

Lesson 7.3: Regulating the New – Crypto, AI, and Digital Operational Resilience – Quiz

Digital Finance Course

Question 1

Under MiCA, which type of crypto-asset must be backed by a 1:1 reserve in a single fiat currency and issued by a licensed e-money or credit institution?

- A. Asset-Referenced Token (ART)
- B. E-Money Token (EMT)
- C. Non-Fungible Token (NFT)
- D. Utility Token

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[Answer hidden – compile with \solutionstrue to reveal]

E-Money Tokens are pegged to a single fiat currency and must be fully backed 1:1 by liquid reserves. Issuers must hold an e-money or credit institution license. ARTs reference a basket of assets, and utility tokens have lighter requirements.

Question 2

A crypto-asset is pegged to a basket of EUR, USD, and gold. Under MiCA, it is classified as:

- A. E-Money Token (EMT)
- B. Asset-Referenced Token (ART)
- C. Utility Token
- D. Financial Instrument under MiFID

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Asset-Referenced Tokens reference a basket of currencies, commodities, or crypto-assets. EMTs are pegged to a single fiat currency only. If the token qualifies as a financial instrument under MiFID, it falls outside MiCA's scope.

Question 3

What does “passporting” mean in the context of MiCA?

- A. Users must present a passport to buy crypto-assets
- B. Crypto-asset whitepapers must be translated into all EU languages
- C. A CASP license granted in one EU member state is valid across all 27 member states
- D. A crypto-asset must be converted into fiat currency when crossing borders

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Passporting is one of MiCA’s most significant features: a Crypto-Asset Service Provider authorized in, say, Germany can operate across all EU member states without obtaining separate licenses in each country.

Question 4

Which of the following financial AI applications is classified as “high-risk” under the EU AI Act?

- A. A credit scoring model that evaluates loan applicants
- B. A spam filter for internal bank emails
- C. An AI-powered market data dashboard
- D. A chatbot that answers general banking FAQ questions

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The EU AI Act explicitly lists “AI systems intended to evaluate the creditworthiness of natural persons” in Annex III as high-risk. Spam filters are minimal risk, chatbots are limited risk (transparency), and dashboards are minimal risk.

Question 5

What is the maximum penalty for deploying a banned AI system (e.g., social scoring) under the EU AI Act?

- A. €7.5M or 1.5% of global turnover
- B. €15M or 3% of global turnover
- C. €35M or 7% of global turnover
- D. €1M or 0.5% of global turnover

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The EU AI Act imposes the highest penalties (€35M or 7% of global annual turnover, whichever is higher) for deploying prohibited AI systems. High-risk non-compliance penalties are capped at €15M or 3% of turnover.

Question 6

Which GDPR article gives individuals the right not to be subject to decisions based solely on automated processing?

- A. Article 17 (Right to erasure)
- B. Article 22 (Automated individual decision-making)
- C. Article 6 (Lawful basis for processing)
- D. Article 35 (Data Protection Impact Assessment)

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- C. Article 6 (Lawful basis for processing)
- D. Article 35 (Data Protection Impact Assessment)

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Article 22 specifically addresses automated decision-making, including profiling, that produces legal or similarly significant effects. It requires human review on request and meaningful information about the logic involved.

Question 7

DORA applies to which of the following entities?

- A. Only banks and insurance companies
- B. Only fintech startups using cloud services
- C. Only crypto-asset service providers
- D. All EU financial entities AND critical ICT third-party providers

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DORA covers all EU financial entities (banks, insurers, investment firms, payment institutions, CASPs) and also gives supervisors direct oversight of critical ICT third-party providers such as AWS, Azure, and Google Cloud.

Question 8

How quickly must a financial entity report a major ICT incident to its national competent authority under DORA?

- A. Within 30 calendar days
- B. Within 72 hours (as under GDPR data breach rules)
- C. Within 4 hours (initial notification)
- D. Within 24 hours

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DORA requires an initial notification within 4 hours of classifying an ICT incident as “major.” This is significantly faster than GDPR’s 72-hour data breach notification. A detailed root-cause report follows later.

Question 9

Which of the following is NOT one of DORA's five pillars?

- A. Third-Party Risk Management
- B. Incident Reporting
- C. Capital Adequacy Requirements
- D. ICT Risk Management

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DORA's five pillars are: (1) ICT Risk Management, (2) Incident Reporting, (3) Resilience Testing, (4) Third-Party Risk Management, and (5) Information Sharing. Capital adequacy is covered by CRR/CRD, not DORA.

Question 10

The collapse of TerraUSD in May 2022 demonstrated the risk of which type of stablecoin?

- A. Commodity-backed stablecoin (gold-pegged)
- B. CBDC issued by a central bank
- C. Algorithmic stablecoin with no asset backing
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TerraUSD was an algorithmic stablecoin that maintained its peg through a mint/burn mechanism with LUNA rather than through real asset reserves. When confidence broke, both tokens crashed to zero, destroying \$40B in value.

Question 11

Why is DeFi difficult to regulate under MiCA?

- A. DeFi protocols have no identifiable issuer or service provider to hold accountable
- B. DeFi protocols only operate outside the EU
- C. DeFi protocols are too small to be systemically important
- D. DeFi protocols are already regulated under MiFID II

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MiCA's framework is built around regulating identifiable entities (CASPs, issuers). Fully decentralized protocols like Uniswap have no single entity to license, supervise, or hold liable. MiCA acknowledges this gap and schedules a review by 2027.

Question 12

Under the EU AI Act, a bank deploys a customer service chatbot. What risk level does this system fall under?

- A. High risk
- B. Unacceptable risk (banned)
- C. Minimal risk (no obligations)
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AI systems that interact directly with humans (chatbots, virtual assistants) fall under “limited risk” and must comply with transparency obligations: the user must be informed they are interacting with an AI system, not a human.

Question 13

The EU AI Act requires high-risk AI systems to have “meaningful human oversight.” What does this mean in practice?

- A. The AI system must be supervised by a government inspector
- B. A human must write the AI system’s code without automated tools
- C. A human must manually approve every single AI output
- D. A human must be able to understand, intervene in, and override the AI system’s decisions

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Meaningful human oversight means a human can understand the system’s capabilities and limitations, correctly interpret outputs, and decide when to intervene or override. It does not require approving every output individually.

Question 14

What is DORA's approach to cloud concentration risk?

- A. It requires firms to assess and document concentration risk and maintain exit strategies
- B. It bans financial firms from using public cloud services
- C. It mandates on-premise data centers for all critical systems
- D. It requires firms to use at least three different cloud providers

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DORA does not ban cloud usage or mandate multi-cloud. It requires firms to assess concentration risk (e.g., what happens if AWS goes down?), document it, and maintain contractual exit strategies with data portability provisions.

Question 15

A crypto exchange operates from Malta with customers in 15 EU countries. Under MiCA, how many licenses does it need?

- A. 1 (Maltese license is passportable across the EU)
- B. 15 (one per country)
- C. 27 (must cover all EU member states proactively)
- D. 0 (crypto exchanges are exempt from licensing)

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One of MiCA's key innovations is passporting: a CASP license issued by any EU national competent authority is valid across all 27 member states. The exchange needs only the Maltese license.

Question 16

Which regulation gives EU supervisors the power to directly oversee critical ICT providers such as AWS or Google Cloud?

- A. EU AI Act
- B. DORA
- C. MiCA
- D. GDPR

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- B. DORA
- C. MiCA
- D. GDPR

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DORA creates a direct oversight framework for critical ICT third-party providers. A Lead Overseer (one of the European Supervisory Authorities) is appointed and can conduct inspections and issue recommendations.

Question 17

GDPR requires “data minimization” while the EU AI Act requires “representative training data.” How should a bank resolve this tension?

- A. Collect only what is necessary but ensure it is representative; use synthetic data or anonymization where possible
- B. Collect maximum data and ignore minimization
- C. Avoid using AI altogether to prevent regulatory conflict
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Both regulations must be satisfied simultaneously. Practical approaches include: collecting targeted but representative datasets, using synthetic data generation to fill gaps without additional personal data, and employing anonymization or pseudonymization.

What is the EU DLT Pilot Regime designed to test?

- A. Whether DeFi protocols can self-regulate
- B. Whether Bitcoin can replace the euro
- C. Whether stablecoins can replace bank deposits
- D. Whether DLT can be used for trading and settling tokenized financial instruments under relaxed MiFID/CSDR rules

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The DLT Pilot Regime (Regulation (EU) 2022/858) is a regulatory sandbox that allows firms to trade and settle DLT-based financial instruments (tokenized bonds, equities) with exemptions from certain MiFID and CSDR requirements.

Which regulatory approach best describes the US's strategy for crypto-asset regulation as of 2025?

- A. Complete deregulation with no federal oversight
- B. Enforcement-led approach with jurisdictional overlap between SEC and CFTC
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The US lacks a comprehensive crypto framework like MiCA. Instead, the SEC and CFTC both claim jurisdiction using existing laws (Howey Test for securities, commodity definitions). This creates regulatory uncertainty and case-by-case enforcement.

Question 20

An AI agent autonomously trades crypto-assets on a DeFi protocol using customer funds. Under current EU regulations, which statement is MOST accurate?

- A. This is banned under the EU AI Act as an “unacceptable risk” system
- B. This is fully regulated under MiCA and the AI Act with clear liability rules
- C. This is completely legal with no regulatory oversight needed
- D. This falls into a regulatory grey zone—current frameworks do not fully address autonomous AI agents on DeFi protocols

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Autonomous AI agents on DeFi protocols combine two regulatory blind spots: DeFi (no identifiable entity) and autonomous agents (AI Act covers models but not fully autonomous agents). Current frameworks partially apply but leave significant gaps in liability and accountability.