## Question #1 of 14

Question ID: 1578009

Ownership rights to physical assets on distributed ledger technology are represented by a:

**A)** blockchain.

**B)** smart contract.

**C)** token.

**Explanation**

Tokens represent ownership rights to physical assets in a blockchain or distributed ledger technology. Smart contracts are computer programs that can execute contracts based on pre-agreed upon conditions.

(Module 84.1, LOS 84.a)

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## Question #2 of 14

Question ID: 1578011

Which statement *best* describes how stablecoins maintain a stable value? Stablecoins:

**A)** have legal and regulatory backing.

**B)** can be exchanged for fiat currency.

**C)** link their value to other assets.

**Explanation**

Stablecoins are designed to provide price stability by linking their value to a collateralized basket of assets. However, they cannot be exchanged for fiat currency, and they do not have legal and regulatory backing.

(Module 84.1, LOS 84.a)

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## Question #3 of 14

Question ID: 1578008

Which distributed ledger technology element may include proof of work and proof of stake?

**A)** Participation network.

**B)** Consensus protocols.

**C)** Digital ledger.

**Explanation**

A distributed ledger is a shared copy of a database in which entries are recorded and stored. The consensus mechanism is how new entries are added, and the participation network determines who can perform the network functions. Proof of Work (PoW) and Proof of Stake (PoS) are types of consensus protocols that govern how blocks can join the chain. PoW requires a computer on the network to solve a complex algorithm to validate and add blocks to the chain; it earns cryptocurrency in the process. Proof of Stake (PoS) requires that the validator verifies the transaction and a majority of validators attest to the validity of the proposed block.

(Module 84.1, LOS 84.a)

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## Question #4 of 14

Question ID: 1574539

Investors in an initial coin offering (ICO) typically receive:

**A)** registered securities.

**B)** voting rights in the ICO issuer.

**C)** cryptocurrency.

**Explanation**

An ICO is a sale of cryptocurrency to investors in exchange for cash or another cryptocurrency.

(Module 84.1, LOS 84.a)

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## Question #5 of 14

Question ID: 1578014

Compared to centralized exchanges, decentralized exchanges are more:

**A)** vulnerable to attacks.

**B)** difficult to regulate.

**C)** popular with investors.

**Explanation**

The most popular type of cryptocurrency exchange are centralized exchanges. However, they are more vulnerable to attacks. In a decentralized exchange, there is no central source of control. This makes it harder to regulate but also makes it less vulnerable to attacks; if one computer is attacked, the others can still operate on the network.

(Module 84.2, LOS 84.c)

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## Question #6 of 14

Question ID: 1578012

The inherent value of digital assets is *least likely* to be based on:

**A)** features on the blockchain. ✗

**B)** future cash flow. ✓

**C)** price appreciation. ✗

**Explanation**

The value of digital assets comes from anticipated price appreciation and features of the blockchain that may give them the ability to transfer value. They do not generate any cash flow (e.g., interest or dividend income).

(Module 84.2, LOS 84.b)

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## Question #7 of 14

Question ID: 1578017

Potential impacts of asset-backed tokens *most likely* include:

**A)** more liquidity for higher-priced assets. ✓

**B)** decreased transparency for transactions. ✗

**C)** increased transaction fees and costs. ✗

**Explanation**

Asset-backed tokens represent ownership of physical assets. They can provide more liquidity for higher priced assets through allowing fractional ownership. Since the token allows immutable ownership records and transfer, there is more transparency in the transactions and less transaction cost.

(Module 84.2, LOS 84.c)

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## Question #8 of 14

Question ID: 1578019

With regard to the role of digital assets as an investment class, it is *most* accurate to state that they:

**A)** are a relatively stable investable asset class.

**B)** may provide diversification benefits.

**C)** have similar returns with traditional asset classes.

**Explanation**

It remains inconclusive whether digital assets provide diversification benefits based on correlations with traditional assets. They are a relatively new asset class with no clear legal protections, and are highly speculative in nature, characterized by high volatility and returns. (Module 84.2, LOS 84.d)

(Module 84.2, LOS 84.d)

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## Question #9 of 14

Question ID: 1578016

Which type of cryptocurrency-related vehicle invests directly in cryptocurrencies?

**A)** Cryptocurrency futures contracts.

**B)** Cryptocurrency exchange-traded funds.

**C)** Cryptocurrency coin trusts.

**Explanation**

Cryptocurrency coin trusts invest in a large pool of a cryptocurrency. Cryptocurrency ETFs do not invest directly in cryptocurrencies but attempt to mimic their returns using cash or derivatives. Cryptocurrency futures contracts are based on cryptocurrency prices but are cash-settled.

(Module 84.2, LOS 84.c)

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## Question #10 of 14

Question ID: 1578018

Cryptocurrency prices are *least likely* to be affected by:

**A)** technological advancement.

**B)** projected cash flows.

**C)** regulatory development.

**Explanation**

Cryptocurrencies do not generate cash flows. Their returns are driven by market adoption, network effects, technological advancement, regulatory development, speculation, and appetite for market risk.

(Module 84.2, LOS 84.d)

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## Question #11 of 14

Question ID: 1578010

Compared to regulated initial public offerings, initial coin offerings *most likely* have:

**A)** longer capital-rising periods.

**B)** more voting rights.

**C)** lower issuance costs.

**Explanation**

Compared to initial public offerings, initial coin offerings typically have lower issuance costs and longer capital raising periods, and usually do not have any voting rights.

(Module 84.1, LOS 84.a)

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## Question #12 of 14

Question ID: 1578013

Which of the following statements is *most* accurate regarding the features of digital assets? Digital assets:

**A)** are usually validated using permissionless blockchain networks.

**B)** are typically used as a direct medium of exchange.

**C)** have well-established legal and regulatory standards.

**Explanation**

Transactions for digital assets are usually recorded on decentralized ledgers using permissionless blockchain networks. However, digital assets are rarely used as a direct medium of exchange due to transaction costs. Legal and regulatory frameworks are evolving, and digital assets can be illegal in some jurisdictions.

(Module 84.2, LOS 84.b)

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## Question #13 of 14

Question ID: 1578015

Risks of directly investing in large, well-established cryptocurrencies *least likely* include:

**A)** whales.

**B)** fraud.

**C)** irretrievability.

**Explanation**

"Whales" are holders of a small cryptocurrency who control a large enough portion to manipulate its price. Two major risks of direct investment in a large cryptocurrency are fraud and loss of access. Fraud may include pump and dump schemes, market manipulation, theft, and attempts to gain access to credentials. Loss of access comes from losing the unique passkey to a cryptocurrency wallet; once the passkey is lost, the owner cannot retrieve the cryptocurrency.

(Module 84.2, LOS 84.c)

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## Question #14 of 14

Question ID: 1574538

A government decides it will privatize vehicle registrations if the province's auto insurance companies can record and maintain ownership titles using distributed ledger technology. This application of distributed ledger technology is *best* characterized as:

**A)** blockchain.

**B)** smart contracts.

**C)** tokenization.

**Explanation**

Tokenization refers to maintaining ownership records for physical assets on a distributed ledger. This might, but would not necessarily, use a blockchain, which is a subcategory of distributed ledgers. Smart contracts are computerized agreements designed to automatically carry out certain actions if defined conditions are met.

(Module 84.1, LOS 84.a)