

[21458001]

The long-running scandal surrounding the 1982 collapse of Banco Ambrosiano was reignited by the arrest last week of Rome businessman Flavio Carboni on fraud charges .

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Banco Ambrosiano , which was Italy 's largest private-sector bank , collapsed in 1982 with \$ 1.3 billion of debts .

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Most of the money was lent to a series of shell companies in Panama and Luxembourg that were owned , directly or indirectly , by the Vatican bank .

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The Vatican , which denies any wrongdoing , paid \$ 250 million to the Milan bank 's creditors as a " goodwill gesture " in 1985 .

[21458006]

Italian news reports said Mr. Carboni and a colleague obtained 1.2 billion lire in checks from a Vatican official , Pavel Hnlica .

[21458007]

Italian papers speculated the briefcase contained papers either exonerating the Vatican bank from blame in the scandal , or showing that the bank , known as the Istituto per le Opere di Religione , channeled funds to East bloc groups such as Solidarity in Poland .

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Neither Mr. Hnlica , Mr. Carboni nor Vatican officials could be reached for comment over the weekend .