by ASIF on 10 July 2015 and is subject to the measures for the prevention and combating of money laundering and terrorism financing, as set out in Title II of Law No. XVIII, as well as to the prudential supervision measures set out in Title III of the aforementioned Law, implemented by Regulation No. 1.
[90] See *the Chirographus in civitate vaticana institutum caritatis religionisque operibus tutandis conditur* issued by Pope Pius XII on 27 June 1942.
[91] See Article 2(1) of the Chirograph of His Holiness Pope Francis on the new Statute of the Institute for the Works of Religion of 30 January 2023.

(d) it has a single head office and no branches, subsidiaries or offices in foreign jurisdictions.

51. The data recorded in December 2024 (see **Table 10**) highlights the limited size of the IOR, which, if the size criteria used by the ECB were adopted for purely statistical purposes, would be classifiable, *mutatis mutandis*, as a 'small' financial institution[92].

Table 10

Key figures (December 2024)

	IOR
Number of employees	106
Number of users	12,464
Total assets	€5,717 million
of which assets under management	*€3,186 million*
Equity	€732 million
Liquidity Coverage Ratio (LCR)	> 200%

(Source: Institute for the Works of Religion)

52. The separate assessment of threats and vulnerabilities relating to money laundering and terrorism financing has enabled the development of a more focused analysis that is better tailored to the characteristics of these two phenomena. The approach adopted has made it possible to highlight specific risk aspects, providing ASIF with useful information for defining supervisory priorities and guiding supervisory actions and the strengthening of controls in the areas, activities and services most at risk.

Table 11

Key findings of the risk assessment of the financial sector

The financial sector presents a generally moderate level of risk, underpinned by a well-established legislative and regulatory framework, an effective supervisory system and adequate internal control mechanisms. The analysis also revealed a high level of risk awareness amongst operators, together with a good availability of information and tools useful for preventing and countering the risks of money laundering and terrorism financing.

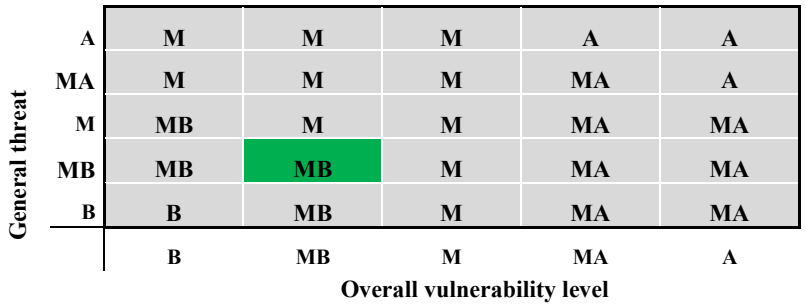
The assessments have also provided useful guidance for the gradual consolidation of the prevention and countermeasures system, enabling supervisory activities to be directed towards those areas that would most benefit from further initiatives to raise awareness, monitor and develop control measures.

[92] According to the definitions used by the ECB, a monetary financial institution (MFI) may be defined as 'small' if its total assets account for less than 0.005 per cent of the total consolidated assets of banks in the European Union (see link: https://www.ecb.europa.eu/stats/money/consolidated/html/index.en.html).

5. SUMMARY OF THE RESULTS

5.1 Risk of Money Laundering (ML)

Risk level: *Medium-Low*



MAIN THREATS	MAIN VULNERABILITIES
The assessment of potential money laundering threats focused on 'domestic threats' (i.e. the risk arising from potential predicate offences committed by senior officials, employees or external professionals working for Vatican entities, resulting in money laundering or self-laundering within the State or abroad) and 'cross-border threats' (i.e. the risk arising from potential predicate offences committed abroad, resulting in money laundering or self-laundering within the territory of the State). During the period under review, the preliminary investigation files opened by the Office of the Promoter of Justice, predominantly following reports forwarded by the Supervisory and Financial Information Authority, mainly concerned alleged offences of embezzlement, fraud, abuse of office and misappropriation of public funds. The judicial proceedings conducted have resulted in convictions for offences of misappropriation of public funds, self-laundering, aggravated fraud, failure to report and failure to perform official duties. In most cases, several alleged offences coexist within the same proceedings. Generally speaking, therefore, it would appear that the main threat is posed by attempts at infiltration by foreign third parties, with the intentional or negligent support of individuals within the jurisdiction, for the purposes of unlawful gain and/or money laundering.	In light of the identified threats, the main vulnerabilities are linked to exogenous and endogenous factors. Exogenous factors can essentially be attributed to the jurisdiction's strong economic and financial interdependence on external dynamics. Whilst this condition is shared by many geographically confined entities, the uniqueness of the Holy See's structures and mission, together with the economic and financial architecture of the State, result in significant exposure to foreign influences, particularly with regard to Italy. As for endogenous factors, the ability of the competent authorities to effectively identify, analyse, prevent and combat predicate offences to money laundering and money laundering itself depends not only on adequate regulatory and procedural safeguards, but also on the presence of dedicated, high-quality dedicated staff. Whilst much has already been initiated and achieved in relation to the first aspect – albeit with inevitable room for improvement – further investment would appear to be necessary in relation to the second aspect.

5.2 Risk of Terrorism Financing (TF)

Risk level: *Low*

General Threat						
	A	M	M	MA	A	A
	MA	M	M	MA	MA	A
	M	MB	M	MA	MA	MA
	MB	MB	MB	MA	MA	MA
	B	B	MB	MB	MA	MA
		B	MB	M	MA	A

Overall vulnerability level

MAIN THREATS	MAIN VULNERABILITIES
The nature of the jurisdiction, its institutional architecture and the structure of the financial system do not give rise to any particular threats in terms of terrorism financing. However, interventions to support populations and communities in need in areas characterised by fragility and instability – primarily carried out by non-profit organisations based in the country – could be susceptible to the risk of misuse for the purposes of terrorism financing.	The main vulnerabilities stem from the procedures for monitoring financial flows allocated to projects and the complexities associated with the areas covered by humanitarian aid and support. That said, the safeguards and procedures put in place by the organisations are essentially adequate.