

TransUnion Brings Credit Data Checks To Crypto Lending 2

THE WALL STREET JOURNAL.

Technology & Media

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By Sebastian Pellejero

512 words

13 January 2022

The Wall Street Journal

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B4

English

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Cryptocurrency lenders are going to be able to start checking credit reports.

TransUnion, one of the three major U.S. consumer credit reporting firms, will let consumers give **blockchain** companies access to their personal credit data through the security firm Spring Labs' ky0x Digital Passport.

Consumers will be able to receive better interest rates when borrowing money from financial-services companies that operate on public blockchains such as Ethereum by providing this information, the companies said.

Cryptocurrency investors can currently borrow money by putting digital assets such as bitcoin up as collateral. The companies said that because lenders will be able to check a borrower's creditworthiness, they might issue loans that don't require any collateral at all.

More large financial institutions have been starting to participate in the crypto boom. Bank of New York Mellon Corp. and Fidelity Investments have announced plans to provide crypto services for institutional clients such as asset managers and hedge funds. Banks outside the U.S., including Banco Bilbao Vizcaya Argentaria SA and Commonwealth Bank of Australia, have started to sample ways of offering customers the ability to invest and store bitcoin and other digital assets.

Traditional consumer U.S. banks have been more wary. An association representing large banks said that current regulations would prevent them from holding cryptocurrencies. The Basel Committee on Banking Supervision, which sets global standards for banking regulation, laid out a proposal last year that would require lenders to set aside a dollar in capital for every dollar of bitcoin and other cryptocurrencies they held, considering them among the riskiest assets a bank could own.

The market for **decentralized finance**, or **DeFi**, assets has grown significantly in recent years, analysts said. The total value of **DeFi** applications on the Ethereum **blockchain** soared to nearly \$200 billion in November from around \$20 billion the year before, according to JPMorgan.

DeFi faces several regulatory hurdles until it becomes mainstream, JPMorgan analysts wrote in a recent note.

"Enforcing **know-your-customer** and **anti-money-laundering** checks is a necessary first step, but a general perception that regulations would be naturally less effective on **DeFi** might prove a major obstacle going forward in terms of regulators allowing **DeFi** to transition into the mainstream," said the bank's analysts.

The Spring Labs' digital passport currently shows **anti-money-laundering** and **know-your-customer** verifications after users go through the registration process and attach the passport to their **digital wallets**. No personal data are publicly shared, just attestations of the completed processes, the companies said. They expect consumers' credit data to be available on the passport by the end of this year.

TransUnion's president of U.S. markets and consumer interactive, Steve Chaouki, said that by providing credit and identity data on the **blockchain**, more companies will be able to access and develop **DeFi** and crypto applications while remaining compliant with regulators.

"By having this available, you begin to open the tap for capital coming in, and that increases the competition," he said.

Document J000000020220113ei1d00013

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