

Regulation and the Future – Quiz

Cryptoeconomics

Question 1

What is MiCA?

- A. A cryptocurrency
- B. EU's Markets in Crypto-Assets regulation framework
- C. A mining algorithm
- D. A wallet standard

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Answer: B

MiCA (Markets in Crypto-Assets) is the EU's comprehensive regulatory framework for cryptocurrencies. It became fully applicable on December 30, 2024, with enforcement now active across EU member states. Phase 1 (ARTs and EMTs) applied from June 2024.

Question 2

What does KYC stand for?

- A. Keep Your Crypto
- B. Know Your Customer
- C. Key Your Credentials
- D. Keep Your Cash

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Answer: B

KYC (Know Your Customer) requires businesses to verify customer identities to prevent fraud and money laundering.

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What does AML stand for?

- A. Automated Mining Logic
- B. Anti-Money Laundering
- C. Advanced Market Listing
- D. Asset Management Ledger

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Answer: B

AML (Anti-Money Laundering) refers to laws and procedures designed to prevent illegal money flows.

Question 4

Which US agency primarily regulates securities?

- A. FDA
- B. SEC
- C. FBI
- D. NASA

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Answer: B

The SEC (Securities and Exchange Commission) regulates securities, including potentially some crypto tokens.

Question 5

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- A. Centralized Bitcoin Data Center
- B. Central Bank Digital Currency
- C. Crypto Blockchain Development Company
- D. Cross-Border Digital Coin

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Answer: B

CBDCs are digital currencies issued and backed by central banks, representing digital versions of fiat.

Question 6

What is the 'travel rule' in crypto regulation?

- A. Rules for crypto while traveling
- B. Requirement to share sender/receiver info for transactions over thresholds
- C. Geographic trading restrictions
- D. Mining location rules

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Answer: B

The travel rule requires sharing originator and beneficiary information for transfers above certain amounts.

Question 7

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- B. FATF
- C. WTO
- D. NATO

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Answer: B

FATF (Financial Action Task Force) sets global AML/CFT standards that member countries implement.

Question 8

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- B. A cryptocurrency designed to maintain stable value, usually pegged to fiat
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- D. A governance token

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Answer: B

Stablecoins maintain stable value through various mechanisms (fiat backing, algorithms, or over-collateralization).

Question 9

What regulatory concern do privacy coins raise?

- A. High energy use
- B. Difficulty tracing transactions for AML compliance
- C. Network speed
- D. Token supply

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Answer: B

Privacy coins' anonymity features make transaction tracing difficult, raising AML/KYC compliance concerns.

Question 10

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- B. Regulating commodity derivatives and futures
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- D. Mining oversight

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Answer: B

The CFTC (Commodity Futures Trading Commission) regulates crypto derivatives and considers Bitcoin a commodity.

Question 11

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- B. Operating in jurisdictions with favorable regulations
- C. Automated regulation
- D. Regulatory technology

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Answer: B

Regulatory arbitrage involves choosing to operate in jurisdictions with more favorable or lenient regulations.

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- B. A controlled environment for testing new products with relaxed regulations
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Answer: B

Regulatory sandboxes allow fintech companies to test innovations with reduced regulatory requirements.

Question 13

What challenge does DeFi pose for regulators?

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- B. No identifiable entity to regulate
- C. High energy use
- D. Complex code

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Answer: B

DeFi's decentralized nature makes it difficult to identify responsible parties for regulatory compliance.

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Answer: B

The digital euro is the ECB's CBDC project. The ECB completed its preparation phase in January 2025. Further development depends on EU legislative action; projected timelines are subject to change.

Question 15

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- B. Users controlling their own private keys
- C. Automated trading
- D. Staking service

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Answer: B

Self-custody means users hold their own private keys rather than trusting exchanges or custodians.

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Answer: B

CBDCs could enable unprecedented government surveillance of citizen financial activities.

Question 17

What does 'DAO' stand for?

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- D. Data Analysis Operation

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Answer: B

DAOs are organizations governed by smart contracts and token holder voting, without traditional management.

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- B. Often uncertain or unincorporated, posing liability questions
- C. Government entity
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Answer: B

DAOs often lack clear legal status, creating uncertainty about liability and regulatory obligations.

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- B. Digital currency with embedded rules controlling how it can be spent
- C. Mining rewards
- D. Trading bots

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Answer: B

Programmable money can have conditions encoded (e.g., expiration, spending restrictions) enabled by smart contracts.

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- D. To speed up transactions

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Answer: B

Regulation aims to protect consumers from fraud, ensure market integrity, and maintain financial stability. Note: Crypto advocates argue that heavy regulation could stifle innovation and drive activity to less regulated jurisdictions.

Question 21

A crypto exchange operating in France offers trading for a new utility token that grants voting rights on platform decisions and earns holders a share of trading fees. Under MiCA, which classification best applies?

- A. E-Money Token (EMT)
- B. Asset-Referenced Token (ART)
- C. Utility token (potentially requiring authorization)
- D. Not regulated under MiCA

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Answer: C

Under MiCA, tokens offering governance rights and profit-sharing may qualify as utility tokens but could trigger authorization requirements if they exhibit investment-like characteristics. Unlike EMTs (fiat-pegged) or ARTs (basket-backed), this token's hybrid utility + financial features require careful classification and compliance with MiCA's issuer obligations.

Question 22

A startup issues a token with the following characteristics: holders can redeem tokens for platform services, the token's value fluctuates based on market demand, and the team promises to buy back tokens if the project succeeds. Under the Howey Test, is this likely a security?

- A. No, because it has utility features
- B. No, because there's no common enterprise
- C. Yes, because there's an expectation of profit from others' efforts
- D. Yes, because tokens always qualify as securities

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- B. No, because there's no common enterprise
- C. Yes, because there's an expectation of profit from others' efforts
- D. Yes, because tokens always qualify as securities

Answer: C

The Howey Test (SEC framework) defines a security as: (1) investment of money, (2) in a common enterprise, (3) with expectation of profit, (4) derived from efforts of others. The buyback promise and profit expectation satisfy criteria 3 and 4. Even with utility features, the economic reality suggests investment intent, making it likely a security requiring SEC registration.

Question 23

A DeFi protocol built on Ethereum has no company entity, was launched anonymously, and operates entirely via immutable smart contracts. Users from the US access it to trade tokens. The SEC investigates for unregistered securities trading. What is the primary regulatory challenge?

- A. Determining which country has jurisdiction
- B. Identifying a legal entity to hold accountable
- C. Proving the protocol generated revenue
- D. Classifying Ethereum as a security

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- B. Identifying a legal entity to hold accountable
- C. Proving the protocol generated revenue
- D. Classifying Ethereum as a security

Answer: B

DeFi's core regulatory challenge is the absence of identifiable parties to hold accountable. With no company, anonymous developers, and immutable contracts, traditional enforcement mechanisms fail. Even if the SEC determines securities violations occurred, there's no entity to sue, fine, or compel to register. This gap highlights the tension between decentralization and regulatory frameworks designed for centralized actors.

Question 24

Country A bans all cryptocurrency exchanges. Country B has minimal crypto regulation and attracts many exchanges. Country C creates a regulatory sandbox with clear rules for compliant exchanges. A large exchange considering where to operate will most likely choose which jurisdiction, and why?

- A. Country A, for regulatory clarity
- B. Country B, to avoid compliance costs (regulatory arbitrage)
- C. Country C, balancing legitimacy and compliance
- D. None, will operate decentralized

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- B. Country B, to avoid compliance costs (regulatory arbitrage)
- C. Country C, balancing legitimacy and compliance
- D. None, will operate decentralized

Answer: B

While Country C offers the best long-term legitimacy and regulatory clarity, many exchanges historically chose jurisdictions like Country B (e.g., Malta, Bahamas, Seychelles) to minimize compliance costs through regulatory arbitrage. However, this strategy carries risks: (1) sudden regulatory changes, (2) difficulty accessing traditional banking, (3) reputational damage. Mature exchanges increasingly favor Country C-style environments for sustainable growth.

Question 25

The ECB's digital euro is designed to be programmable, allowing merchants to embed payment conditions (e.g., refunds auto-execute if delivery fails). Privacy advocates object that this enables surveillance. How might the ECB balance programmability and privacy?

- A. Make all transactions fully anonymous like cash
- B. Implement tiered privacy: small transactions private, large transactions monitored
- C. Prohibit all programmable features
- D. Require real-name registration for all users

Question 25

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- A. Make all transactions fully anonymous like cash
- B. Implement tiered privacy: small transactions private, large transactions monitored
- C. Prohibit all programmable features
- D. Require real-name registration for all users

Answer: B

Tiered privacy models balance AML compliance with user privacy. Small-value transactions (e.g., $\leq \text{€}1000$) could have strong privacy protections (similar to cash anonymity), while larger transactions would require identity verification to prevent money laundering. This approach mirrors existing cash regulations (no reporting for small amounts, CTR/SAR for large sums) and is being explored in CBDC designs globally.

Question 26 (True/False)

MiCA is a US regulatory framework.

- A. True
- B. False

Question 26 (True/False)

MiCA is a US regulatory framework.

- A. True
- B. False

Answer: False

MiCA (Markets in Crypto-Assets) is the EU's comprehensive regulatory framework for cryptocurrencies, fully applicable since December 30, 2024. The US has no comparable unified federal framework.

Question 27 (True/False)

CBDCs are issued by central banks.

- A. True
- B. False

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CBDCs are issued by central banks.

- A. True
- B. False

Answer: True

CBDCs (Central Bank Digital Currencies) are digital currencies issued and backed by central banks, representing digital versions of national fiat currencies.

Question 28 (True/False)

All cryptocurrencies are classified as securities.

- A. True
- B. False

Question 28 (True/False)

All cryptocurrencies are classified as securities.

- A. True
- B. False

Answer: False

Not all cryptocurrencies are securities. Classification depends on factors like the Howey Test. Bitcoin and Ethereum are generally considered commodities, while many tokens may qualify as securities depending on their characteristics.

Question 29 (True/False)

KYC requires identity verification.

- A. True
- B. False

Question 29 (True/False)

KYC requires identity verification.

- A. True
- B. False

Answer: True

KYC (Know Your Customer) procedures require businesses to verify customer identities through documents like passports or driver's licenses to prevent fraud and money laundering.

Question 30 (True/False)

Stablecoin issuers face no regulatory requirements.

- A. True
- B. False

Question 30 (True/False)

Stablecoin issuers face no regulatory requirements.

- A. True
- B. False

Answer: False

Stablecoin issuers face increasing regulatory requirements. Under MiCA (EU), they must maintain reserves and meet transparency standards. Similar regulations are being developed globally to protect users and financial stability.

Question 31 (True/False)

The travel rule applies to all crypto transactions regardless of amount.

- A. True
- B. False

Question 31 (True/False)

The travel rule applies to all crypto transactions regardless of amount.

- A. True
- B. False

Answer: False

The travel rule requires sharing sender/receiver information only for transactions above certain thresholds (e.g., 1,000 + *under FATF guidance*). *Small transactions may be exempt to balance compliance with practicality.*

Question 32 (Fill in the Blank)

The EU crypto regulation is called _____. *Hint: Markets in Crypto-Assets...*

Question 32 (Fill in the Blank)

The EU crypto regulation is called _____. *Hint: Markets in Crypto-Assets...* **Answer: MiCA**

MiCA (Markets in Crypto-Assets) is the EU's comprehensive regulatory framework for cryptocurrencies, fully applicable since December 30, 2024.

Question 33 (Fill in the Blank)

CBDC stands for **Central Bank Digital** _____. *Hint: Digital money from central banks...*

Question 33 (Fill in the Blank)

CBDC stands for **Central Bank Digital** _____. *Hint: Digital money from central banks...* **Answer: Currency**

CBDCs (Central Bank Digital Currencies) are digital currencies issued and backed by central banks.

Question 34 (Fill in the Blank)

___ **requires identity verification.** *Hint: Know Your...*

Question 34 (Fill in the Blank)

___ requires identity verification. *Hint: Know Your...* **Answer: KYC**

KYC (Know Your Customer) requires businesses to verify customer identities to prevent fraud and money laundering.