**JOINT CIA FBI PRESS RELEASE ON ARREST OF HAROLD JAMES NICHOLSON**

#### Press Release 11/18/96

An employee of the Central Intelligence Agency was arrested November 16 for spying on behalf of Russia.

Attorney General Janet Reno, Director of Central Intelligence John Deutch, Federal Bureau of Investigation Louis J. Freeh, and US Attorney for the Eastern District of Virginia Helen Fahey today announced that Harold James Nicholson of Burke, Virginia, age 46, was arrested Saturday and charged this morning under Title 18, US Code, Section 794, with espionage and conspiracy to commit espionage by passing classified CIA documents to agents of the Russian Federation Foreign Intelligence Service (SVRR), the Russian successor to the KGB. Affidavits unsealed in the US District Court in Alexandria today include allegations that Nicholson made $120,000 in unexplained deposits to his bank account following trips abroad (including an unauthorized meeting with SVRR intelligence officers) and that federal authorities intercepted postcards mailed to his handlers, recovered classified information from his laptop computer, observed him photographing classified documents, and that a search of his office revealed numerous classified materials concerning Russia that were not related to his CIA duties.

DCI Deutch said, "The arrest of Nicholson is the direct result of an unprecedented level of cooperation between the CIA and the FBI. We are now able to demonstrate quite conclusively that the post-Ames reforms work as designed. Clearly the post-Ames analysis and detection mechanisms the CIA and FBI put in place succeeded in the identification of Nicholson and his alleged espionage activities on behalf of the Russian intelligence service."

Attorney General Janet Reno said, "I am extraordinarily proud of the men and women of all the agencies that worked together so diligently to make this possible. Cooperation among our US Attorneys' offices, the Department of Justice, the FBI, and the CIA is essential to preventing, detecting, and punishing espionage."

FBI Director Freeh said, "The announcement today starkly demonstrates the continuing threat to our national security by foreign intelligence services. The Ames case demonstrated that the level of vigilance against espionage cannot be lessened without risking great harm to our national security. The most formidable weapon against this grave crime is a close partnership between the FBI and the CIA. It is that partnership that made today's announcement possible."

Deutch, Freeh, and Reno praised the many employees of the FBI and the CIA both here and abroad who worked so diligently on this investigation. Freeh especially praised the superb work done on this investigation by the Agents and employees of the FBI's Washington Field Office, those employees out on the front line who must delicately collect the pieces of evidence required to make these cases. Both Deutch and Freeh acknowledged that these extraordinarily complex and sensitive investigations require extreme professionalism and dedication if the United States is to prevent or solve these crimes, which are so repugnant to our system of government.

Both Deutch and Freeh also expressed grave concern, noting that the unauthorized disclosure of the type of information Nicholson had access to could irreparably damage the national security of the United States.

The complaint and supporting affidavit charge that Nicholson possessed documents containing the names and biographical data and assignment of CIA case officers and the identity of a CIA employee scheduled for a sensitive overseas assignment. Nicholson's position as a staff instructor gave him access to biographical information and the assignments of every new CIA officer trained at his location during his tenure. Nicholson also possessed classified reports by access agents, people who voluntarily provide information to the CIA, often at great risk to themselves.

The CIA and FBI have implemented a number of reforms and new procedures at the CIA that are designed to detect the slightest of early warning signs of espionage. As a direct result of these reforms, anomalies were detected that ultimately led to the identification of Nicholson and his alleged espionage activities. These reforms include:

* The Chief of CIA's Counterespionage Group is a senior FBI official who has full access to CIA's most sensitive counterintelligence data and is thus in a position to fully coordinate the joint efforts of both organizations.
* The Chief of CIA's Counterespionage Group is assisted by deputies from both the security and operational disciplines at CIA and has at least one FBI Special Agent on the Counterespionage Group staff full-time.
* Section 811 of the Fiscal Year 1995 Intelligence Authorization Act requires immediate notification to the FBI whenever there are indications that classified information may have been disclosed without authorization to a foreign power.
* The position of Associate Deputy Director of Operations/Counterintelligence was created to ensure high-level focus on the Agency's counterintelligence and counterespionage effort. The Associate Deputy Director of Operations/Counterintelligence's duties include full-time coordination with the FBI, currently including weekly meetings with senior FBI officials in the FBI's National Security Division.
* New training initiatives to enhance and improve counterespionge efforts have been undertaken.
* Congress has provided increased resources for joint counterespionage efforts.

Nicholson was a 16-year employee of the CIA. He held "Top Secret" and "Sensitive Compartmentalized Information" security clearances. He had access to information, the unauthorized disclosure of which could irreparably damage the national security of the United States or provide an advantage to a foreign national. It is a criminal violation to make an unauthorized disclosure of classified information and, as part of his employment with the CIA, Nicholson had pledged and agreed never to improperly divulge classified information. Nicholson is charged with providing highly classified information to the Russian intelligence service in return for substantial payments of money. The Criminal Complaint charges that:

* On or about October 16, 1995 and thereafter, Nicholson underwent a series of polygraph examinations administered by the CIA as part of a routine security update. An analysis of those polygraphs raised unresolved questions about unauthorized contacts with foreign intelligence services.
* An analysis of CIA records, as well as personal travel and financial records of Nicholson, uncovered a pattern of foreign travel followed by unexplained financial transactions.
* While stationed in Kuala Lumpur, Malaysia, Nicholson had authorized meetings with members of the Russian intelligence service (SVRR). On June 30, 1994, one day after his last meeting, financial records indicate Nicholson wired $12,000 into his savings account in the United States. No legitimate source of the funds could be identified.
* In December, 1994, Nicholson left the United States on personal travel to London, New Delhi, Bangkok, and Kuala Lumpur. While in Kuala Lumpur, he wired $9,000 to his savings account and made a $6,000 cash payment to a credit card account. After returning, Nicholson used 130 $100 bills to pay off debts. No legitimate source of the funds could be identified.
* In June and July 1995, Nicholson again traveled while on annual leave to Kuala Lumpur. While there and shortly thereafter, he made financial transactions totaling $23,815.21. No legitimate source of the funds could be identified.
* In December 1995, Nicholson left the United States on personal travel to Bangkok and Phuket, Thailand. Financial records show $26,900 in financial transactions during and after the trip. No legitimate source of the funds could be identified.
* In March 1996, an SVRR liaison officer officially requested information about Chechnyan terrorism from the FBI. In April 1996, Nicholson went to CIA Headquarters and requested information about Chechnya for a training exercise. No such CIA training about Chechnya was planned.
* In June 1996, Nicholson went to Singapore on personal travel. Two known SVRR intelligence officers from Moscow were in Singapore while Nicholson was there. While in Singapore, Nicholson used his counter-surveillance techniques before meeting with Russian intelligence officers at a remote location. Nicholson was not authorized to make the contact. After the contact, Nicholson made several large cash transactions involving approximately $20,000.
* On or about July 16, 1996, Nicholson reported to his new position at CIA Headquarters in the Counterterrorism Center. CIA computer records reveal he conducted a number of computer searches using key words "Russia[n]" and "Chechnya." Nicholson had no need for the information in his new assignment. Nicholson attempted access to other CIA databases.
* On two occasions, FBI surveillance detected Nicholson mailing envelopes containing post cards using a false return name and address to a post office box in a foreign country. The messages on the post cards pertained to his assignment at CIA Headquarters and expected travel to Switzerland on November 23-24, 1996.
* A court-authorized search conducted on or about August 11, 1996, of a notebook computer belonging to Nicholson revealed numerous classified CIA documents and fragments of documents relating to Russia. These document files had been deleted from program directories. The documents included information about the planned assignment of a CIA officer to Moscow, biographical data and assignment information about CIA employees, Russian recruitment pitches to CIA officers in the field, and reports regarding Chechnya. Also included was information about the CIA station in Moscow, a summary of a debriefing of Aldrich Ames, and extensive personal observations including information about Nicholson's polygraph tests. A computer diskette was also located that contained seven summary reports concerning CIA human assets and their confidential reporting on a number of topics. The human assets were identified by code names and positions.
* A court-authorized search of Nicholson's office on or about November 3, 1996 revealed Nicholson possessed a number of highly classified CIA documents concerning Russian military preparedness, Russian intelligence capabilities, and other matters that did not appear germane to his assignment at the CIA.
* Court-authorized electronic surveillance of Nicholson's office at CIA Headquarters revealed Nicholson photographing CIA documents after removing the classification markings on the documents.

Based on this information, Nicholson was charged with conspiracy to commit espionage.

In furtherance of the investigation, FBI Agents over the last three days also searched Nicholson's residence in Burke, Virginia, his office at CIA Headquarters, his vehicle, and his safe deposit box.

The charge against Nicholson carries a possible sentence of life imprisonment without parole or, if certain statutory conditions set out in Title 18, US Code, Section 794 are met, the death penalty. At this time, based on the state of the investigation to date, those statutory conditions have not been met.

Copies of the Complaint and supporting affidavit are available.