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The New York banker providing work for haredim in Jerusalem

Gilles Gade credit: Lia Jay Photography for Cross River

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Cross River Bank founder Gilles Gade believes in fintech and cryptocurrency, and supremely in divine providence.

Gilles Gade is a big believer in divine providence - what those less religious than him might call luck or a fortunate coincidence. The French-American banker, who founded a small bank, Cross River Bank (CRB), in the midst of the 2008 financial crisis, became an unexpected star of the government-guaranteed small business loans provided in the US in the Covid-19 pandemic, and in March of this year, Cross River raised $650 million at a valuation of over $3 billion.

small businesses and real estate. On the other hand, it's a technological platform for fintech companies that benefit from its regulatory approval as a bank, thus saving them from having to transfer loan funds and payments through the big banks. In addition, Cross River provides a set of technological products that are able to rank borrowers using artificial intelligence, transfer payments from place to place, and carry out transactions using a wide variety of methods.

Cross River's partners include leading entities in the US fintech ecosystem, such as Affirm, which provides loan and payment settlement services to companies like Walmart and, in the near future, Amazon. It also works with major cryptocurrency exchange CoinBase, which is currently under SEC investigation for allegedly allowing customers to trade improperly in digital assets that were supposed to be registered as securities.

As mentioned, Gade founded Cross River about 15 years ago, but it was Covid-19 that put it in the spotlight. In 2020, it was among those banks chosen to transfer US government-backed loans to small businesses affected by the pandemic, in the framework of the federal economic relief program.

Using fast and friendly technology, the small bank took second place (after Bank of America) in the number of loans transacted through its platform - no fewer than 480,000 small businesses that borrowed $13 billion. Cross River built the financial mechanism for implementing these transactions in just one week; unique in its ability to connect quickly between loan applicants and the federal system, with loan approval received within a few minutes. In Israel, by comparison, such loan approvals took 21 days.

The technological capabilities for transferring funds and payments are the same ones that led to the crypto market's development in its infancy. "Here too, providence intervened," Gade recalls. "In 2014, many of our clients said: You generate many loans for us, but the money itself has to go through the big banks. Why can't you transfer the money yourselves and take them out of the picture? So we developed the payment mechanisms which

But we know how to analyze risk. We started contracting with all kinds of crypto companies that were small at the time and looking for a bank to work with, and today are the largest in the sector".

What types of products have you developed for them?

"CoinBase, for example, had a problem tracking the money coming in every day for crypto purchases. Two years ago, if you bought Bitcoin, it showed up in your wallet only after five days. We created a unique product for them that enabled accounts to synchronize at any given moment, and today it takes seconds."

"Crypto is still attractive"

Even the series of unfortunate events of the last few months, which culminated in the crash of Israeli crypto lending firm Celsius, does not shake Gade's confidence in the decentralized currency.

I should have expected that your enthusiasm would have cooled.

"It hasn't. We're now focusing on our strategy in this area. We believe that crypto is here to stay. The technology itself is phenomenal - it's a great way to transfer money from place to place, from person to person. It's also reliable thanks to the perfect record created by blockchain technology, so it cannot get lost .The adoption rate for these currencies is high, and the value of Bitcoin and some other currencies is also starting to rise again. People are still into it.

"Today's sellers are people who borrowed money against crypto *[meaning, the cryptographic asset was used as collateral for the loan - S.L.]*, and when the value of the crypto-currencies decreased, they were warned that the collateral was no longer good. These are the Celsiuses of the world. And that's what lowered the price."

What legal steps are you proposing?

The initial idea of Bitcoin was the right to anonymity.

"I don't care what the original idea of crypto was. Maybe the creators were anarchists, and maybe they wanted to develop something that would disrupt everything in the world. The only thing that interests me is whether it has sustainable value. If so, it should be allowed to exist - but in a way that protects consumers".

Drama at Har Hotzvim

Gade was born in Paris to a family of shabbat-observant, Sephardic Zionists, who raised him to love Israel. "My mother says that after the Six Day War, when I was only a few months old, she almost bought two plane tickets to move to Israel," he says. "Therefore, one of the highlights of my career was in 2014, when we first hired workers in Israel. I saw it as my greatest achievement. The motive was more altruistic than financial."

About 150 people currently work at CRB Development Corporation, an Israeli subsidiary founded by Cross River Bank, which develops technologies for the parent company. Despite the recent wave of high-tech layoffs, Cross River continues to recruit, and aims to add 65 employees to the development center by the end of this year.

However, what Gade defines as the greatest achievement in his career, has turned into a stormy legal dispute. The Center's actual employer until the end of 2021 was Brix Software, a company founded by Ilan Grobman to provide software services to Cross River. Now, Brix is suing the bank, claiming that Gade "stole" 126 employees.

According to the lawsuit filed in April, just prior to the 2021 Hanukkah holiday, on a Zoom call with the Brix employees, Gade wished them a happy holiday... and then offered everyone an immediate move to work at the development subsidiary established by Cross River in Israel, offering higher salaries, bonuses, and indemnification from any claims by Brix. The workers responded in droves.

"There was business cooperation between the

Then, when they're in the middle of talks, Gilles Gade
turns to all the employees in the said conversation,
and makes a unilateral move that goes against the agreement with Brix. Beyond the legal aspect, trust was seriously damaged and there was also very serious damage to Ilan personally."

For his part, Gade says, "Ilan was like a brother to me. I don't want to guess what's going through his mind. I feel terrible. But I felt that our employees were in danger. When we hired these people, we promised they would be part of Cross River. At the time, we were waiting for regulatory approval to operate a development center outside the United States - and Brix was established solely for that purpose, and had only one customer: us. We created Brix, and it was created to disappear in December 2021. But at the end of November I saw that the people managing Brix were making things very difficult. We wanted it to happen in a friendly way, and it didn't work out." In the meantime, the lawsuit is in a preliminary stage, and waiting for a pre-trial date to be set.

More than 50% of the workers at the heart of the drama at the Har Hotzvim industrial zone are from the haredi (ultra-Orthodox Jewish) sector. This is no coincidence. "I want to do what is right for Israel and Jerusalem. I believe that if we offer training and give them jobs, they'll be able to support themselves. These are not outsourced jobs that some American company provides at $20,000 a year, or $10-15 an hour. We pay very well. Our average salary is $125,000 a year," Gade says.

"The haredi employees also prefer us because we treat them better. Amazon, Google and Facebook don't know how to respect their modesty rules, and their different kashrut requirements. We respect everyone. We have Mizrahi Jews, haredim, religious Zionists - the whole Jewish spectrum. It's an ingathering of the exiles."

Licensed to bank at peak crisis

Gade caught the Wall Street bug while still in Paris. Although in his youth he enrolled in together with his then-manager, he founded Chela Technology Partners, an investment bank offering financial consulting services to technology companies. "Now you see how the Almighty fits all the pieces together," is how Gade interprets his life path.

The pieces came together even more in 2007. Just as the great economic crisis was causing the US economy and many banks to collapse, Gade decided to open Cross River, or as he describes it: "The opportunity fell into my lap, and I obtained a license to open a new bank in the United States."

The banks were closing and you decide to open a new one?

"I realized that in times of crises, the baby is always thrown out with the bathwater, and securities are sold off - whether bad or good. And if I have a bank with a clean balance sheet, it can buy good assets cheaply. We bought AAA -rated government-guaranteed bonds at a low price of 50-60 cents on the dollar, we 'sat on them' until the storm passed, and then we sold them. So, in just five quarters, we became profitable. We invested the money we earned in technology."

It wasn't yet usual in those days to integrate technology with banking. How did you come up with that?

"We realized that, as a small bank, we would never be able to compete head-on with large banks like Bank of America or Citibank. The only way to compete with them was to team up with entities that address consumers, that develop the customer pool, and be the one that provided the infrastructure. These were the early days of technological platforms like Amazon, Google, and Facebook, of the online trading arenas, and we thought it would be cool if we did the same for financial services.

Later other companies connected with Cross River: "This is the model," explains Gade. "A loan marketing company like Affirm turns to Expedia, for example, and suggests they put their logo on the website offering anyone who wants a loan to finance their trip, to click and see if they are qualified to receive one *[a test done in seconds using analytics integrated with artificial intelligence - S.L.]* If the person is indeed suitable, we're the ones who give this loan to the consumer."

The loans are for 12-36 months but Cross River does not hold the loans. It packages them and sells them to financial entities like banks, hedge funds, pension funds and insurance companies. "Last year we recorded 24 million loans," says Gade. "This year we'll probably reach 30-35 million loans. We sell 95% of them and leave 5% on our books."

Gilles Gade (56)

Personal: Married, father of five daughters and new grandfather.
Lives in Lawrence, Long Island.
Professional: Founder and CEO of Cross River Bank
One thing more: While in New York, Gade volunteers as a paramedic for Hatzalah, "and when I'm in Israel, I try to find time for a shift with Magen David Adom."

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