

INSTITUTE FOR THE WORKS OF RELIGION

GENERAL REGULATIONS

Prepared by the Board of Superintendence on July 21, 2020;

Approved by the Cardinals' Commission *ad experimentum* for two years;

In force since September 21st.

INTRODUCTION

These Regulations govern the organization, activity and functioning of the Institute for the Works of Religion in accordance with its Statutes, as last amended, *ad experimentum* for two years, from His Holiness Pope Francis with Chirograph dated August 8th, 2019.

The Regulations also take into account the applicable law provisions and, in particular, Law no. XVIII/2013, which provides for the supervision of the Financial Information Authority on entities “*that perform financial activities on a professional basis*”, as well as the regulations issued by the above-mentioned Authority.

The Board of Superintendence has prepared these Regulations by a resolution of July 21st 2020, pursuant to article 17(g) of the Statutes of the Institute, under which “*the Board of Superintendence is responsible for ...[...] g), issuing the Institute’s implementing Regulations, which are to contain inter alia a detailed description of the powers and areas of competence of the Board and the Directorate, and submitting them to the Cardinals’ Commission for approval*”.

The Cardinals’ Commission has approved these Regulations, and resolved that they shall enter into force as from September 21st.

TITLE 1

THE INSTITUTE FOR THE WORKS OF RELIGION

ARTICLE 1

Nature and activities of the Institute

- 1.** The Institute for the Works of Religion (hereinafter referred to as the “**Institute**”) is a canon law public legal entity, having its seat in the Vatican City State (hereinafter referred to as the “**State**”), registered in the Register of Canonical Legal Persons kept by the Governorate of the State.
- 2.** The Institute provides for the custody and administration of movable and immovable assets transferred or entrusted to the same by natural or legal persons and intended, at least in part or for the future, for works of religion or charity, in accordance with the Statutes and the law.
- 3.** In carrying out its tasks, the Institute complies with the principles of Catholic ethics and always acts in an exemplary manner and with the utmost responsibility, and takes into particular account the fact that, as a canon law public legal entity, it carries out its mission “*in the name of the Church*” and “*for the purpose of the public good*”, as provided for under canon 116 of the Code of Canon Law.
- 4.** Further, the Institute always acts with the highest respect for the Statutes and for canon law, as well as for the law in general, including foreign law, if applicable, and in compliance with the regulations issued by the Financial Information Authority and any other Authority, including foreign authorities, whose provisions may be applicable from time to time. It promotes a culture of legality and respect for the rules within its own organization.
- 5.** In particular, the Institute provides for the custody and the administration of the assets transferred or entrusted to it in the awareness of their nature as ecclesiastical goods and adopting the management criteria and precautions set forth in the Code of Canon Law for this category of

goods.

6. The members of the Board of Superintendence and of the Directorate as well as the executives and all the personnel of the Institute carry out their tasks and perform their duties conforming to the principles of the Catholic ethics to serve the Church and in view of promoting the public interest. Upon being appointed or hired, they all make the profession of faith and shall swear under oath to be loyal to the Institute and to fulfill their professional secrecy obligations before the President of the Cardinals' Commission or the Prelate, using the formulas time by time approved by the Cardinals' Commission.

ARTICLE 2

Structure of the Institute

1. The Institute has no subsidiaries or branches. It may, however, acquire shareholding interest - including total or controlling interest - in companies and other entities, with headquarters in the State or abroad, whose aims are consistent with and instrumental to the mission envisaged in its Statutes.

2. The companies and other entities referred to in the previous paragraph have the same public nature as the Institute and comply with the principles governing its management, as outlined in this article and in the other provisions of the Regulations.

3. The assets managed or otherwise held by the aforementioned companies and entities are public ecclesiastical goods regardless of whether they have been directly conferred by the Institute or have accrued as a result of the activity carried out by the those entities.

4. The Institute ensures and guarantees that the companies and the other entities, in which it has a shareholding interest, as well as their relevant assets, are administered in compliance with the principles and rules applicable to the management of the Institute assets. It also promotes a

culture of legality and transparency within the above-mentioned entities.

ARTICLE 3

The Institute bodies

1. The Institute has the following bodies:
 - a. The Cardinals' Commission;
 - b. The Prelate;
 - c. The Board of Superintendence, which includes the President and the Vice-President;
 - d. The Directorate, which includes the General Director and the Vice-Director.
2. Each of the above-mentioned bodies cooperates loyally with the others, to the extent of its specific functions, prerogatives and assignments, in order to enable the implementation of the Statutes as well as the pursuit of the Institute's mission.

TITLE 2

THE CARDINALS' COMMISSION

ARTICLE 4

Appointment and functions of the Cardinals' Commission

1. The Cardinals' Commission is composed of five Cardinals appointed by the Holy Father and is presided over by a Cardinal designated by the members of the Commission itself. Its members hold office for 5 (five) years and may be reappointed once.
2. The Cardinals' Commission ensures that the Institute abides by the Statutes, and performs

all the other duties assigned to it by the Statutes themselves. In particular, the Board of Superintendence or the Directorate may request the Cardinals' Commission to advise on matters of general interest or special importance: without prejudice to the exclusive competence and powers of the Higher Authority to grant authorizations and other orders that canon law requires to be obtained from the Ordinary.

3. The Cardinals' Commission appoints and revokes members of the Board of Superintendence as well as, upon proposal by the same Board, its President and Vice-President.

4. In addition, The Cardinals' Commission:

- a. resolves on allocation of earnings, after examining the Financial Statements and taking into consideration the Institute's capitalization needs;
- b. proposes amendments of the Statutes to the Higher Authority;
- c. resolves on the remuneration of the members of the Board of Superintendence;
- d. approves the appointment and removal of the Director and Vice-Director by the Board of Superintendence;
- e. upon proposal of the Board of Superintendence, appoints the external auditor (individual person or an auditing company) to carry out the statutory audit; and
- f. resolves on any matters concerning the members of the Board of Superintendence and of the Directorate.

5. As further detailed below in these Regulations, the Cardinals' Commission verifies, at least once a year, that the members of the Board and Directorate meet the competence and honorability requirements laid down by the law and detailed in these Regulations, including the absence of conflict of interest or other impediments. A copy of the minutes of the meeting where such requirements are verified, duly certified by the Secretary of the meeting, *i.e.* the Prelate of the Institute, shall be sent to the Financial Information Authority, along with supporting

documentation, within 30 days of the meeting itself, by the President of the Board of Superintendence or, in case of impediment or conflict of interest affecting the latter, by the Vice-President or, in case of further impediment or conflict of interest affecting the latter, by the General Director.

6. The composition and functioning of the Cardinals' Commission are governed by articles 5, 6, 7 and 8 of the Statutes, to which, therefore, reference is made.

TITLE 3

THE PRELATE

ARTICLE 5

Appointment and functions of the Prelate

1. The Prelate is appointed by the Cardinals' Commission, holds office for 5 (five) years and may be reappointed once.
2. The Prelate provides *in loco* assistance to directors and employees in governing and operating the Institute in accordance with the founding principles of Catholic ethics and in line with the Institute's mission. To this end, he maintains constant exchanges with directors and employees, taking care to promote the ethical dimension of their work.
3. The Prelate attends the meetings of the Cardinals' Commission and, as the Secretary of such meetings, he draws up the relevant minutes, which he signs jointly with the Cardinal President and collects in a dedicated book. He keeps the book of minutes as well as the archives of the Cardinals' Commission in his own office at the Institute. The Prelate also attends the meetings of the Board and guarantees the appropriate connection of the above-mentioned body with the Cardinal's Commission.

4. To this end, the Prelate receives the notices of call of the Cardinals' Commission meetings, where he serves as Secretary, as well as of the Board of Superintendence's meetings, which he attends as an observer.
5. He carries out all the activities provided for under the Statutes, to which reference is made.
6. The Directorate assigns to the Prelate an office within the premises of the Institute, fully equipped so to allow him to carry out his activities including, in particular, his tasks as Secretary of the Cardinals' Commission and keeper of the minutes of the relevant meetings.
7. In his role as Secretary of the Cardinal's Commission, the Prelate is also responsible for the custody of the relevant minutes as well as for the authentication of copies and extracts of the same minutes. Therefore, he is the only person authorized to issue copies and extracts of the minutes of the Cardinals' Commission meetings.

TITLE 4

THE BOARD OF SUPERINTENDENCE

ARTICLE 6

Appointment of the Board of Superintendence

1. The Board of Superintendence (hereinafter referred to as the "**Board**") is made up of 7 (seven) members appointed and revoked by the Cardinals' Commission - after evaluation by the Financial Information Authority - among persons with recognized economic and financial experience and proven trustworthiness, who meet the competence and honorability requirements expressly provided for under the Statutes, applicable law and regulations and better outlined in the following articles.
2. The members of the Board hold office for 5 (five) years and may be reappointed once. If

a member of the Board dies, becomes legally incapacitated or, for any reason, leaves office before the relevant tenure expires, the Cardinals' Commission replaces such Board member. In such case, the new member remains in office until the expiration of the Board's term and may be reappointed once.

3. In view of the appointment of some or all of the members of the Board, the Cardinals' Commission carries out researches and selects candidates who, based on their merits, are appropriate for the position, meet the competence and honorability requirements set forth in article 8 below and are not affected by a conflict of interest or other impediments, as set forth in article 9 below. To this end, the Cardinals' Commission obtains from potential candidates and reviews the information and documentation proving the competence and honorability requirements as well as the absence of conflicts and other impediments.

4. At least 45 days prior to the potential appointment, the Cardinals' Commission submits to the Financial Information Authority the name(s) of the candidate(s) for the office of member of the Board - together with the documentation collected and proving the possession of the above-mentioned requirements - in order to allow the aforesaid Authority to assess their suitability.

5. The Cardinals' Commission collaborates with the above-mentioned Authority and provides it with any further information it may request on candidates.

6. If the Financial Information Authority determines that one or more candidates for the office of member of the Board of Directors do not meet the competence and honorability requirements or are affected by a conflict of interest or other impediments, and rejects their appointment, the Committee of Cardinals shall identify alternative candidates and submit their appointment to the prior evaluation of the aforesaid Authority, as provided for in this article.

7. If the Financial Information Authority communicates that it has approved the appointment of the new member or members of the Board or does not communicate its refusal within 45 days of the day it was provided with the documentation referred to in paragraph 4 of this article, the Cardinals' Commission appoints the new member or members of the Board, notifying the

aforesaid Authority accordingly.

ARTICLE 7

President and Vice-President

- 1.** Upon proposal of the Board, the Cardinals' Commission appoints and revokes the President and Vice-President.
- 2.** The President convenes the Board, chairs its meetings and coordinates the work. In performing these activities, the President makes sure to share with the Board members any important news as well as the appropriate information in connection with the items on the agenda or which may be of interest for their work. The President ensures that the matters of strategic importance are dealt with priority and devoting to them all the necessary time. The President signs the minutes of the meetings jointly with the Sole Secretary of the Board and carries out all other activities provided for under the Statutes as well as these Regulations.
- 3.** The President is the legal representative of the Institute and may delegate the power of representation pursuant to the procedures provided for in article 16 of these Regulations. The President also represents the Board in its interactions with the other bodies of the Institute.
- 4.** If the President is absent or unable to serve, the President functions are performed by the Vice-President.

ARTICLE 8

Competence and honorability requirements of the Board members

- 1.** Only those persons who meet the following competence and honorability requirements may be appointed as members of the Board:

- a. having garnered, within the State or in a foreign State, considered as equivalent to the State, a specific competence in financial and investment matters, through, *inter alia*, membership in senior managements or equivalent position, or position of adequate responsibility for a period of not less than five years;
 - b. possessing a proper knowledge and understanding of the unique institutional, legal, economic, commercial and professional framework of the Holy See and State;
 - c. having broad and appropriately diversified expertise, in relation to the effective contribution to the activity and risk management in all the operational areas of the Institute.
- 2.** In order to be appointed as a member of the Board and remain in office, it is also necessary to meet the following honorability requirements:
- a. not to be legally incapacitated or subject to measures affecting the ability to act, bankrupt, or convicted of a punishment entailing the prohibition, even temporary, from holding public offices or the inability to hold executive positions whether in the State or in a foreign State;
 - b. not to be indicted or convicted - even if not definitively - both in the State and in a foreign State *(i)* for crimes in the financial, investment or insurance sectors, including corporate, bankruptcy, and tax crimes; *(ii)* for a crime against a government or public administration, against public trust, against social welfare, against public order, or against the public economy; and *(iii)* for any kind of non-culpable offence.
 - c. not be the subject of property prevention measures or requests for the application of such measures or precautionary measures applied with a view to or in the context of such proceedings in the State or in a foreign State;
 - d. not to be subject to canonical sanctions nor to be promoters or members of associations conspiring against the Church as per canon 1374 of the Code of Canon Law, and not to be

- members of associations that support ideologies in contrast with the Catholic religion;
- e. not to live in a way which is incompatible with the principles of the Church's doctrine;
 - f. not having been subject to administrative sanctions for systematic breach or failure to comply with obligations in the economic and financial sector imposed by (i) the competent authorities of the Holy See or the State, including the Financial Information Authority, pursuant to Articles 47(3) and 66(3) of Law No. XVIII of 8 October 2013, as amended; and (ii) the competent authorities of other States.

ARTICLE 9

Absence of conflict of interest and other impediments

1. Candidates for the office - and persons appointed as members - of the Board must also be free of any conflicts of interest, including those that may arise from their roles or functions within companies, entities and other institutions, either profit or non-profit, including those operating within the State or linked to the Holy See.
2. Further, the aforementioned candidates and members of the Board:
 - a. must commit themselves to devote a quantity of time commensurate with the nature and complexity of their duties of care and diligence towards the Institute and must be able to effectively meet this commitment;
 - b. consequently, may not simultaneously hold a number of executive and non-executive roles, even if carried out for free, in companies, bodies and other institutions, either profit or non-profit, nor may they simultaneously carry out professional or other work activities, even if within the State or in institutions linked to the Holy See, which would prevent them from making the expected contribution to the life of the Institute and to the care of its interest.

3. The Cardinals' Commission assesses whether the number of further appointments of each Board member is adequate in accordance with the applicable laws and regulations.

ARTICLE 10

Verification of the requirements of the Board members

1. At least once a year, by December 31 of each year, the Cardinals' Commission shall verify that the members of the Board in office meet the competence and honorability requirements set forth under the applicable laws and regulations and are not in a condition of conflict of interest nor are they affected by the other impediments referred to, respectively, in articles 8 and 9 of these Regulations.

2. The Cardinals' Commission shall – through the President of the Board of Superintendence – forward to the Financial Information Authority a copy of the minutes of the meeting whereby it has verified that the above mentioned requirements have been met, within 30 days of such meeting.

3. In view of the above, the Board shall assess at least annually the necessary information on all its members at a meeting convened for this purpose by the President within the third quarter of each year. To this end, the President shall obtain the necessary documents and information on each of the members of the Board, including the, and shall make them available to all other members in time for such meeting.

4. The President shall promptly transmit to the Cardinal's Commission the minutes of the meeting where the Board has ascertained that its members met the requirements prescribed so that the Cardinal's Commission may take them into account in view of its resolutions as per paragraph 1 of this article.

5. Regardless of the foregoing, each member of the Board shall spontaneously and promptly inform the Board about any circumstances that may be potentially relevant in connection with the

assessment of the possession of the requirements set forth in articles 8 and 9 of these Regulations.

6. In the event that a member of the Board loses the honorability requirements provided for in Article 19, paragraph 2, of the Regulation no. 1 of 25 September 2014 issued by the Financial Information Authority, *i.e.* no longer meets the requirements set forth under Article 8, paragraph 2, of these Regulations, such Board member must immediately inform the President, who will, in turn, promptly inform the other members of the Board. Such member of the Board will also have to communicate his/her resignation from the Board to the Cardinals' Commission, which will acknowledge his/her resignation and release him/her from the duty to hold office also pursuant to canon 1289 of the Code of Canon Law. Subsequently, the President will inform the Financial Information Authority of his/her resignation. The same procedure also applies if a member of the Board is in a condition of permanent conflict of interest or is affected by the other impediments referred to in article 9 of these Regulations.

7. If the member of the Board who has lost the possession of the requirements does not communicate this circumstance in a timely manner and the Board has otherwise received notice of the above, upon a resolution by the same Board, the President shall inform the Cardinals' Commission, which in turn shall forfeit the office of the concerned Board member pursuant to article 11 of these Regulations.

ARTICLE 11

Termination, forfeiture and revocation of the Board members.

1. The office of the members of the Board terminates as a consequence of expiration of the relevant term, or as a consequence of the resignation of the relevant Board member which shall be duly submitted to the Cardinals' Commission and accepted by the latter, also in light of canon 1289 of the Code of Canon Law. Unless they obtain a waiver from the Cardinals' Commission, the members of the Board whose office terminates as a consequence of expiration of the relevant

term or as a consequence of their resignation shall continue to perform their tasks, under a *prorogatio* regime, until they are replaced.

2. The members of the Board shall automatically lose their office if they lose even just one of the honorability requirements set forth under article 8 of these Regulations. In this case, also upon notification by the Board, the Cardinal's Commission shall ascertain the existence of a cause for forfeiture of office and shall notify the President, who shall in turn notify the Board member concerned. Forfeiture of office operates *ipso iure* as of the date when the Board member concerned receive the notice of his/her forfeiture.

3. In the event of early termination of a member of the Board, the Cardinals' Commission shall replace such Board member. The new member shall remain in office until the Board's term expires.

4. The Cardinals' Commission may revoke, at its sole discretion, the members of the Board at any time, by means of a resolution to be communicated to the Board member concerned and transmitted to the Financial Information Authority and, for information only, to the President, who will bring it to the attention of the other members. In this case, the Board Member or Board members who have been revoked shall be entitled to the emolument accrued up to the date of revocation as well as to the reimbursement of the expenses incurred.

ARTICLE 12

Duties and Powers of the Board of Superintendence

1. The Board of Superintendence is responsible for the strategy, the administration and the management of the Institute as well as the monitoring and supervision of its activities from a financial, economic and operational perspective. Specifically, the Board is responsible for defining and approving:

- a. the Institute's policies and strategies;
 - b. the strategic guidelines and their periodic review, taking into account the changes in the Institute's activities and the context in which it operates, in order to ensure their adequacy over time (strategic and business plans);
 - c. the Institute's activity model and business plan, in a manner consistent with its mission and values, taking into account the risks to which it is exposed, including those arising from the macroeconomic scenario, along with the procedures for the supervision and the assessment of such risks;
 - d. the Institute's financial statements and the Directorate's annual report;
 - e. the RAF, including risk levels and risk management policies;
 - f. the general orientation of the internal control system, verifying that it is consistent with the established strategic guidelines and the Institute's risk propensity, and that it can take into account the development of significant risks and the interaction among each other;
 - g. the criteria to identify the most significant transactions, pursuant to canons 1291 *et seq.* of the Code of Canon Law, which must be submitted to the risk control functions' prior review;
 - h. specific policies in connection with natural or legal persons entitled to have relationships with the Institute.
- 2.** The Board resolves on, in particular:
- a. the establishment of the control functions or other significant functions, their respective roles and responsibilities, as well as the procedures for their cooperation and coordination, without prejudice to the possibility of delegating such activities on a case-by-case basis;
 - b. the risk management process and its compatibility with strategic guidelines and risk management policies;
 - c. the policies and processes for the evaluation of the Institute's activities, and in particular, investments in financial instruments, verifying their appropriateness over time; it also ascertains the Institute's exposure limits to financial instruments or products of uncertain

- or difficult evaluation;
- d. the process for approving new products and services, launching new activities, and entering new markets;
 - e. the internal policies on the outsourcing of the Institute's functions;
 - f. the code of ethics with which the members of the Institute's bodies and all employees must comply in order to mitigate operational and reputational risks and promote the development of a strong compliance and risk management culture, in the awareness of the functions that the Institute performs "*in the name of the Church*" and "*in the public interest*";
 - g. any Regulations, including operational ones, that are drawn up by the Directorate following the guidelines previously given by the Board;
 - h. the procedure for dealing with complaints and claims, after drawing up policies setting out the terms and limits of admissible indemnifications;
 - i. the appointment of executives and officers upon proposal of the Directorate.
- 3.** The Board ensures, moreover, that:
- a. the structure of the Institute is consistent with the activity carried out and with the business model adopted, thus avoiding to create complex structures, which are not consistent with operating goals and, at the same time, ensuring the adequacy of the organizational and management structures;
 - b. the Institute's internal control system and its organization constantly comply with the principles of law recalled above;
 - c. the implementation of the RAF (the so-called *risk appetite framework*) is consistent with the approved risk targets;
 - d. the RAF is adequate and effective and the actual risk taken is consistent with the approved risk targets;
 - e. the strategy, RAF, ICAAP, budget, and internal control systems are consistent, including in light of any changes in internal and external conditions in which the Institute operates;

- f. the amount and allocation of capital and liquidity are consistent with risk targets, RAF and risk management policies;
 - g. there is sufficient coordination between the Institute's operational and control functions.
- 4.** At least once a year, the Board discusses and approves the activity plan of the control functions, including the audit plan prepared by the internal audit office, and it reviews the annual reports prepared by the control functions.
- 5.** The Board is required to transmit to the Financial Information Authority, at least once a year, the data, documents and information referred to in paragraphs 1, 2, 3 and 4 of this article.
- 6.** The Board proposes to the Cardinals' Commission any amendments to the Statutes and to these Regulations.
- 7.** The Board also proposes to the Cardinals' Commission the appointment of an External Auditor and informs the Commission when a mandate is given.
- 8.** Lastly, the Board performs all the activities provided for in the Statutes and, in particular, in article 17 and the other provisions of these Regulations, to which reference should be made.

ARTICLE 13

Board meetings

- 1.** The Board meets at least every three months, upon being convened by the President. In order to ensure the effective performance of its functions, during the last session of each year, the Board defines and approves a yearly plan of the ordinary meetings scheduled for the following year. All Board members shall attend Board meetings. The Prelate shall also attend Board meetings. The Director and, in the Director absence, the Vice-Director, are normally invited to attend. The President may, from time to time, invite other parties to attend the meeting, in various capacities, in relation to the topics to be discussed. In such cases, the President shall include this

invitation in the notice of call.

2. The Board shall also meet any time the President deems it necessary, or when at least three Board members request the President in writing to call a meeting, and provide for the underlying reasons for such meeting.

3. The notice must be sent, at least, ten days before the date scheduled for the meeting, by means that guarantee that it will be received. The notice must state the date, time and place of the meeting and include the agenda, which must be accompanied by adequate and necessary supporting information. The Board may be convened in urgent cases by means of a notice sent at least two days before the date set for the meeting.

4. In preparing the agenda, the President takes into account the requests made by the General Director and gives priority to matters of strategic importance. The items on the agenda are grouped by thematic areas in order to ensure their orderly discussion; the notice of call shall also indicate on which items the Board shall adopt a resolution and on which it will instead merely receive information. In order to ensure a correct information flow to the Board, the President makes sure that the documents relating to the items on the agenda be made available to board members before the meeting, through the means and by the methods established by the Board from time to time. In particular, the documents relating to the resolutions to be taken must be made available to the Board members eight days prior to Board meetings; for the remaining documents, six days prior to the date of the Board meeting shall suffice. The documentation must be adequate, both quantitatively and qualitatively, and must be provided along with a brief summary note listing the most significant and relevant points for the purposes of the inherent resolutions, also in order to allow the Board members to make any observations or requests for clarification before the Board meeting. In case of need or urgency, the aforementioned documents may be shared even after the deadlines set forth above.

5. Each member of the Board may always bring to the attention of the other Board members facts and information concerning the activities of the Institute.

6. If, during a meeting, the need arises to deal with items that are not included in the agenda sent to the Board members along with the notice of call and to take urgent resolutions, the President

may proceed with the discussion of such items and submit them to the Board for resolution.

7. During each meeting, the President may verbally call the following Board meeting. This kind of call is valid for the Board members who are attending the meeting only, while a specific notice of call is required for the absent Board members.

8. The meetings of the Board are considered validly constituted if the majority of its members in office are present.

9. The resolutions are considered validly passed by an absolute majority of the members present except for the those resolutions concerning the approval of the financial statements and the appointment of the General Director and the Vice-Director, for which a majority of four Board members is required.

10. If Board members are unable to attend the meeting called for the approval of the financial statements and for the appointment of the General Director and the Vice-Director, they may vote by proxy to other Board members or by sending their decision in writing. Board members who have expressed their vote by proxy or submitted their decision in writing are deemed as present for the *quorum* calculation purposes.

11. Only in cases of proven necessity, meetings of the Board may be held by telecommunication means, provided that each of the participants can be identified by all the others and that each of the participants is able to intervene in real time during the discussion of the topics and to receive, transmit and view documents in compliance with confidentiality requirements. If these prerequisites are met, the Board is considered to be held in the Vatican, where the President or the Vice-President, a member of the Board and the Sole Secretary of the Board, whose role is better outlined in article 14 below of these Regulations, must necessarily be physically present.

12. Board meetings are faithfully recorded in the minutes by the Sole Secretary of the Board, who personally attends the meetings and signs the minutes jointly with the President. The minutes are confidential and can be viewed exclusively by the members of the Board, the General Director and the External Auditors, as well as, through the Directorate or the Head of the Legal Department, by the Surveillance Board (“*organismo di vigilanza*”) if established, by the Heads of the control functions of the Institute and, if necessary, by the counsels or expert engaged by the Institute, only

in connection with the activities that they shall carry out. This provision is without prejudice to the applicable laws, and the requests by public authorities (judicial, supervisory, administrative).

13. Board meetings are also recorded by the staff duly entrusted with this task by the President. The records are kept at the Institute premises by the Sole Secretary of the Board.

14. At the end of each meeting, the President shall proclaim the resolutions taken by the Board and provide formal notice of such resolutions to the Directorate. In the event of doubts or uncertainties as to the actual content of the resolutions, each Board member may, at any time, request to listen to the recording of the Board meeting in order to verify whether such recording is in line with the minutes taken by the Secretary and request, if need be, that the necessary changes be made to the minutes.

15. Subject to a specific resolution, the Board shall have the right to provide simultaneous translation of its meetings.

16. The Prelate attends Board meetings and receives all documents relating to such meetings. He may also ask to speak and take the floor. However, he cannot cast a vote.

17. The Board members, the President and the Sole Secretary of the Board, as well as the Prelate, the members of the Directorate and, in general, all the persons invited, intervening or otherwise present in any capacity at the Board meetings must maintain complete confidentiality on any element of the meeting or meetings which they attended, as well as on any information of which they have become or may become aware as a result of their participation to the meetings and their role within the Institute. All the aforesaid individuals are expressly forbidden to disclose, or disseminate by any means, any information relating to the Institute and to the items discussed at its Board meetings, as well as any other information acquired as a result of their role within the Institute. The Institute shall ascertain and take consequent legal actions, in all competent venues, against any violations of the above obligations.

ARTICLE 14

Sole Secretary of the Board

1. The function of Sole Secretary of the Board is performed by the head of the Legal Department of the Institute, who is entrusted with the following duties:
 - a. drawing up and signing, together with the President, the minutes of the Board meeting so that they can be approved at the end of each meetings;
 - b. certifying copies and extracts of the minutes of the Board meetings and of any related documents and annexes thereto;
 - c. keeping the minutes and the relevant book as well as the sound recordings and other documents, which must be included in the Board's meeting book;
 - d. allowing consultation of the minutes of the Board by those individuals who are entitled to consult them or who are otherwise duly authorized;
 - e. carrying out all the above mentioned tasks also within the Committees set up within the Board as per article 15 of these Regulations.
2. In the event of the absence or impediment of the Sole Secretary of the Board, the minutes of the meeting shall be drawn up by a Board member delegated by the President.
3. The minutes or the related excerpts to be sent to Public Offices or Supervisory Authorities shall be signed by the President and the Sole Secretary of the Board. The President may also authorize the release of excerpts from the minutes for purposes related to the operational needs of the Institute.

Article 15

Internal Committees of the Board

1. The Board sets up at least two internal committees, namely the Audit & Risk Committee

and the Human Resources and Ethics Committee, as well as any other committees that the Board may deem useful to establish. These Committees have advisory and consulting functions and assist the Board in its activities.

2. Each Committee must be composed of at least three members, all appointed by the Board from among its members, and must be chaired by the Board member specifically appointed by the Board. The members of each Committee are chosen on the basis of their expertise and the area of activity of the Committees themselves. The President of the Board attends the meetings of each Committee.

3. The Committees may meet before the meetings of the Board, and their members shall inform the other Board members of the outcome of their works. Each Committee shall be convened by its President. On a motion by the President of the Committee, to be made in the notice calling the committee meeting, and with the consent of all members, to be expressed during the meetings, Executives and Officers of the Institute and/or external consultants may be invited to join the meeting where specific topics are discussed.

4. The Sole Secretary of the Board also acts as *pro tempore* secretary of the Internal Committees of the Board. The Sole Secretary of the Board is responsible for drafting and signing, together with the President of the Committee, the minutes of the meeting and for keeping all the minutes and other certification activities provided for in the previous article.

5. The minutes of each Committee meeting must be transcribed and kept in a special book of minutes and resolutions of the Committee, which is kept at the Institute premises by the Sole Secretary of the Board.

6. The provisions on the Board meetings and the minutes set forth in article 13 of these Regulations apply, where consistent, to the meetings and minutes of each Internal Committee.

TITLE 5

POWERS OF SIGNATURE

ARTICLE 16

Powers of representation and signature

- 1.** The President represents the Institute *vis-à-vis* third parties. If the President deems it appropriate, the President may delegate, in whole or in part, the legal representation powers to the General Director.
- 2.** The President may also delegate other parties to represent the Institute for the performance of specific actions. In such cases, the President may also delegate the power to sign to third parties, exclusively for the act or the acts to be carried out, as per the specific policy to be adopted by the Board.
- 3.** In case of urgency, the President, having consulted with at least two Board members, may also authorize the General Director to take actions falling under the competence of the Board and exercise the relevant power to sign. The determination adopted by the General Director pursuant to this authorization binds the Institute and is immediately effective *vis-à-vis* third parties. However, it must be submitted for ratification by the Board at the first subsequent meeting.
- 4.** Upon proposal of the General Director, the power to sign may also be granted to the Vice-Director, as well as to Executives and Officers, setting the appropriate contents and limits, and provided that the power to sign relates to the scope of their specific tasks and duties. This does not affect the General Director duty to supervise and monitor the correct performance of those powers.
- 5.** Where appropriate, the President may confer the power to represent the Institute and to make decisions, in its name and on its behalf, also to persons outside the Institute, including lawyers and consultants, as well as to other persons trusted by the Institute and of proven expertise and honorability. In doing so, the President shall set appropriate limits to the relevant powers and

request the delegated persons to account for their actions once performed or periodically, when the mandate concerns more than one action.

TITLE 6

THE DIRECTORATE

ARTICLE 17

Appointment of the members of the Directorate

- 1.** The Directorate is composed of the General Director and the Vice-Director. The Vice-Director replaces the General Director in case of absence or impediment of the latter and acts, in any case, upon delegation of the General Director.
- 2.** The General Director and the Vice-Director are appointed and revoked by the Board, with the approval of the Cardinals' Commission, even amongst individuals who are not already working for the Institute.
- 3.** The General Director can be appointed for an indefinite period. In case of fixed-term appointment, he remains in office for five years and can be confirmed once. The Vice-Director can instead be appointed only for a fixed term for a period of five years and can be confirmed once.
- 4.** The General Director and the Vice-Director must be chosen, based on their merits, from among the persons meeting the competence and honorability requirements provided for under article 18 of these Regulations.
- 5.** In view of the appointment of the General Director and the Vice-Director, the Board carries out researches and selects candidates who, based on their merits, are appropriate for the position, meet the competence and honorability requirements set forth in article 18 below and are

not affected by a conflict of interest or other impediments, as per article 19 below. To this end, the Board obtains from potential candidates and reviews the information and documentation proving the necessary requirements as well as the absence of conflicts and other impediments.

6. At least 45 days prior to the potential appointment, the Board, represented by the President, having obtained the prior approval by the Cardinals' Commission, submits to the Financial Information Authority the name(s) of the candidate(s) for the office of General Director or Vice-Director of the Institute - together with the documentation collected and proving the possession of the above-mentioned requirements - in order to allow the aforesaid Authority to assess their suitability.

7. The Board cooperates with the above Authority and provides it with any further information it may request on candidates.

8. If the Financial Information Authority determines that one or more candidates for the office of General Director or Vice-Director of the Institute do not meet the competence and honorability requirements or are affected by a conflict of interest or other impediments, and rejects their appointment, the Board shall identify alternative candidates and submit their appointment to the Cardinals' Commission, for its previous approval, and, subsequently, to the aforesaid Authority, as provided for in this article.

9. If the Financial Information Authority communicates that it has approved the appointment of the new General Director or the new Vice-Director, or does not communicate its refusal within 45 days of the day it was provided with the documentation referred to in paragraph 6 of this article, the Board appoints the new General Director or the new Vice-Director, notifying the aforesaid Authority accordingly.

ARTICLE 18

Competence and honorability requirements of the members of the Directorate

1. The members of the Directorate must be chosen, based on their merits, from among those persons who have garnered, within the State or in a foreign State considered as equivalent to the State, the competence requirements, *i.e.* at least five years of proven experience in the exercise of:
 - a. the administration, supervision or management of financial institutions;
 - b. professional activities in matters pertaining to the financial or investment sectors, or to the key functions of the Institute and which, therefore, involve the performance of key functions of banking and financial institutions;
 - c. the administration, supervision or management of entities, bodies or public entities pertaining to the financial or investment sectors, or entities, bodies or public entities not involved in these sectors, but where the functions exercised involved the management of economic and financial resources.
2. The General Director and the Vice-Director must also possess a proper knowledge and understanding of the unique institutional, legal, economic, commercial and professional framework of the Holy See and the State.
3. The following persons do not meet the honorability requirements and may not be members of the Directorate, and if appointed, they must be dismissed under the Vatican applicable laws:
 - a. persons who are legally incapacitated or subject to measures affecting their ability to act, persons who are bankrupt, or have been convicted of a punishment entailing the prohibition, even temporary, from holding public offices or the inability to hold executive positions whether in the State or in a foreign State;
 - b. persons who have been indicted or convicted - even if not with a final judgment - whether in the State and in a foreign State *(i)* for crimes in the financial, investment or insurance sectors, including corporate, bankruptcy, and tax crimes; *(ii)* for a crime against a government or public administration, against public trust, against social welfare, against

- public order, or against the public economy; and *(iii)* for any kind of non-negligent crime;
- c. persons who have been subject to patrimonial preventive measures or against whom the application of such measures or precautionary measures have been sought in the context of proceedings pending in the State or in a foreign State;
 - d. persons who have been subject to canonical sanctions or are known to be the promoters or members of associations conspiring against the Church as per canon 1374 of the Code of Canon Law or that support ideologies in contrast with the Catholic religion;
 - e. persons who live in a way which is incompatible with the principles of the Church's doctrine;
 - f. persons who have been subject to administrative sanctions, as a result of their systematic breaches of regulatory provisions relating to the economic and financial sector, by *(i)* the competent authorities of the Holy See or the State, including the Financial Information Authority, pursuant to Articles 47(3) and 66(3) of Law No. XVIII of 8 October 2013, as amended; and *(ii)* the competent authorities of other States.

ARTICLE 19

Absence of conflict of interest and other impediments

1. Candidates for the office and persons appointed as members of the Directorate must also not be in any situation of conflict of interest, including those that may arise from the performance of functions or roles in companies, entities and other institutions, either profit or non-profit, even if within the State or within the institutions linked to the Holy See.
2. Further, they:
 - a. must commit themselves to devote their working time to the Institute in an almost total and exclusive way and be able to effectively honor this commitment;
 - b. may not therefore simultaneously hold executive and non-executive roles, even if carried out for free, in companies, bodies and other institutions, either profit or non-profit, nor

professional or other work activities, even if within the State or within institutions linked to the Holy See, which would prevent them from making the expected contribution to the life of the Institute and taking care for its interests.

3. The Board evaluates whether the number of additional jobs of the members of the Directorate is adequate and in compliance with the applicable provisions of laws and regulations. The above is without prejudice to the observations that the Financial Information Authority may raise in connection with each candidates or members of the Directorate or in relation to the evaluation criteria to be applied.

ARTICLE 20

Verification of the requirements of the members of the Directorate

1. At least once a year, by 31 December of each year, the Cardinals' Commission shall verify that the members of the Directorate in office meet the competence and honorability requirements set forth under the applicable laws and regulations and are not affected by any conflict of interest or other impediments, respectively under articles 18 and 19 of these Regulations.

2. The Cardinals' Commission shall forward to the Financial Information Authority a copy of the minutes of the meeting where it has verified that the above requirements have been met, within 30 days of such meeting.

3. In view of the above, the General Director verifies, at least once a year, whether the General Director and the Vice-Director meet the competence and honorability requirements. The General Director also verifies, within the third quarter of each year, whether the General Director and the Vice-Director have no conflicts of interest or other impediments. To this end, the General Director obtains the necessary documents and information concerning the General Director and the Vice-Director and makes them available to the Board.

4. The President promptly submits to the Cardinals' Commission a document attesting that

the members of the Directorate meet the necessary requirements so that the Cardinals' Commission may in turn take them into account in its resolution under paragraph 1 of this article.

5. Regardless of the foregoing, each member of the Directorate shall spontaneously give prompt notice of any circumstances that may be relevant in connection with the assessment of the compliance with the requirements set forth in articles 18 and 19 of these Regulations.

6. In the event that a member of the Directorate loses the honorability requirements provided for in article 19, paragraph 2, of the Financial Information Authority Regulation no. 1 of 25 September 2014 (which came into force on 13 January 2015), as subsequently amended, *i.e.* no longer meets the requirements of article 18, paragraph 4, of these Regulations, such member must immediately inform the President, who will promptly inform the other Board members. Such member of the Directorate must also submit the resignation letter to the Board, which will acknowledge the resignation and release such member of the Directorate from the service pursuant to canon 1289 of the Code of Canon Law. Subsequently, the President will inform the Cardinals' Commission and the Financial Information Authority of the resignation. The same procedure also applies if a member of the Directorate is affected by a permanent conflict of interest or other impediments under article 19 of these Regulations.

7. If the member of the Directorate who has lost the requirements does not inform the Board in a timely manner and the Board otherwise becomes aware thereof, the President shall inform the Cardinals' Commission and declare the forfeiture of the member concerned pursuant to article 21 of these Regulations.

ARTICLE 21

Termination, forfeiture and revocation of the members of the Directorate

1. The office of the Directorate members terminates as a result of the expiration of its term in case of fixed-term office, or at the age of 70, or as a result of the resignation duly submitted to

the Board and accepted by the latter, as also provided for under canon 1289 of the Code of Canon Law.

2. Unless they obtain dispensation from the Board, the members of the Directorate whose office terminates as a result of the expiration of its term, resignation or age limit shall continue performing their tasks, under a *prorogatio* regime, until they are replaced.

3. The members of the Directorate shall automatically lose their office if even one of the honorability requirements set forth in article 18 of these Regulations is no longer met. In this case, also upon notification by the Board, the Cardinals' Commission shall ascertain the existence of a cause for forfeiture of office and shall inform the President, who shall in turn notify the member concerned. Forfeiture of office operates automatically (*ipso iure*) as of the date when the member of the Directorate concerned is notified of such forfeiture.

4. In the event of early termination of the General Director or of the Vice-Director, the Board shall replace them pursuant to articles 17 *et seq.* of these Regulations.

5. The Board may revoke the members of the Directorate at any time, at its sole discretion and after approval by the Cardinals' Commission, by means of a resolution to be communicated to the member concerned and forwarded to the Financial Information Authority and, for information only, to the Cardinals' Commission. In this case, the revoked General Director or Vice-Director shall be entitled to the emolument accrued up to the date of revocation as well as to the reimbursement of expenses incurred and any other income under the relevant applicable agreement.

ARTICLE 22

Duties and powers of the General Director

1. The General Director is responsible for all the operations of the Institute. The General Director acts independently and autonomously, and answers to the Board. In particular, the General Director is responsible for:

- a. directing, organizing and supervising all the operations of the Institute, in the framework of the guidelines and the strategies established by the Board, especially those related with the principles of Catholic ethics;
- b. implementing the resolutions adopted by the Board and supervising the organization of the Institute and personnel management;
- c. drawing up and submitting to the Board, based on the guidelines and strategic and business policies previously approved by the Board itself, a detailed annual budget and a business plan;
- d. drawing up, in the first quarter of each year, the previous year's Financial Statements including Profit and Loss Account and Balance Sheet, according to international accounting standards. The General Director also draws up a report on the Institute's management performance, which accompanies the financial statements. The Financial Statements, the supporting documents and the report must be submitted to the Board at least twenty days before the meeting scheduled to approve the Financial Statements;
- e. following and implementing the Institute's investment policies as well as the other investment activities involving its assets;
- f. defining and supervising the process for approving investments in new products or activities, including procedures, implementation methods and identification of the persons in charge;
- g. approving the establishment of relations with market counterparties and banks and signing the relevant documentation;
- h. informing the Board about the most significant transactions (as identified on the basis of the provisions of article 7.1 7) in relation to which the risk management or compliance functions have expressed a negative opinion or reservations in making the appropriate assessments;

- i. defining and overseeing the implementation of risk management procedures that define the responsibilities of the bodies and functions involved;
- j. defining and overseeing the proper implementation of internal policies regarding outsourcing;
- k. defining and supervising the implementation of procedures that establish the guidelines and limits applied in decisions to invest in financial assets, ensuring that they are regularly updated;
- l. defining and overseeing the implementation of procedures and methods to evaluate the Institute's activities, particularly investments in financial products, and ensuring that these procedures and methods are regularly updated;
- m. defining an appropriate procedure for information flows within the Institute and to the Board;
- n. define an adequate workflow within the Institute, also through Internal Committees;
- o. ensuring the implementation of initiatives and potential remedial action to guarantee that the internal control system is always continuous, complete, adequate, in proper working order and reliable, informing the Board of the results of its checks;
- p. drawing up, by the 10th day of each month at the latest, the economic and financial situation at the previous month-end and submitting it to the Board and the Prelate along with a report;
- q. reporting adequately, and in any case at least on a quarterly basis, on the most significant economic, financial and capital transactions carried out by the Institute pursuant to the Statutes, as well as on the execution of the resolutions of the Board and on the operations carried out in execution of the powers conferred;
- r. reporting in writing, 15 (fifteen) days before each Board meeting, on the progress of the

Institute's activities;

- s. dealing with the general organizational structure and that of the single organizational units, identifying in detail the responsibilities of these units, in accordance with the strategic structure and requirements established by the Board and with the functions assigned to the different structures in the internal regulation approved by the Board;
- t. defining the Implementing Regulations;
- u. handling the drafting of organizational charts and functional charts;
- v. defining the external communication policies and preparing the communications to be issued in compliance with the applicable legislative and regulatory provisions, after sharing those of a strategic nature with the President;
- w. in cooperation with the President, maintaining and handling relations with the members of the Supervisory Authorities in the context and for the purposes of their duties;
- x. handling and maintaining relations with other Authorities;
- y. informing the Board (i) of the appointment of members of the governing and control bodies of subsidiaries or investee companies, (ii) of the decisions made in the shareholders' meetings (ordinary and extraordinary) of the investee companies (controlling and non-controlling) and (iii) on decisions taken with reference to the exercise of other corporate rights in the same companies;
- z. carrying out and authorizing expenditure and investments necessary for managing the Institute, including expenditure for the purchase and sale of movable, immovable and intangible assets within the limits defined by the Institute's annual budget and, if purchases or sales are not already included in the budget, within the limits set out in the specific policy approved by the Board;
- aa. carrying out and authorizing the expenditure for consultancy and acquisition of opinions

- gathering as well as for collaboration agreements with external consultants (and their modification and revocation) and/or services within the limits defined by the Institute's annual budget and, if such expenses are not already included in the budget, within the limits set out in the specific policy approved by the Board;
- bb. entering into active and passive lease agreements, within the limits defined by the Institute's annual budget and, if a lease is not already included in the budget, within the limits set out in the specific policy approved by the Board;
 - cc. within the general guidelines established by the Board, overseeing the definition, by the Managers of the business areas concerned, of the general guidelines for commercial, operational and management policies;
 - dd. handling remuneration policies (including professional insurance coverage and Director & Officer), ensuring their consistency with the Remuneration and Incentive Policies from time to time in force;
 - ee. definitively approving the granting of credit to customers in the forms and methods envisaged by external and internal regulations, within the limits set out in the specific policy approved by Board;
 - ff. representing the Institute in all active and passive legal proceedings, pending both in the State and abroad, including arbitration and conciliation and mediation procedures, and therefore, by way of example and without limitation: appointing, replacing and removing lawyers, consultants, experts, arbitrators and defense counsels; bringing legal actions (including the initiation of insolvency and arbitration proceedings), enforcing judgments and arbitration awards, raising objections, filing counterclaims, filing all evidence in proceedings of any kind, in any degree and before any civil, voluntary, tax, criminal, administrative, special and arbitral jurisdiction, as well as in judicial, out-of-court and contractual actions arising from the aforementioned proceedings, also waiving actions and/or obtaining compensation for pecuniary damages; challenging, including before the

Supreme Court, any judicial measure; signing settlements relating to active and passive, judicial or extra-judicial disputes, customer complaints (including arbitration, mediation, conciliation procedures); filing complaints on behalf of the Institute as well as joining criminal proceedings as civil party, requesting the summons of the “civil responsible party” (“*responsabile civile*”) and/or the “civilly liable party” (“*soggetto civilmente responsabile*”). All the above powers and their limits are set out in the specific policy approved by Board. The General Director may instead appear as defendant in passive lawsuits - in any judicial, extra-judicial and conciliation/mediation proceedings - without amount limits and therein raise counterclaims and authorize their filing;

gg. within the powers conferred above, stipulating, modifying or withdrawing/terminating unilateral deeds and/or contracts of any nature with third parties.

2. The General Director has signatory power in all matters for which the General Director is responsible, within the limits set out in the specific policy approved by the Board and in all further resolutions that the Board may adopt.

3. The General Director is always entitled to grant, within the powers vested upon him/her, proxies and powers of representation of the Institute for individual deeds or categories of deeds. Within the same powers vested upon him/her, the General Director may also grant specific mandates to employees of the Institute and third parties. The procedures for exercising the powers and the maximum term of validity of the proxy will be indicated in the relevant deed.

4. The General Director also implements the Board’s resolutions, ensuring their timely communication to the Departments, Functions and Offices concerned. In particular, within three working days of each Board meeting, the General Director convenes the Directorate Committee to report on the resolutions adopted by the Board.

5. In performing the relevant duties, the Vice-Director cooperates with the General Director and assists the General Director with respect to certain matters, upon specific request by the latter. Upon invitation of the President, the General Director and, if the General Director is absent, the

Vice-Director (also upon invitation), attend the meetings of the Board. Whenever it is deemed appropriate, the President may also invite the Vice-Director to attend Board meetings.

ARTICLE 23

Internal Regulations for employees and executives and approval of the Institute's organizational chart and hiring policies

1. The Regulation for employees and executives is the primary source governing the relations between the Institute and its employees and executives, both in relation to the recruitment of new staff and in disciplinary, salary, social security and welfare matters.
2. The General Director sets out the Internal Regulation for employees and submits it to the Board for its approval.
3. He also prepares and submits to the Board, for its approval, the internal organizational chart, showing the breakdown of employees by function and responsibility.
4. The General Director also proposes to the Board the executives and officers to be hired.

ARTICLE 24

The Institute Pension Fund

1. The General Director draws up the Regulation concerning the Institute's Pension Fund, which, together with the Vatican Pension Fund, contributes to the payment of the pensions of the Institute employees and executives.
2. After the approval of the above Regulation by the Board, the General Director is also responsible for its implementation. Furthermore, the General Director draws up all relevant necessary amendments and submit them to the Board for approval.

TITLE 7

INTERNAL CONTROL FUNCTIONS

ARTICLE 25

Internal control system

- 1.** The Institute internal control system ensures that the Institute activities are in line with its internal strategies and policies and that they comply with the rules of sound and prudent management. In general, the internal control system must *inter alia*:
 - a. ensure that the risk management process is complete and adequate, works efficiently and effectively, and is reliable;
 - b. provide for adequate inspections at each operating and hierarchical level;
 - c. ensure that the appropriate operating levels of the Institute as well as, in the most serious cases, the statutory bodies of the Institute itself are promptly notified of any irregularity, so as to enable them to take the most appropriate corrective actions and remedies in a timely manner;
 - d. establish specific procedures to address possible breaches of operational limits.
- 2.** The Board, in establishing the internal control system, must ensure that the process is integrated into the Institute. The criteria for implementing the above include (i) the use, at all levels, of a common language for managing risks, (ii) the adoption of consistent operational means and tools for risk identification and assessment, (iii) the definition of processes for communicating risks to the Directorate and the Board.
- 3.** The Institute's internal control system is based on three levels:

- a. Line (or first level) controls: these are the procedural, IT and administrative controls prepared and implemented by office managers to mitigate the risks associated with operating processes and ensure the correct performance of activities from a regulatory, operational and risk related standpoint;
 - b. Second level controls: compliance (Compliance) and risk (Risk Management) controls. These controls are carried out by control functions independently from the operational ones;
 - c. Third level controls: performed by the Internal Audit function, a control function whose activity is aimed at verifying and constantly assessing the reliability, effectiveness and efficiency of the control system.
4. The Control Functions promote a culture of control and risk mitigation within all areas and functions of the Institute.
 5. Each year, the Compliance Department shall review the policies approved and currently into force, and shall verify that they are compliant with the Statutes, the law and the applicable regulatory provisions. It shall also keep an updated list of all such policies.

ARTICLE 26

Appointment of the Members of the internal control functions and related requirements

1. The Board appoints, revokes and evaluates the following control functions, which have a permanent and independent nature:
 - a. Risk management;
 - b. Compliance;

- c. Internal audit.
2. The Board, upon proposal of the General Director, chooses the members of the control Functions among those who have proven professional experience in the specific control sector. The heads of the functions shall hold an adequate hierarchical and functional position in order to guarantee the independence of the control activity.
3. Personnel involved in control functions must not be involved in the activities that they are responsible for checking.

ARTICLE 27

Risk management function

1. The Risk Management function operates as a second level control function and ensures that all risks relevant to the Institute are identified, quantified and adequately reported through:
 - a. the participation in the definition and implementation of the Institute's risk strategy, including the Risk Appetite Framework (RAF);
 - b. the development of risk measurement and control systems, as well as indicators and limits able to highlight anomalous situations;
 - c. the preventive analysis of the risks associated with new products and/or services and major operations;
 - d. the coordination between the relevant structures of the Institute to ensure consistency between risk measurement and control systems;
 - e. the compliance with the regulatory provisions on prudential supervision.
2. The Risk Management Function monitors the Institute's exposure to at least the following types of risk:

- a. Credit risk;
- b. Market risk;
- c. Liquidity risk;
- d. Operational and reputational risk.

Further, the Risk Management Function defines the methods for assessing and controlling reputational risk through the coordination with the Compliance function.

3. The Risk Management Function reports periodically to the Board on the matters for which it is responsible and annually submits an activity plan. The activity plan takes into account the risks to which the Institute is exposed and the assessment of the effectiveness of the measures taken to address any shortcomings in the risk management process.

ARTICLE 28

The Compliance function

1. The Compliance Function operates as the second level control function of the Institute with the aim of preventing and managing the risk of non-compliance with regard to all the activities subject to supervision and the rules applicable to it, including legislation concerning the prevention and fight against money laundering and terrorism financing, in order to preserve the Institute's reputation.

The Compliance Function has access to all information and activities that are relevant to the fulfilment of the activities assigned to it.

- 2.** The Compliance Function mainly carries out the following activities:
 - a. continuous identification of the rules and regulations applicable to the Institute, assessment of their impact on internal processes and procedures, also with the support of

- the individual Offices;
- b. proposal for procedural and organizational changes to ensure adequate supervision of identified non-compliance risks;
 - c. verification of the adequacy and correct application of the systems for compliance risks mitigation;
 - d. *ex ante* evaluation of compliance with the applicable regulations of all innovative products or services, as well as of internal policies and procedures;
 - e. identification of conflicts of interest and definition of measures for their prevention;
 - f. consultancy and assistance to the bodies and Functions of the Institute in all areas where the non-compliance risk is significant;
 - g. staff training support;
 - h. promotion of a culture based on the principles of honesty, prudence and compliance with the rules.
- 3.** The Compliance Function is responsible for matters that have a significant external impact and present a high reputational risk, in coordination with the Risk Management Function.
- 4.** The Compliance Function reports periodically to the Board on the matters of competence and submits an annual plan of activities. The plan identifies and evaluates the types of risks to which the Institute is exposed and illustrates the appropriate management measures required.

ARTICLE 29

The Internal Audit function

- 1.** The Internal Audit function verifies (through third level control activities) the evolution

of results and risks, completeness, adequacy, functionality and reliability of the organizational structure and other components of the internal control system, bringing possible improvements to the attention of the Institute's bodies.

- 2.** The Internal Audit function:
 - a. assesses the completeness, adequacy, functionality and reliability of the internal control system, including its ability to detect errors and irregularities;
 - b. assesses the effectiveness and efficiency of operational processes;
 - c. assesses the effectiveness of the RAF definition process, the internal consistency of the overall framework and the compliance of operations with the RAF;
 - d. verifies the regularity of operations and the compliance of all activities and offices with laws, regulations and internal procedures;
 - e. assesses the organization, powers and responsibilities of the Risk Management and Compliance functions.
- 3.** In order to carry out its activities more effectively and properly plan its actions, the Internal Audit function attends meetings between departments or functions (including working groups) relating to projects or development of activities that may have an impact on the risks or controls of the Institute.
- 4.** The Internal Audit function submits to the Board, to which it reports, an annual audit plan indicating the planning of control activities.
- 5.** The Internal Audit function verifies the implementation of the corrective actions taken by the offices and departments in response to the findings of the audits that the function has carried out.
- 6.** At the request of the Board or at the request of the Directorate, having heard the opinion

of the Board, if it is deemed appropriate in order to allow an efficient approach to process assessment, risk management and improvement of the control system and governance, the Internal Audit function may provide consultancy services to departments and functions. It can also be involved *ex ante* in projects involving changes to the Institute's processes, controls and procedures. Such consultancy must in any case be limited to risk assessment and to the definition and implementation of controls aimed at mitigating risks and must not affect the independence of the function and the objectivity of its judgement during the performance of audits.

7. The Internal Audit function has access to all relevant information and activities for the purpose of the tasks assigned to it.

ARTICLE 30

Internal control function reporting

1. The control functions must report periodically on their activities and report any irregularities or cases of inefficiency to the Board. They must report regularly to the Directorate. In particular, in carrying out their roles:

- a. the heads of the Risk Management and Compliance functions report hierarchically to the Directorate and functionally the Board on the activities carried out and the adequacy of risk management;
- b. the head of the Internal Audit function reports hierarchically and functionally to the Board and informs the Directorate of the results of the audits, the assessments of the adequacy of the controls for risk monitoring and the corrective measures agreed with the offices and departments to remedy the deficiencies and irregularities found.

2. The control functions report to the General Director any specific matters concerning the activities in progress.

TITLE 8

THE EXTERNAL AUDITOR

Article 31

Appointment and functions of the external auditor

1. The external auditor is appointed by the Cardinals' Commission, upon proposal of the Board, from among the individuals or companies expressly authorized to perform this activity. The external auditor remains in office for a period of three consecutive financial years, and may be confirmed once.
2. The external auditor is responsible for the statutory audit. The external auditor examines all the books and records, and obtains from the Institute and may request to it any information useful to his/her/its audit activity.
3. The external auditor issues a specific report on the Institute's Financial Statements.

TITLE 9

THE SURVEILLANCE BODY (“*ORGANISMO DI VIGILANZA*”)

ARTICLE 32

1. The Institute may establish a Surveillance Body (*Organismo di Vigilanza*, hereinafter referred to as “**OdV**”) pursuant to article 46, paragraph 3 of Law VIII of 11 July 2013 (Complementary Rules on Criminal Matters) with the following functions:
 - a) the OdV oversees the adoption, verifies and evaluates the adequacy of the organization and management model that may be adopted by the Institute to prevent offences that could

- entail administrative liability for the Institute and verifies its proper operation;
- b) it monitors the maintenance over time of the robustness and functionality requirements of the organization and management model adopted;
 - c) it promotes the updating of the organization and management model by proposing changes and adjustments.
2. The Board approves the OdV's Founding Regulations that govern the appointment of its members, its composition and its rules of operation.

TITLE 10

INFORMATION FLOWS

ARTICLE 33

Exchange of information between the bodies of the Institute

1. The Directorate submits to the Board the information procedures necessary to ensure two-way information flows within the Institute. These flows must allow an exchange of information between the bodies of the Institute, between the control functions, and between the control functions and the bodies of the Institute itself. In particular, the Directorate obtains a direct information flow by attending Board meetings and reports to the Board adequate information regarding the economic and financial situation and the general performance of the Institute. It also reports all relevant information of which it may have become aware in the performance of its duties, including any detected and/or potential violations. In addition to receiving information from the other bodies, the Board receives adequate information from its President prior to each meeting.
2. The Board must ensure that the Prelate and the Commission of Cardinals receive

continuous, complete and constant flow of information, especially about the most significant events affecting the Institute's activity and in accordance with the different roles and functions.

ARTICLE 34

Exchange of information between the Institute's control functions

1. Without prejudice to their independent and separate roles, the control functions cooperate with each other and with other functions (including, for example, the legal, organizational, and security functions) in developing their own mechanisms of control in line with the Institute's strategies and procedures. In particular, regular meetings are held between the heads of the control functions. The heads of the second level control functions inform the head of Internal Audit of any critical issues they discover in implementing their activities and the Head of Internal Audit must inform the heads of the other control functions of any inefficiencies, weaknesses or irregularities that emerge during audits, if they concern relevant areas of business for which Compliance, AML and Risk Management functions are responsible. In these cases, the Directorate must also be promptly informed.

2. The Directorate and control functions must ensure adequate transmission and mutual sharing of information, through meetings to be held at least weekly. In the event that, during such meetings, important information relating to the management of the Institute is provided, the Directorate will share its content with the Board without delay.

TITLE 11

PERSONNEL

ARTICLE 35

Departments

1. The Institute performs its functions by drawing on its organizational structure, which implements strategic guidelines and carries out administrative and technical management tasks.
2. In order to perform its functions in an organized and efficient manner, in addition to the control functions (Compliance, Risk Management and Internal Audit), the Institute is divided into Departments which, in turn, are made up of organizational units named Offices.
3. At the time of approval of these Regulations, there are the following Departments:
 - a. Budgeting;
 - b. IT & Security;
 - c. Operations;
 - d. Finance;
 - e. Asset management;
 - f. Client relations.

The above departments may be modified at the initiative of the General Director and upon approval by the Board.

4. For the purpose of cross-functional coordination and for special tasks or projects, *ad hoc* structures may be set up, such as project working groups, governed by specific service provisions.

ARTICLE 36

Duties of the Departments

- 1.** Each Department handles the preparatory, administrative and technical activities delegated to it, submitting proposals to the relevant bodies and decision makers; it elaborates and updates the provisions concerning the matters of competence.
- 2.** The Head of each Department, appointed by the Board upon the proposal of the General Director, ensures that the department operates in an organized and efficient way, and is responsible for coordinating its various offices. In this context, the Head of each Department:
 - a. seeks to achieve the targets set for the Department, in accordance with the principles of sound administration;
 - b. assesses, for planning purposes, the overall level of staffing required;
 - c. decides the distribution of human resources and their temporary use among the Department's Offices;
 - d. promotes guidelines for the evaluation, professional growth and training of staff;
 - e. assigns the Department's staff special tasks on cross-departmental matters or projects;
 - f. may delegate its own duties to Department personnel;
 - g. identifies the risks related to the department's operations, the appropriate controls to mitigate such risks, also in collaboration with the second and third level control functions and other functions (for example, the legal, organizational, and security functions), periodically assesses the adequacy of such controls.
- 4.** In order to carry out their duties, the Head of each Department must take into account views of those in charge of the offices within their department, expressed in relation to matters for which the latter are responsible.

TITLE 10

CONFIDENTIALITY

ARTICLE 37

Professional secrecy and handling of confidential information

1. All members of the Institute's bodies, functions, employees and internal staff, or all those who have had access to information relating to the Institute or its clients, are bound by professional secrecy even for the period following the termination or forfeiture of their office.
2. The Directorate must take appropriate steps to prevent any individuals who are involved in activities that may cause a conflict of interest, or who have access to confidential information, from disclosing, exploiting or misusing confidential information that regards the Institute, or that is received from third parties even with reference to transactions of those third parties.

TITLE 11

GENERAL PROVISIONS

ARTICLE 38

Approval and amendments to the Regulations

1. These Regulations have been approved by the Cardinals' Commission, upon proposal of the Board, pursuant to the Statutes.
2. The Directorate, where it deems it necessary, may propose any amendments and/or additions to the aforementioned Regulations, which must in any case be prepared by the Board and approved by the Cardinals' Commission.

ARTICLE 39

Final provisions

Any matter that is not expressly provided for in these Regulations shall be governed by the Statutes and the applicable canonical provisions, as well as by the laws of the Vatican and the regulations of the Authorities, as applicable.