

CLASSIFIED INTERNAL USE ONLY EYES ONLY CONFIDENTIAL SECRET

ROUTING AND RECORD SHEET

SUBJECT: (Optional) Yuriy Ivanovich Nosenko.
(Payment of Certain Funds
Previously Promised)

FROM: Sidney D. Stemberge
Acting Director of Security
EXTENSION: 6777
NO.
DATE: 1 MAR 1976

TO: (Officer designation, room number, and building) DATE RECEIVED FORWARDED OFFICER'S INITIALS COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

TO:	DATE		OFFICER'S INITIALS
	RECEIVED	FORWARDED	
1. Chief, CI/R & A 2 B 1405			[Signature]
2. <i>20101 Staff</i>		4 MAR 1976	[Signature]
3. DDO 7 E 25		4 MAR 1976	[Signature]
4.			
5. DDA 7 D 26		12 MAR 1976	[Signature]
6.			
7. DDCI 7 D 5607		14 March 76	[Signature]
8.			
9. <i>D/Security</i>		20 MAR 1976	[Signature]
10. <i>DD/AS1</i>			
11.			
12.			
13.			
14.			
15.			

From General Counsel to General Walters:

We have reviewed this case in considerable detail. Technically, the release signed by Nosenko could be asserted. In fact, however on the basis of the record, it appears he is due this final payment and we see no problem in your approving it.

John S. Warner
John S. Warner
General Counsel

*Re: Yuriy Ivanovich Nosenko
has copy 136
20101 Staff
124*

SENDER WILL CHECK CLASSIFICATION TOP AND BOTTOM
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OFFICIAL ROUTING SLIP

TO	NAME AND ADDRESS	DATE	INITIALS
1	<i>General Counsel</i>		
2			
3			
4			
5			
6			

<input checked="" type="checkbox"/>	ACTION	DIRECT REPLY	PREPARE REPLY
	APPROVAL	DISPATCH	RECOMMENDATION
	COMMENT	FILE	RETURN
	CONCURRENCE	INFORMATION	SIGNATURE

Remarks:

John,
 Please have someone give
 this paper a quick review
 before Tom Walters sees it.
 Please return by Friday
 morning, 19 March.
 Thanks
 Kaul

FOLD HERE TO RETURN TO SENDER

FROM: NAME, ADDRESS AND PHONE NO.	DATE
<i>EA/TDCI</i>	<i>17 March</i>
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Registered
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0032157

MAR 1975

MEMORANDUM FOR: Director

FROM : Sidney D. Stembridge *ASD*
Acting Director of Security

VIA : Deputy Director for Operations
Deputy Director for Administration

SUBJECT : Yuriy Ivanovich Nosenko
(Payment of Certain Funds
Previously Promised)

1. This memorandum submits a proposal for your approval. The proposal is to immediately pay Yuriy Ivanovich Nosenko \$28,500 in back salary in settlement of an Agency commitment to him and to authorize a subsequent one-time payment of \$10,000 to him directly or as a contribution to his retirement for identifying a ranking British official, William Vassall, as a recruited Soviet agent.

2. Yuriy Ivanovich Nosenko is a 48-year-old former Soviet intelligence officer who is currently employed as an independent contractor by this Agency. Mr. Nosenko has for some time been of the opinion that he is entitled to \$28,500 in back pay. This amount represents the difference between the salary actually paid to him during the 1 March 1969 to 1 March 1975 period and the \$25,000 per year which was promised to him at the time of his defection in February 1964. At the time of his defection, Mr. Nosenko was also promised the additional \$10,000 for identifying William Vassall, a British Admiralty employee recruited by the KGB.

3. While serving as a KGB security officer with the Soviet Disarmament Commission in Switzerland, Mr. Nosenko contacted an American diplomat in Geneva on 5 June 1962 and requested a small loan to repay official Soviet funds which he had squandered. Based on this contact Mr. Nosenko was recruited shortly thereafter by the Agency and he agreed to

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work as an agent in place. On 15 June 1962 Mr. Nosenko returned to the Soviet Union where he resumed his duties as an intelligence officer with the Second Chief Directorate of the KGB in Moscow. Mr. Nosenko worked in place in the Soviet Union until January 1964 when he returned to Switzerland. At that time Mr. Nosenko decided to defect and requested political asylum in the United States.

4. Mr. Nosenko defected in Switzerland on 4 February 1964 and was brought to the United States under Public Law 110 on 11 February 1964. At the time of his defection, certain financial commitments were made to Mr. Nosenko. These commitments were substantiated in a conversation with him on 7 February 1964 and were documented in a 10 February 1964 memorandum to the Acting Deputy Director for Plans from Mr. David E. Murphy, Chief, Soviet Russia Division (SR Division). This memorandum stated as follows:

"First, I assured Subject [Mr. Nosenko] that I was satisfied that he was genuine. Based on this and assuming his continued 'cooperation' I said we would proceed to make arrangements to bring him to the States. Second, I confirmed our agreement to pay him \$25,000 for each year in place (\$50,000) plus \$10,000 for his part in the Vassall case and our readiness to contract for his services at \$25,000 per year. Third, I explained the polygraph he would be expected to take as final proof of his bona fides."

5. Shortly after his arrival in the United States, the SR Division encountered serious difficulties in attempting to establish the bona fides of Mr. Nosenko. The SR Division concluded that Mr. Nosenko was not what he claimed to be and thus was not a bona fide defector. As noted in paragraph four of Attachment A, Mr. Nosenko was held under highly secure conditions at an Agency installation from April 1964 until October 1967. In October 1967 the primary responsibility for Mr. Nosenko was transferred from SR Division to the Office of Security, which conducted a thorough review of the developments in this case. The conditions of confinement of Mr. Nosenko were progressively relaxed and in October 1968 the bona fides of Mr. Nosenko were established by the Office of Security. At this point it should be noted that the confinement of Mr. Nosenko was cited by the

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Rockefeller Commission Report in June 1975 and that Mr. Nosenko is aware of this citation. Mr. Nosenko has, however, made no threats concerning possible damages as a result of this confinement. Also, despite the difficult period through which Mr. Nosenko passed, he has been and continues to be a cooperative and productive source.

6. Mr. Nosenko has been of significant value to this Agency as a source of information on KGB Second Chief Directorate activities against U.S. Embassy personnel in Moscow. Mr. Nosenko named six members of the Embassy staff who rejected KGB recruitment overtures during the 1953-1964 period, and all have confirmed his assertion. A physical search of the Embassy in Moscow also fully substantiated information Mr. Nosenko provided regarding KGB audio surveillance devices in the Embassy. Mr. Nosenko also provided information leading to the identification of fifty-one American KGB targets and sixty-one non-American KGB agents. The most prominent of these Soviet agents were a [redacted] ambassador to Moscow, a director and a deputy secretary of the [redacted] Foreign Ministry and a British Admiralty employee, William Vassall. Mr. Nosenko is the most significant defector we have had from the Second Chief Directorate of the KGB, and as a result of this his contributions have been of unique importance.

7. Prior to 1 March 1969 Mr. Nosenko received no salary for his cooperation with this Agency. Effective 1 March 1969 Mr. Nosenko was employed as an independent contractor at the rate of \$16,500 per year. Because of the previous difficulties and uncertainties involved in establishing the bona fides of Mr. Nosenko, the extent of our commitments and obligations to him were not clear at that time. Mr. Nosenko, therefore, was not initially employed at the rate of \$25,000 per year as he had been promised. Mr. Nosenko's salary was increased annually, however, until 1 March 1975 when he began to receive the stipulated \$25,000 per year. Once the bona fides of Mr. Nosenko were firmly established and the earlier difficulties regarding his status were resolved, the initial commitments took effect and the payment of \$125,000 (less federal income tax) was completed on 16 November 1972 in settlement of salary arrears for the period April 1964 to March 1969 (see Attachment B). On 12 July 1975 a final payment was made on the obligation of \$50,000 due Mr. Nosenko for the period 1962-1964.

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8. There remains to be paid \$28,500 (less federal income tax) in salary arrears for the period 1 March 1969 to 1 March 1975 (see Attachment C) and \$10,000 outstanding for the Vassall case. (He has never requested the latter amount but the obligation still exists.) Although Mr. Nosenko signed a quitclaim for the period prior to 12 July 1973 (see Attachment D) and may have legally waived his right to back salary prior to that date, the earlier payment of \$125,000 for the period 1964-1969 recognized our commitment to Mr. Nosenko to honor all agreements and established a precedent for paying him the total salary difference. We also believe that we have a moral obligation and that this obligation should be met.

9. This matter is being brought to your attention since Mr. Nosenko believes he has a valid claim to cited back salary for the 1969-1975 period and in connection with the current transfer of full responsibility for Mr. Nosenko to the Counterintelligence Staff, Directorate of Operations. It is, therefore, recommended that you approve the expenditure of \$28,500 in full payment of back salary for Mr. Nosenko for the period 1969-1975. Of the \$28,500, \$27,667 can be paid for out of the FY1974 unobligated balance allotted to the Office of Security, with the remainder of \$833 being charged to the Office of Security FY1975 allocation.

10. It is further requested that approval be granted for the \$10,000 Vassall obligation, which could be paid directly to Mr. Nosenko at a later date or preferably could be incorporated into a retirement program for him, which is being given consideration by the Counterintelligence Staff. If approved, these transactions would represent a fulfillment of all commitments to Mr. Nosenko as of this date and would serve to fulfill outstanding Agency commitments to Mr. Nosenko prior to his transfer to the Counterintelligence Staff.

Attachments

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ATTACHMENT B

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5 OCT 1972

MEMORANDUM FOR: Director of Central Intelligence

THROUGH : Executive Director-Comptroller

SUBJECT : Retroactive Reimbursement of Yuriy Ivanovich Nosenko

1. This memorandum suggests action on the part of the Director of Central Intelligence; this action is contained in paragraph 9.

2. Mr. Yuriy Ivanovich Nosenko, a 45-year-old, former Staff Officer of the Committee for State Security (KGB) of the USSR, attended the Institute of International Relations, Moscow, from 1945 to 1950; was affiliated with Russian Naval Intelligence during the 1951-1953 period; and was an officer with the KGB from March 1953 until his defection to the Agency in Geneva, Switzerland, on 4 February 1964, after having worked for CIA for approximately two years.

3. A review of Mr. Nosenko's case reflects that, at the time of his defection, various official commitments were made to him, including a lump sum payment of \$50,000.00 based upon his nearly two years' work inside the KGB; a \$10,000.00 bonus for his work on the Vassal case; and a contract as a consultant at a salary of \$25,000.00 per annum. Mr. Nosenko was advised by his Agency Case Officer that Mr. Nosenko was working for the Central Intelligence Agency as of 5 February 1964, and that his salary began from that date. This was a verbal agreement with the Agency Case Officer, and is fully documented in our files.

WARNING NOTICE
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AND METHODS INVOLVED

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EXEMPT FROM AUTOMATIC DECLASSIFICATION
SCHEDULE 1, 1.1 (2) - UNCLASSIFIED CATEGORY:
§ 80.14 (c) (1) (2) (3) (4) (5) (6) (7) (8) (9) (10) (11) (12) (13) (14) (15) (16) (17) (18) (19) (20)
AUTHORITY DERIVED FROM:
Date Impossible to Determine
(unless impossible, insert date of review)

RIF: 1993

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4. In the early debriefing of Mr. Nosenko, it became apparent that he was a particularly complex individual. To permit extensive and prolonged debriefing, arrangements were made to accommodate Mr. Nosenko under highly secure conditions at ISOLATION, where he remained from 1964 to 1967. These tight security arrangements were dictated, during the initial phases at least, by the additional need to provide Mr. Nosenko with continuing personal protection, since there was the distinct possibility that he would be targeted for execution if the Soviets should discover his whereabouts.

5. Since October 1967, the primary responsibility for Mr. Nosenko has been in the Office of Security, which conducted a thorough review of prior developments in the case. Mr. Nosenko was moved to the Washington, D. C. area in late 1967, and the case passed through various stages of phased normalization, as he was given an increased degree of freedom and independence. Mr. Nosenko was actually resettled on the economy in April 1969; he obtained a divorce from his former Soviet spouse in September 1969; and he later married an American girl in October 1969. During the period from October 1967 to April 1969, Mr. Nosenko did not receive a salary, but he was provided with a moderate amount of spending money.

6. As of April 1969, Mr. Nosenko signed a one-year contractual agreement for \$16,500.00, including a clause giving assistance to him in resettlement expenses in the amount of \$8,000.00. In March 1970, Mr. Nosenko signed a new contract for two years at \$18,500.00 per annum. At about this same time he was provided with certain financial assistance, \$20,000.00 being for the down payment on a new house, and \$5,000.00 for other related household expenses. Mr. Nosenko's contract was renewed at the new rate of \$19,500.00 per annum on 1 March 1971, and the contract was again renewed in February 1972, at the salary of \$21,000.00 per annum.

7. An analysis of this case clearly indicates that Mr. Nosenko has been an extremely valuable source, one who has identified many hundreds of Soviet Intelligence Officers, and he has otherwise provided a considerable quantity of useful information on the organization of the KGB, its operational doctrine, and methods. At least a thousand formal memoranda have been

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forwarded to the Federal Bureau of Investigation based on data from Mr. Nosenko. He has conducted numerous special security reviews on Soviet subjects of specific intelligence interest, and he has proven himself to be invaluable in exploring counterintelligence leads. He recently authored a book which is of interest to the Agency. In effect, Mr. Nosenko has shown himself to be a productive and hard working defector, who is "rehabilitated" and favorably disposed towards the Agency.

8. In the course of a recent meeting with Mr. Nosenko, he brought up the subject of his missing salary, covering the period from April 1964 to March 1969. Mr. Nosenko readily admitted that he is living very well at the present time, but he is not in a position to save any money for the future. He also expressed deep appreciation to the Agency for the financial assistance which was provided him through the years, and he considers this to have cancelled out the original Agency obligation of a lump sum payment in the amount of \$50,000.00. Mr. Nosenko, however, still feels quite strongly that he is entitled to be reimbursed for the salary which the Agency did not provide him over a five-year period. He understands, of course, that income tax would have to be deducted from this back salary of \$25,000.00 per annum.

9. In summary, the original oral agreement with Mr. Nosenko is fully documented and supports his claim; his resettlement since 1967 has been relatively smooth, with no significant security problems having developed; and he continues to function at the present time as a highly productive and useful source of information on the KGB. In view of these various considerations, it is requested that this payment of \$125,000.00 to Mr. Nosenko be approved. These funds would be paid out of unliquidated obligations applicable to lapsed appropriations (Fiscal Year 1970 and prior years--"M" Account).


Howard J. Osborn
Director of Security

EYES ONLY

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EYES ONLY

SUBJECT: Retroactive Reimbursement of
Yuriy Ivanovich Nosenko

CONCURRENCE:

John W. Coffey

John W. Coffey
Deputy Director
for Support

6 Oct 1972
(Date)

** Concur, but recommend as matter of principle that funds
given him from Oct. 67 to April 69 be deducted
from the 125,000 amount, and just give
T.H. Karamessines*

Thomas H. Karamessines
Deputy Director
for Plans

12 Oct 72
(Date) *drafted
by OGC, be
obtained:
(113)*

W.F. Colby

William F. Colby
Executive Director-Comptroller

18 Oct 72
(Date)

The recommendation in paragraph 9 is approved without DDP limitation *uc*

Richard Helms

Richard Helms
Director

18 OCT 1972
(Date)

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