

SECRET CONTROL

HEADQUARTERS  
UNITED STATES FORCES AUSTRAL.  
SSV, WD MISSION TO AUSTRAL.  
PO 777

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File - MOUNT  
case

OFFICE OF ORIGIN: Salzburg, Austria Field Hq. File LSX 211  
SCI/a

REPORT MADE AT: : DATE: : PERIOD COVERED: : MADE BY:  
Salzburg : 9.4.46. : Nov. 1944-Oct.45 : DD 101

SUBJECT: Russian control of former I-2 D/A. : STATUS:  
: Pending

SOURCE: Odon PETERFALVY, Greek Archbishop presently in  
Hungary.

SUB-SOURCE: Name unknown (See Comment, para 1).

REFERENCE: Anson MOUNT Case, LSX 159, LSX 012, Memo #207  
dated 20.3.46., I.G.FOX Project (SI), para 1(b).

COMMENT:

1. The following report was originally made in October 1945 by a Sub-Source, whose name is unknown. Anson can probably furnish. He was reported by Source to have been a former detective in the service of the Hungarian Police, who served in the political section during German occupation from March 1944 to the end of December 1944 at Budapest-Svabhegy. He will hereafter be known as Sub-Source..

2. The Source is a Greek Arch-Bishop named Odon PETERFALVY (Salzburg Memo #207) who has made indirect contact with SI Austria and has passed them several reports. The attached report is one of several recently handed to SI. SI considers PETERFALVY to be a very cunning and shrewd character, in spite of his robes, who might conceivably be in the pay of the Russians. It was recently reported, when the Source returned to Hungary, that the Russians had asked him to come to Moscow for discussions concerning the Greek Orthodox position in Hungary. Source's position, under the Russians, is most precarious to say the least, and it is conceivable

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that he has since come to a compromise of some sort with the Russians. SI has, since writing up the I.G. FOX Project, changed its mind about the absolute reliability of Source.

3. Further information concerning both the Source and Sub-Source will be submitted later if obtained. Further investigation will also be carried on regarding other personalities mentioned if possible.

4. Reference is also made to LSI 159, dated 6 February 1946, inasmuch as this is the second independent source which has mentioned that former members of the MOUNT Case have indicated to third parties that they were employed by the Americans in an attempted D/A W/T case in Austria.

5. Reference is also made to LSI 012 (interrogation of Peter HAIN). This interrogation was made for the SI, War Crimes Section. Enquiries have subsequently shown that all SI material was later turned over to the Hungarian Political Police at the same time HAIN was extradited, as a Hungarian War Criminal, to Hungary from Salzburg. Consequently the Russian remarks and assumptions regarding HAIN, and their attempt to connect this with the MOUNT Case. Sub-Source was also told, however, that HAIN had confessed that Sub-Source had received radios from the Germans as a stay-behind.

6. See para 12 of attached report, underlined sentence. This seems to be the first instance where the NKVD has evidenced any embarrassment concerning the American knowledge of their intelligence activities.

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EVALUATION: Unknown

DISTRIBUTION:

2 Washington  
1 [redacted]  
3 Wiesbaden  
2 [redacted]  
1 [redacted]  
1 Vienna  
3 Files

APPROVED:

DD 101

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Following is translation from the Hungarian of a document written by Source.

1. The Sub-Source reported to source, in October 1945 that he received, in November 1944, four German radio receiver sets from the German police with the assignment to remain in town and to inform the German authorities after the Russian occupation of Budapest on the military and political situation in town. He accepted this assignment allegedly because he hoped to help to fight the Nazis with the equipment on his hands.
2. Three of these sets were handed to him by the chief of SD reconnaissance in Budapest, Major HOETTL. He had immediate and steady contacts with an SS Hauptsturmführer Nauptoufel and a technician by the name of MORAVCSIK, both with the SD. The fourth set was handed to him by the commander of a German reconnaissance unit, Count MERAN.
3. Right after the Red Army occupation only one set remained in serviceable condition and the operator reported immediately at the Command Post of a Russian NKVD Unit asking to be used against the Germans. After several interrogations and security checks he was brought to Budapest with his radio set by the NKVD and contacted by radio the station with the prescribed call signal. Encoding, decoding and operation was done by him under Russian control. The contact was effective because the incoming German questions indicated the German offensive in Transdanubia two weeks ahead. Communication broke up around 10 May 1945. Nevertheless at about a month later he was invited again by the NKVD because the station was being called and they wanted to answer the call. The NKVD believed that the German set came into Anglo-American hands and was operated by Anglo-American forces. As the NKVD deemed it very important to maintain this contact, and strived to keep the operator's contact with NKVD a complete secret, they proceeded with extreme care.
4. The operator met them only at night at different lonely places. The operator established and maintained contacts for about a month but no important message exchanges took place. He received the last message on 8 July 1945 in which he was notified that communication would be interrupted for the next two weeks because the German set was to be transferred to another place. "Contact shall be resumed on 21 July in order to work for a free Hungary and Austria". However no signal came through since although the station is monitored steadily on the pre-arranged times.

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5. While the communication was still maintained the operator was asked by SS First Sergeant MORAVCSIK by radio to notify the parents of his fiancée, Joseph KARLI, Budapest III, Miklos Street 15, that their daughter GRETE was safe and well. The radio technician DEAK who was also with them asked the operator to notify his brothers, Budapest XII, Verese Street 31 that he and his wife are safe and well. Both places were put under steady observation immediately by the Russian and Hungarian Political Police.

6. Grete KARLI returned to Budapest in September 1945 and told the operator that she was at Steyerling Brunnenhal Fuerstenville, District Kirchdorf, Oberdonau, together with her fiancé MORAVCSIK, with Captain NEUNTEUFEL and others. They reported to American authorities and after eight days of interrogation they started communication with the operator in June 1945 and ceased to operate around 10 July 1945 when they were ordered to leave with the three high frequency sets allegedly to a locality in the neighborhood of Munich. No news reached her after that time. Mrs. Paul DEAK returned some time later from the same locality. Both expected further radio messages. The Russians were informed about the conversations carried on with the two women. The two women however were not informed that the operator was in contact with the Red Army.

7. The NKVD was much interested to learn about the attitude of the Anglo-American powers and their plans according to Hungary.

8. The cessation of radio communication was attributed by the NKVD to the fact that by July the communication between Hungary and the West was ceased and it was easy to find informants who would work for the Anglo-Americans. Later, however, it was found out that through the confession of Peter HAIN, Arrow Cross Police Chief, the Americans might have got wind that the Russians knew that the station was in American hands.

9. In August 1945 the operator asked for two horses for his own use. The NKVD honored his request by giving him 5000 Schilling and told him to send somebody to Austria who would buy and bring the horses home. This man however, will have to contact the wife of SS Captain NEUNTEUFEL in Brunnenhal, and ask her to go to the Americans asking them to let her know if they have any plans with the radio station, because the operator in Budapest was at their disposal and was only waiting for instructions. The NKVD believed that US Army authorities would try to use the radio in case other channels of communications were closed (in case of conflict).

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10. The operator was told by members of the NKVD with whom he had direct contact, that travel and settling of Soviet citizens in Hungary will be free just as travel and settling of Hungarian citizens in Soviet Russia wont have any obstacles either.

11. The operator was attached to the Hungarian Political Police on orders of the NKVD since March 1945. The members of the NKVD spoke about the Hungarian Political Police to the operator as about a tool at their disposal. They regard the chief of Political Police, Peter GABOR as a reliable Communist, as most of the members of the Political Police are recruited from Communists. Almost all of them use cover names and are checked and observed either by the Communist Party or mainly by the NKVD. Peter GABOR, for instance, is observed by Laszlo CSILLAG (cover name) of unknown nationality who has close connections with the NKVD and receives his pay through the Communist Party. CSILLAG was the man who obtains arms from the Red Army for the Communist Party and who hands them out among trusted members.

12. The operator was discharged from the Political Police on 15 October 1945. He made inquiries with the NKVD in order to find out the reason of his discharge. He was told that Peter HAIN mentioned in his confession that he received radios from the Germans and if the Americans were to find out that the operator was still in employment, this would be very embarrassing for the Russians. But the NKVD mentioned also that by eliminating the operator, it is likelier to establish contacts in the future with the Americans.

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