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PRACTICE QUESTIONS

CFtA by the Global Fintech Institute

CFTA

Chartered Fintech Associate

EDITION	QUESTIONS	ISSUED
Demo	9	September 3, 2026

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Before you begin

What this is

9 practice questions for CFtA by the Global Fintech Institute `CFTA`, each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

If something looks wrong

Send us three things and we will check it:

- the exam code, `CFTA`
- the question number
- the email address on your order

Write to **support@mometrix.net**. We reply within one business day.

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QUESTION 1 MULTIPLE CHOICE

Which of the following are recognized primary functions of money in an economy? (Choose two.)

- A **Medium of exchange**
- B **Store of value**
- C Unit of taxation
- D Unit of account

ANSWER **A · B**

WHY The three classic functions of money are medium of exchange, store of value, and unit of account. 'Unit of taxation' is not a function of money — taxes are levied by governments in monetary units, but taxation is not a defining monetary function.

QUESTION 2 MULTIPLE CHOICE

Which of the following are commonly cited benefits of applying artificial intelligence (AI) in financial services? (Choose two.)

- A **Automated fraud detection through pattern recognition**
- B Guaranteed elimination of all credit risk
- C **Personalized customer engagement at scale**
- D Removal of the need for any regulatory compliance

ANSWER **A · C**

WHY AI is widely used in financial services for pattern-based fraud detection and for personalizing customer engagement (e.g., chatbots, recommendation engines). AI does not eliminate risk entirely, and it does not remove regulatory obligations — both B and D are incorrect.

QUESTION 3 SINGLE CHOICE

Which statement best defines 'fintech'?

A A government-issued digital currency used only for interbank settlement

B The application of technology to improve and automate financial services

C A type of cryptocurrency that is pegged to a fiat currency

D The accounting software used exclusively by large banks for regulatory reporting

ANSWER B

WHY Fintech broadly refers to the use of technology to improve, automate, or disrupt financial services. CBDCs, stablecoins, and regulatory reporting tools are specific products or use cases, not the overarching definition.

QUESTION 4 SINGLE CHOICE

Which characteristic distinguishes a stablecoin from other cryptocurrencies such as Bitcoin?

A It is mined using a proof-of-work consensus algorithm

B It is designed to maintain a relatively stable value by pegging to a reference asset

C It can only be transacted on a private permissioned blockchain

D It is issued exclusively by central banks

ANSWER B

WHY Stablecoins are crypto-assets that aim to minimize price volatility, typically by pegging their value to a reference asset such as a fiat currency or a basket of assets. Bitcoin uses proof-of-work and is not pegged; not all stablecoins are permissioned or central-bank-issued.

QUESTION 5 SINGLE CHOICE

In blockchain technology, what is the primary purpose of a consensus mechanism?

A To encrypt user private keys stored on the blockchain

B To allow network participants to agree on the validity of transactions before they are added to the ledger

C To convert fiat currency into cryptocurrency

D To assign IP addresses to blockchain nodes

ANSWER **B**

WHY Consensus mechanisms (e.g., Proof of Work, Proof of Stake) are protocols that enable distributed nodes to agree on which transactions are valid and in what order they are appended to the shared ledger. They do not perform encryption of keys, currency conversion, or network addressing.

QUESTION 6 SINGLE CHOICE

What is a 'smart contract' in the context of decentralized finance (DeFi)?

A A legally binding paper contract signed by two financial institutions

B Self-executing code stored on a blockchain that automatically enforces the terms of an agreement

C A centralized database record used by banks to track loan repayments

D A hardware device used to securely store cryptocurrency private keys

ANSWER **B**

WHY A smart contract is a program whose terms are written directly into code and executed on a blockchain. Once deployed, it runs deterministically without the need for intermediaries. The other options describe unrelated concepts.

QUESTION 7 SINGLE CHOICE

Which of the following best describes the 'confidentiality' principle in the CIA triad of information security?

- A Ensuring that data is not modified or tampered with in an unauthorized manner
- B Ensuring that systems and data are available to authorized users when needed
- C **Ensuring that information is accessible only to those who are authorized to view it**
- D Ensuring that all transactions are processed in real time

ANSWER **C**

WHY The CIA triad consists of Confidentiality, Integrity, and Availability. Confidentiality means that information is disclosed only to authorized parties. Integrity relates to preventing unauthorized modification, and Availability relates to ensuring access when needed.

QUESTION 8 SINGLE CHOICE

Which of the following is a defining characteristic of a central bank digital currency (CBDC)?

- A **It is a digital liability of the central bank, denominated in the national unit of account**
- B It is a private cryptocurrency with no issuer
- C It is always built on a public, permissionless blockchain
- D It is a digital token whose value is set by market speculation

ANSWER **A**

WHY A CBDC is a digital form of fiat money issued and backed by the central bank, representing a direct liability of the central bank. CBDCs are not private cryptocurrencies, are not required to run on public blockchains, and are not valued by speculation in the way cryptocurrencies typically are.

QUESTION 9 SINGLE CHOICE

What is the primary objective of 'Know Your Customer' (KYC) regulations in financial services?

A To maximize the marketing reach of financial products

B **To verify the identity of clients and assess risks such as money laundering and terrorism financing**

C To reduce the cost of transaction processing for banks

D To enable cross-border cryptocurrency trading without oversight

ANSWER **B**

WHY KYC procedures require financial institutions to verify customer identities and assess associated risks, forming a core part of anti-money laundering (AML) and counter-terrorism financing (CTF) efforts. The other options are unrelated to the core purpose of KYC.