

Russia's 'Orthodox Tycoon' Is Bankrolling a Monarchist Movement. But Where Does He Get His Money?

By [The Bell](#)

November 25, 2019



Malofeyev is pursuing his ambition to lead a monarchist political party and build up a conservative media empire. **Sergei Malgavko / TASS**

Konstantin Malofeyev rose to fame in Russia's corporate wars of the late 2000s. He became one of the most powerful people in telecommunications, but the devoutly Orthodox tycoon almost lost everything in a bitter dispute with state-owned bank VTB. In 2014, he was sanctioned by the West for providing support to rebels in eastern Ukraine. Since then, his business empire looks to have run into trouble: several of his companies face bankruptcy and others have big tax arrears.

Nevertheless, Malofeyev is pursuing his ambition to lead a monarchist political party and build up a conservative media empire. The Bell took a look at his political activity, his alleged involvement in the appropriation of \$450 million worth of stolen crypto-currency by security

officials and how he keeps his businesses afloat.

Sponsoring the monarchy

As the national anthem played, men in Cossack lambswool hats carried an icon of Russia's last tsar, Nicholas II, into a conference hall outside Moscow last November. In the weeks before, the icon had been flown by plane along the borders of the former Russian Empire and visited dozens of local parishes — now it was in Tsargrad, a hotel owned by Malofeyev, for the second gathering of the Double-Headed Eagle Society. “There are 2,014 of us,” Malofeyev told those who had assembled. “By the end of 2019, we must grow to 10,000 members.”

The Double-Headed Eagle Society is a springboard for a new right-wing party with a monarchist twist, according to sources in other parties and the expert community. In an interview, Malofeyev told *The Bell* that the organization was meeting a popular need. “There is a political crisis in the country and there is a demand for a monarchist party,” he said in his central Moscow office, which is decorated with icons and portraits of tsars and generals. According to surveys, about 30% of Russians have monarchist views, but when Malofeyev talks about monarchy, it is not an abstract concept. “Of course, those people who love [President] Vladimir Putin see the continuation of his power in an imperial, monarchal light. I share those values,” he said.

The Kremlin is not keen on backing such ideas — at least in public. A monarchist political party is Malofeyev's personal initiative, according to Dmitry Peskov, Putin's spokesman. Peskov told *The Bell* that Malofeyev did not seek approval for such a venture.

In March, Malofeyev joined A Just Russia, a formerly center-left political grouping that is now a struggling, pro-Kremlin party with just 23 seats in parliament. In exchange for sponsorship, the businessman was apparently promised the party's deputy leader position and *carte blanche* to impose his agenda. But the nationalist Rodina (Motherland) political party, which has no seats in parliament, was also courting Malofeyev, according to leader Alexei Zhuravlyov. “We had quite a few discussions with Konstantin Malofeyev about his participation in our work,” the politician recalled.

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One option was using Rodina and A Just Russia as a base to create a new political party with a monarchist ideology — but no agreement was ever reached. The reason for the failure was apparently resistance within A Just Russia and miscalculations by Malofeyev. “He thought partnership in politics was built the same way as in business, but that's not true,” Zhuravlyov explained. “[In politics] you can meet the conditions and adhere to what was agreed, but your partners can still walk away.”

Negotiations fell apart at a very advanced stage. Earlier this year, a plan was agreed to name Malofeyev the successor to current A Just Russia leader Sergei Mironov at the party conference in April — but the announcement was canceled at the last minute. The leadership of A Just Russia was scared off because Malofeyev “acted like a customer at a vegetable stand,” according to a [description](#) in *Kommersant* newspaper at the time. “We have different points of view and different paths so we parted ways,” A Just Russia deputy Oleg Shein said of

the episode. Several other of Shein's colleagues declined to discuss the topic with The Bell. Soon after, Malofeyev [announced](#) he was leaving the party.

Malofeyev refuses to talk about why he wants to enter politics, but this wasn't his first attempt. In 2012, at the height of his corporate battle with VTB, he tried to become a senator in Russia's upper house of parliament — but was, again, unsuccessful (a senate seat would have given him immunity from criminal prosecution amid lawsuits from VTB).

Bankruptcies and debts

One of the first Russian individuals to be targeted by U.S. and EU sanctions in 2014, Malofeyev's Marshall Capital investment vehicle was all but paralyzed when the U.S. Department of Treasury froze its assets and accounts across the world. It has since been taken over by one of Malofeyev's former business partners and rebranded as Marshall Global.

Malofeyev was targeted by sanctions for his [role](#) in the conflict in the Donbass region of eastern Ukraine. Alexander Borodai, who had been employed as a consultant and PR-expert by Malofeyev, became the first head of the self-declared Donetsk People's Republic (DNR) in summer 2014, and Malofeyev didn't hide that he was financing groups in Crimea and Donbass. However, he has always maintained his [involvement](#) was purely humanitarian.

Asked about the impact of sanctions, Malofeyev criticized the U.S. and EU authorities as amateurs. "They don't stand out in any way other than their Russophobia so they didn't do any damage to me," he said. That's not exactly true. For example, immediately after he was sanctioned, Malofeyev was still toying with plans to create a new fund with French investor Pierre Louvre. Little is known about Louvre, but in 2014 Malofeyev [described](#) him as "talented" and "bold" and said they had agreed to create a new fund worth \$2.2 billion. There is little doubt that it was sanctions that [scuppered](#) these plans.

Malofeyev's most famous investment was a stake in state-owned telecommunications giant, Rostelecom, estimated to be worth \$1 billion. Thanks to his holding — and his friendship with the-then minister of communications, Igor Shchyogolev — Malofeyev was considered one of the most important people in the Russian telecommunications industry. The profit from his 2013 sale of the stake was supposed to have gone to pay off debts to VTB after years of a corporate dispute. Since then, no significant investments by Malofeyev have been reported in the media.

Asked about the companies he currently controls, Malofeyev points at Tsargrad (literally 'the city of Caesar', a term used to refer to Constantinople). "My entire business today is the Tsargrad holding," he said. According to publicly available information, Tsargrad controls 20 companies — but they don't have many assets. The biggest are the Tsargrad hotel outside Moscow, a large farm, media group Tsargrad and a resort in the Crimean town of Livadiya. If the financial statements can be trusted, all these companies ended last year with combined losses of 700 million rubles (\$11 million). Between 2013 and 2017, Malofeyev's companies recorded annual losses ranging from 550 million rubles to 1.8 billion rubles.

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At least on paper, many of his businesses are in even more serious trouble. Financial statements show that the accounts of dozens of companies in the Tsargrad group have been [frozen](#) on the request of the Russian tax authorities. Among these was real estate management company Isma, once the group's largest company by assets. An investigation by The Bell showed that Isma's bankruptcy will likely be managed by paying off a 2 billion rubles debt to an offshore firm controlled by the co-founder of the Knight's Order of St. John the Baptist of Jerusalem, Leonid Gavrillov, an oceanographer and long-time associate of Malofeyev. A spokesperson for Malofeyev called this a legal bankruptcy procedure. Gavrillov didn't respond to The Bell's request for comment.

In addition to Tsargrad, Malofeyev has links to over 10 charities and other organizations. Their [accounts](#) show that his generous funding ended with the introduction of sanctions.

From the figures, it appears that Malofeyev's favorite project is media company Tsargrad — it's this that generates the biggest losses. Tsargrad-media doesn't publish financial statements, but between 2014 and 2018 it was about 1 billion rubles in the red. In terms of audience size, the Tsargrad TV network, founded in 2015, can be compared to the media outlets associated with Yevgeny Prigozhin, the tycoon close to Putin who has been linked to the troll factory in St. Petersburg. While Prigozhin's media projects have an [estimated](#) total audience of 5.5 million, monitoring service Yandex.Radar gave Tsargrad TV an audience of over 7 million. Tsargrad's press service said the network got 11 million unique website views every month.

If he desired, Malofeyev could pursue a similar strategy to Prigozhin, carving out a media empire with dozens of different outlets, blogs and social media pages. For example, Malofeyev's Double-Headed Eagle Society owns a small online publication, Segodnya. In turn, Segodnya's registration certificate is controlled by Rin, which itself controls another dozen media outlets.

From publicly available documents, it is unclear how Malofeyev keeps his assets afloat. He refused to give a direct answer to the question of where his money comes from, saying simply that he earned enough when he was involved in business. A portion of Malofeyev's capital is invested by professional fund managers, according to his spokesperson.

The riddle of the missing bitcoin

The collapse of crypto-currency exchange BTC-e in 2017 made headlines around the world. One of its founders, Russian citizen Alexander Vinnik, 40, was arrested in Greece and has been accused by the U.S. of creating an illegal crypto-exchange. Vinnik was in charge of the exchange's finances while his partner from the Siberian city of Novosibirsk, Alexei Bilyuchenko, known by the nickname 'admin', was responsible for the tech side. BTC-e became popular because it didn't subject its users to a verification process before they could start trading. Inevitably, it attracted a motley crowd of money-launderers and fraudsters.

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After Vinnik's arrest, one of BTC-e's biggest clients, Belorussian Dmitry Vasilev, offered his help to Bilyuchenko to relaunch the exchange under the name Wex. Then, last summer, the

exchange's work was frozen and Vasiliev announced he was selling the platform to a Ukrainian businessman, Dmitry Khavchenko, who fought with Russian-backed rebels in Donbas under the nickname Moryachok ('little sailor'). Media outlet RBC has [linked](#) Moryachok to Borodai, the former head of the DNR — and an ex-employee of Malofeyev.

Malofeyev doesn't deny being friends with Borodai, but questions about crypto-currency upset him. "I even forbid my employees from buying crypto-[currencies], so they don't lose money," he told The Bell.

In an [article](#) published last week, the BBC Russian Service made astonishing allegations about what happened to BTC-e's money. According to audio recordings of a person who sounds like Malofeyev and testimony given by Bilyuchenko in a criminal investigation, Malofeyev acted as a go-between for Bilyuchenko and people who said they were close to the powerful Federal Security Service (FSB). The BBC alleged that, after the collapse of BTC-e, Bilyuchenko met Malofeyev in a meeting brokered by Timofei Musatov, lawyer of arrested BTC-e founder Alexander Vinnik. Bilyuchenko said he eventually passed on the encryption keys — and, therefore, all the crypto-currency on Wex (about \$450 million) — to FSB officers.

Musatov didn't respond to a request for comment. "Malofeyev and his companies had nothing and have nothing to do with Wex," said Malofeyev's spokesperson.

According to data from crypto-companies [Blockchain](#) and [Bitcoin](#), the money allegedly snapped up by the FSB amounts to 30,000 bitcoins and 700,000 litecoins withdrawn on May 16. A group of former Wex clients is hoping now hoping that several ongoing criminal investigations in Russia will help solve the mystery of where the money ended up.

Dreaming of Russia's future

In the main hall of Moscow's grand Cathedral of Christ the Savior last month, Malofeyev was sitting next to Patriarch Kirill, the head of the Russian Orthodox Church, for the opening of the XXIII World Russian People's Council, an organization with close ties to the Kremlin. Putin has taken part in its meetings, and the influential deputy head of the presidential administration, Sergei Kirienko, is a member of the presidium. Malofeyev's longtime acquaintance Shchyogolev (now the presidential envoy to the Central Federal District) was among the guests.

Malofeyev told attendees that the World Russian People's Council should perform the function of a medieval parliament, and described his role as "to oversee the expert work, [and] develop international and human rights as focus areas." At this year's conference, one of the main topics of discussion was Russia's demographic problem.

At the same event in 2020, a series of proposals for Russian development programs will be presented — and Malofeyev is currently working on one of these with Sergei Glazyev, a former Putin aide known for his maverick anti-liberal ideas; and Leonid Reshetnikov, a retired spy and ex-head of the Russian Institute of Strategic Research (RISI). "The strategy will be a response to the fantastic creativity of our liberal colleagues," said Malofeyev, clearly referring to ex-finance minister Alexei Kudrin's so-called Strategy 2024. Malofeyev calls his own document 'Russian Dream 2050' — and he refused to discuss it with The Bell.

In the meantime, Malofeyev will continue his work with the Double-Headed Eagle Society. While he said 90 branches of the group operate across Russia, financial statements indicate their activities are modest. Their biggest outlay last year was 3.8 million rubles on educational activities — slightly less than what was spent on salaries. In Moscow, the Double-Headed Eagle Society is registered at an address shared with RISI.

An October meeting of the organization was attended by 200 people, including Malofeyev's son Kirill, a famous cyber-sport player; a group of Cossacks; priests; and men dressed in camouflage accompanying Borodai. Addressing the gathering, Malofeyev criticized both liberals and the ruling United Russia party, making fun of those United Russia candidates who hid their party affiliation in September's local elections. He attacked "mesmerizing liberal ideas" that lead to degradation and extinction, and called for scrutiny of the authorities.

"One must criticize the current government. You know that I am the owner of the television channel Tsargrad. And we criticize those in power," Malofeyev told delegates. "But one should not criticize Vladimir Putin, that is absolutely forbidden."

This article was published by The Bell.

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