

State of the Crypto Industry 2023

In Latin America



Lemon



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Introduction

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Latin America is one of the regions where **crypto has showcased the greatest number of real-use cases leading to notable improvements in people's personal economies.** Today, Argentina is at the forefront of this process of adoption.

The national crypto industry, which includes users, companies, developers and the public sector, has reached a level of maturity in this country that positions it as one of the most important in the world. Today, **crypto is a key topic on the national public agenda.**

Crypto means transparency as, thanks to blockchain and the fundamental principles underpinning this ecosystem, billions of public data are produced every day.

One might question the purpose of collecting all this data. The response lies in its ability to empower analysts to precisely measure, evaluate, and project the state of the industry at local, regional, and global levels.

This report aims to summarize **the main learnings that 2023 left us in the areas related to crypto so we can keep pace with the principal trends emerging for the year ahead.**



02

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Executive Summary

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In Latin America:

40M

of people have
crypto in the region.



4 out of every 10

people who open a crypto app in Latin
America do so from Argentina.

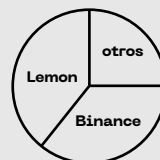
In Argentina:

80%

of crypto purchases in Argentina during
2023 were stablecoins.



The crypto regulation and tax reform projects
necessary for the next wave of adoption are
well underway.



75% of the active crypto app sessions in
Argentina use Lemon and Binance apps.

In Lemon:

2.25M

Lemon users. **25% growth**
in user base during 2023.

X2

The proportion of payments made
in crypto using the **VISA**
Lemon Card doubled.

Q4 2023 saw the strongest performance of the year



73%+

growth in volume of
crypto deposited.
\$USDT had the highest
volume of deposits.



30%+

growth in
active users.



17%+

growth in users
investing in DeFi.

compared to the average of the first semester

Looking ahead:

- ☑ Does Bitcoin's halving and the possible drop in interest rates anticipate a new bull cycle?
- ☑ Scalability: Layer 2 Ethereum blockchains already have nearly twice as many active users as Layer 1.
- ☑ The Account Abstraction upgrade is positioned as the **number one mass adoption innovation for Web3**.



03

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State of the industry

- A. Crypto adoption in Latin America
- B. Crypto adoption in Argentina
- C. Regulatory context in Argentina

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A

CRYPTO ADOPTION IN LATIN AMERICA

40M

People own crypto in the region



4 out of 10 people opening a crypto app In Latin America do so so from Argentina

iii ≠ \$

Crypto adoption in America Latina is less price sensitive to Bitcoin than in the United States

There are over **40 million people** owning crypto in the region to date, according to the latest report published by Triple A.⁰¹ This number is equivalent to twice the population of Chile or 88% of the population of Argentina.

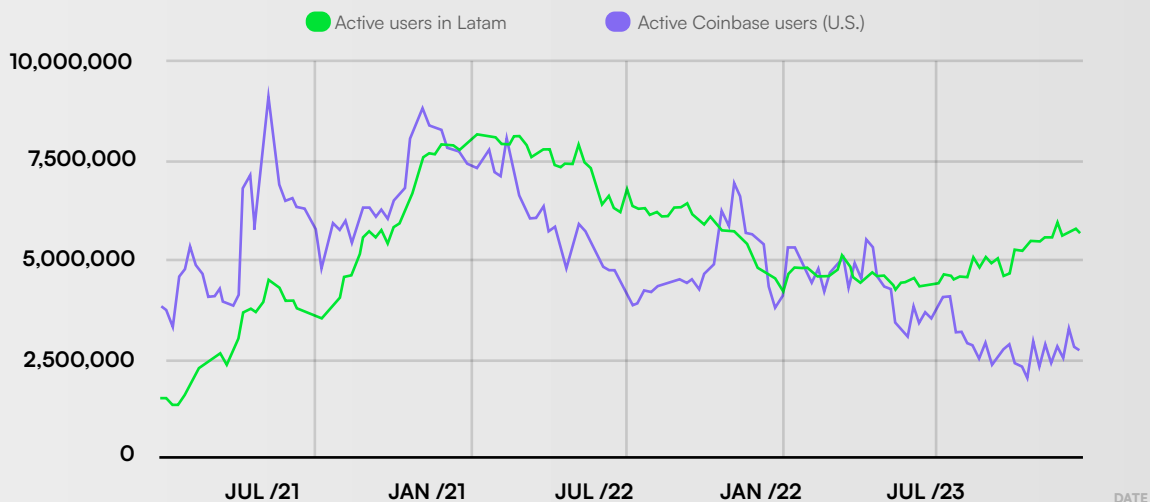
Argentina is leading the market as regards crypto adoption per capita: **4 out of every 10 people who open a crypto app in Latin America do so from Argentina.**⁰²

In terms of adoption, 2021 was probably the year that saw the greatest growth in the number of new cryptocurrency users in the region. The overall rise in prices sparked the interest of millions, prompting people to discover the technology for themselves and find out about the many use cases that crypto has to offer.

When prices levelled off and the market swung from euphoria to fear and uncertainty, some of these new users decided to leave the ecosystem. However, this scenario was not necessarily the same in other countries around the world.

This phenomenon can clearly be seen by comparing the number of active crypto app users⁰³ in Latin America with the number of active Coinbase users in the United States from 2020 to 2023. Coinbase is the main exchange operating in the United States and by end-2021 had some 8 million weekly active users. Curiously, if we add together all the active users of the main crypto platforms in Latin America at that time, the number is also close to 8 million.

Active crypto asset users in Latin America vs. active Coinbase users in the U.S.



Broad Apps: Binance, Lemon, Bitso, Mercado Bitcoin, Ripio, Buenbit, Kucoin, Bybit and Belo

Source: data.ai

01. Triple A Report 2023: <https://triple-a.io/crypto-ownership-data/>

02. Source: data.ai

In addition to taking apps stores as a source, data.ai uses AI and Big Data to analyze public reports, demographic information and in-app analytics to draw up its own rankings. data.ai provides mobile market estimates and is not registered as an investment advisor in any jurisdiction. It does not offer legal, financial, investment or business advice and its communications should not be construed as investment recommendations. References to past performance are not a guarantee of future results. The recommendation is to consult professional advisors. Furthermore, data.ai assumes no legal or contractual obligations or liability, for the information provided, unless set forth in a formal agreement. This applies to all information shown in the report produced by data.ai. Period: October to December 2023

Apps counted: KuCoin, Coinbase, Decrypto.la, Kraken, Buda, Crypto.com Exchange, Bitointoyou Pro, Mercado Bitcoin, nlu, Binance, Lemon Cash, Bitso, Nexo, Belo, Fiwind, Let'sBit, Ripio, Bybit, Buenbit, OKX

03. Active users: the number of single users interacting with an app during a predefined period of time.

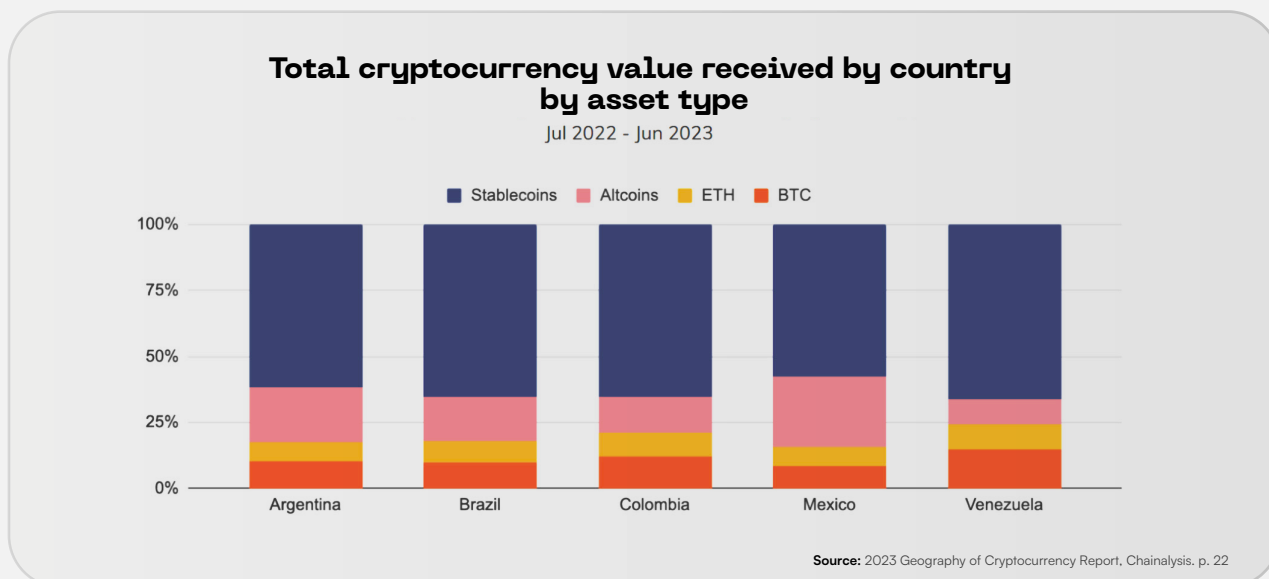


What happened during the 2022 and 2023 bear market cycle?

While the number of people using crypto apps fell in both the U.S. and Latam, the drop in Latin America was less pronounced. During December 2023, Coinbase had some 2.3 million weekly users in the US while **Latin America recorded 5.7 million people using crypto apps.**

What accounts for this difference? According to recent data from the 2023 Chainalysis Geography of Cryptocurrency Report,⁰⁴ **50% of the volume of crypto transactions in the United States corresponds to stable cryptocurrencies.**⁰⁵ Of the other 50%, 25% of the volume is for altcoins⁰⁶ and the other 25% is split between BTC and ETH. This distribution of transactional volume shows a tendency to make speculative investments such as in altcoins, which tend to suffer the most during bear markets.

On the other hand, in Latin America, **stable cryptocurrencies play a more dominant role in transaction volume**, exceeding 60% in most countries. In Argentina, for example, 80% of crypto purchases in exchanges during 2023 corresponded to stablecoins.



Therefore, in **Latin America**, particularly in the cases of Argentina and Venezuela, **the adoption of crypto arises from the need to save and exchange value in hard currency**, in an attempt to dodge the effects of the devaluation of local currencies. The majority of the volume thus corresponds to stablecoins which follow the value of the U.S. dollar and can be freely traded instantly, and at low cost.

In the **U.S.**, the process of crypto adoption unfolded in a different way: the proportion of BTC and altcoins purchases is much larger than in Argentina, **which indicates that people are using crypto either as an investment or for short-term speculation.**

Within Latin America, which countries are leading crypto adoption?

Looking at the value in crypto received by each country in Latin America, we can see that the dominant countries are Argentina, Brazil and Mexico. **While Brazil has a larger economy, Argentina exceeded the value that the former received in crypto from June 2022 to July 2023.** This is reflected in a metric showing that the gross volume transacted in crypto for Argentina was USD 85.4 billion.

04. 023 Chainalysis Geography of Cryptocurrency Report, p. 13 December 2023;
<https://go.chainalysis.com/rs/503-FAP-074/images/The%202023%20Geography%20of%20Cryptocurrency%20Report.pdf?version=0>

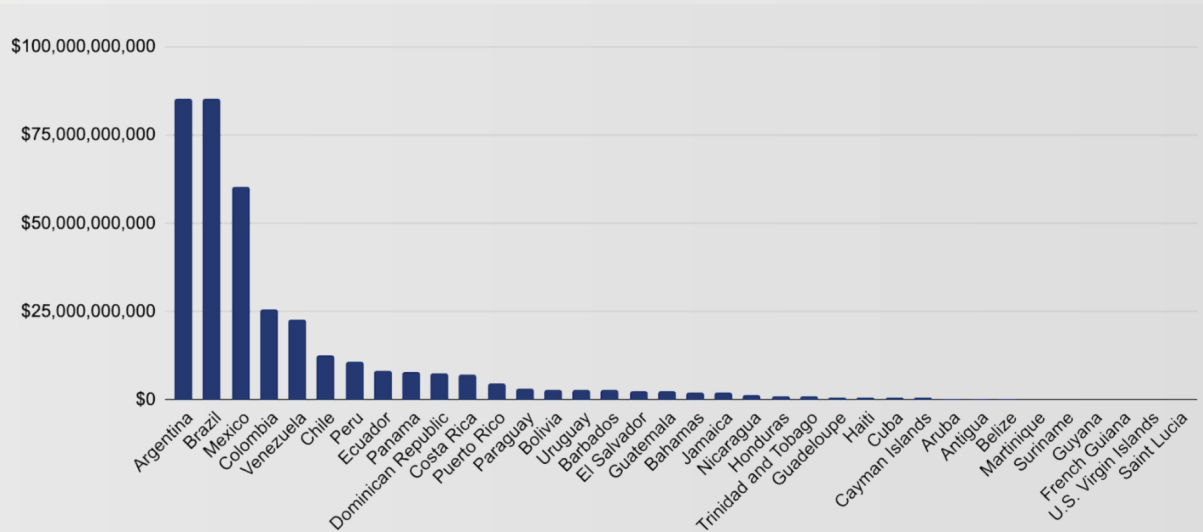
05. Stablecoins: cryptocurrencies that seek to maintain 1:1 parity with the U.S. dollar.

06. Altcoins: alternative cryptocurrencies to Bitcoin, Ether and stablecoins.



Latin America: Countries by cryptocurrency value received ...

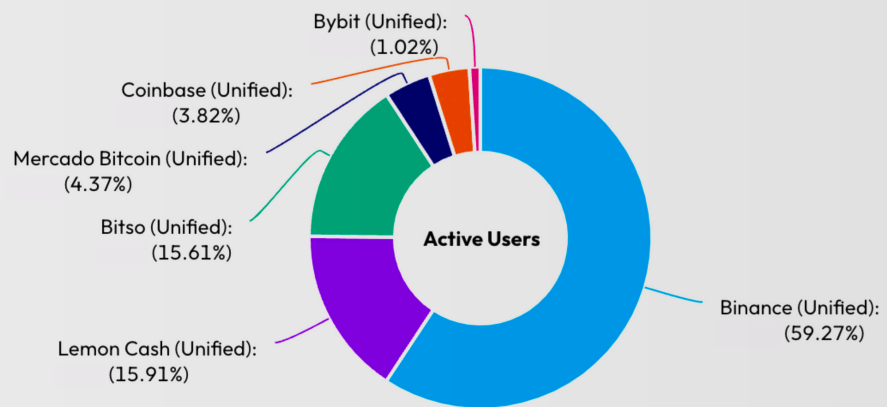
Jun 2022 - Jul 2023



Source: The Chainanalysis 2023 Geography of Cryptocurrency Report, p. 19.

A look at the most popular crypto platforms in Latin America reveals that **Lemon is in second place with a 16% market share**, some 520,000 users carrying out some form of activity on the app every month, and over 2.25 million users who downloaded the app.

Top crypto apps in Latin America 2023



Active weekly users of the main crypto apps in the region in Latin America during 2023 (Argentina, Brazil, Peru, Colombia, Uruguay, Mexico, Ecuador). Active user numbers may be duplicated between applications.⁰⁷

Source: data.ai



B

CRYPTO ADOPTION IN ARGENTINA

10M

crypto accounts
opened in Argentina

211%

annual inflation in 2023
according to the INDEC

60K+

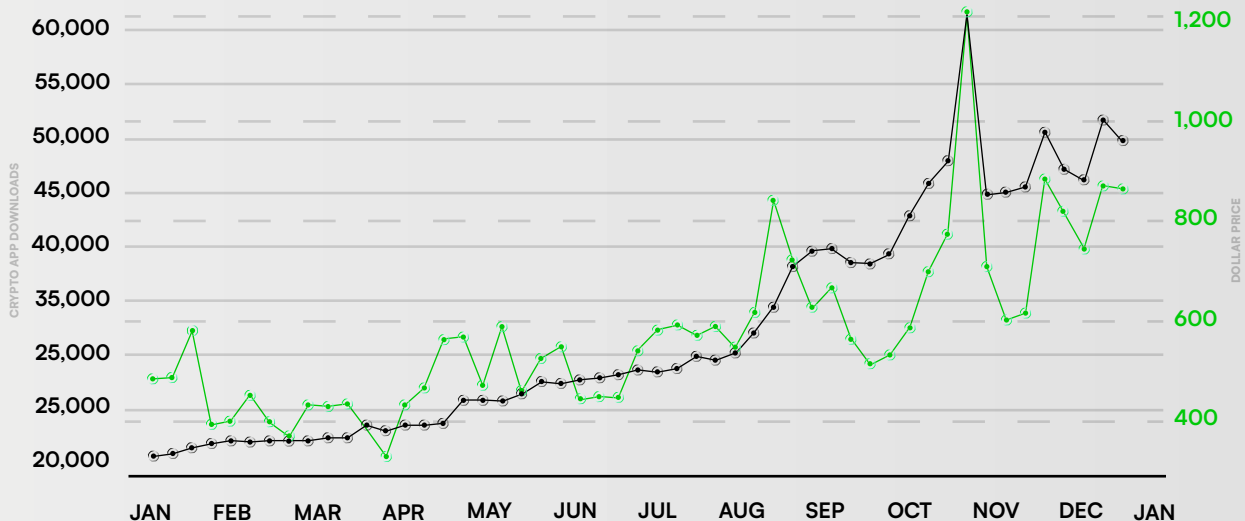
as the value of the
dollar rose during the
electoral period

2023 began amid one of the most challenging moments of the bear market where the price of BTC hit an all-time low, falling under USD 20,000. This period was characterized in general by the low level of interest shown in the crypto market by new users. However, the situation began to pick up again in the middle of the year when two factors came together: **the devaluation of the Argentine peso and the recovery of the BTC price.**

There is no doubt that 2023 was a highly difficult year for the Argentine economy, one which saw a 290% rise in the value of the dollar and inflation hit an **annual peak of 211%**, according to the Consumer Price Index of the Argentine Institute of Statistics and Censuses (INDEC).⁰⁸ Many Argentines turned to cryptocurrencies in efforts to overcome the difficulties of finding a way to shield against the effects of devaluation through the traditional financial system.

We can see how crypto was used to provide a safeguard against devaluation in the following graph which compares the number of **local crypto app downloads with the price of the dollar** against the Argentine peso.

Downloads of crypto apps in Argentina vs. dollar price



Apps counted: Belo, Binance, Buenbit, Fiwind, Lemon, Let'sbit, Ripio

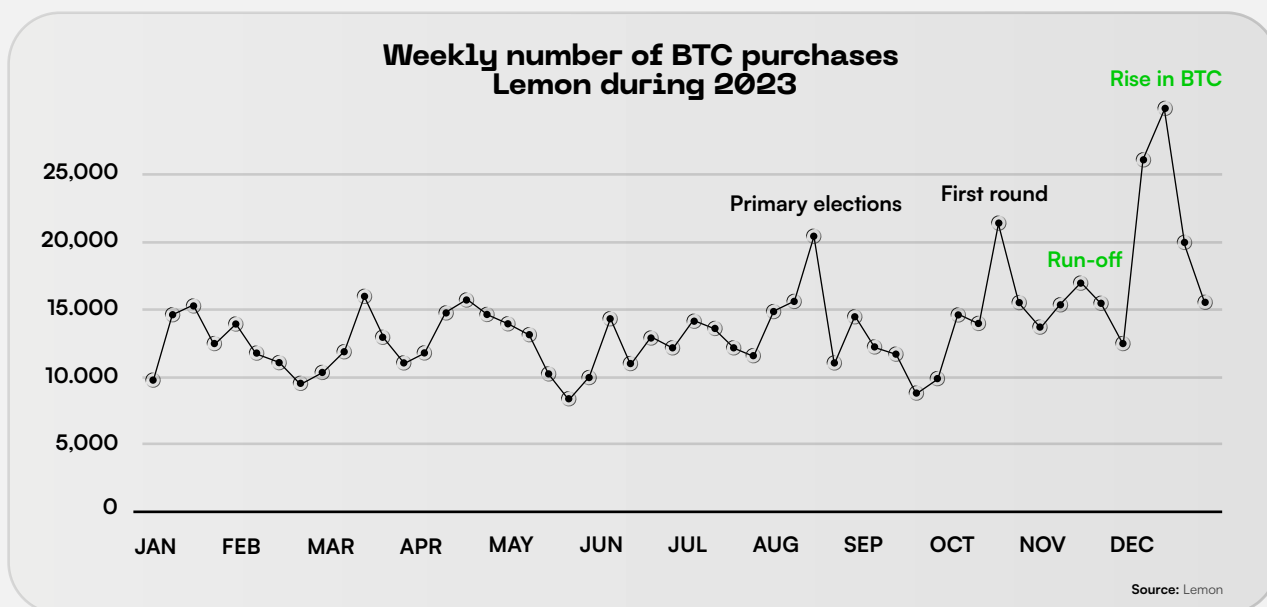
Source: Data.ai + sbal currency quote in Lemon*

Some of the advantages that users valued most highly when it came to operating in the crypto ecosystem, compared to the traditional financial system, include the following

- ☑ Availability to operate 24/7
- ☑ Access to assets such as stable cryptocurrencies at no charge
- ☑ Transparency
- ☑ Weekly or daily returns without the need to lock assets for a specific period
- ☑ Possibility of using crypto cards to make purchases in the real economy



In addition to being able to use stablecoins on a daily basis, **unstable economies such as that of Argentina benefit from using Bitcoin as a long-term store of value.** \$BTC's fixed and transparent monetary policy ensures predictability and limited issuance. In turn, the fact that the network is decentralized ensures compliance with these rules over time without the need to depend on a person, company or institution.



In Argentina, **there are currently over 10 million cryptoasset accounts open according to the National Securities Commission (CNV)** which "is equal to the number of accounts opened in the traditional capital market, taking into account mutual funds and client subaccounts".⁰⁹

These numbers are a clear indication of the lack of trust in the current financial and state systems.

Although this may seem somewhat of a paradox, it was the problems with the peso, compounded by the country's high Internet access rate (92% of households in Q3 2023, according to the INDEC report¹⁰) that **gave us a competitive advantage** when it came to the adoption of one of the most important technologies in history.

Although the issue is not limited to Argentina's current economic crisis, the overriding level of distrust prompted Argentines to search for and adopt new ways of saving, investing and even relating to their money.

09. Senate presentation on the draft Anti Money Laundering & Financing of Terrorism bill, Wednesday, July 12, 2023. <https://www.argentina.gob.ar/noticias/exposicion-en-el-senado-sobre-el-proyecto-de-ley-laft>

10. INDEC. Technical reports: Internet access, Q3 2023: <https://www.indec.gob.ar/indec/web/Nivel4-Tema-4-26-153>



REGULATORY CONTEXT IN ARGENTINA

Progress is being made both in Argentina and throughout the region to regulate the crypto ecosystem.

Status of crypto regulation in Argentina

So far, the regulation of cryptoassets in Argentina is still in its early stages and spreads across various measures issued by different authorities, each within their respective areas of jurisdiction:

- The first reference to the area lies in the Resolution of the Financial Information Unit (UIF in Spanish) No. 300/2014, which highlights the term **"virtual currency"** and issues a warning to institutions subject to the regulation regarding the inherent risks associated with dealing in these assets. It strongly urges these institutions to enhance their monitoring practices in response to these risks.
- In 2017, Law No. 27,430 was enacted to tax profits obtained from the sale of "digital currencies", and two years later, the Argentine internal revenue service (AFIP in Spanish) issued Resolution No. 4614/2019, including **"digital currencies or cryptocurrencies"** in the information regime governing transfers and balances of digital platforms.
- On November 17, 2021, the Executive Branch issued Decree No. 796/2021 eliminating the tax exemption on the collection of the Tax on Credits and Debits in Bank Accounts and Other Operations for transactions involving the acquisition of **"cryptoassets, cryptocurrencies, digital currencies or similar instruments"**.
- In 2022, several resolutions were issued by different organizations (the Argentine Mint, National Securities Commission—CNV—, among others), highlighting the "progress in the development of digital environments in terms of transactions and payments" and "the emergence and proliferation of blockchain technology, cryptographic technologies and digital assets".
- The Central Bank of the Argentine Republic deserves special mention, as through Communication "A" 7506/2022, it prohibited financial entities from carrying out or facilitating operations using "digital assets - including cryptoassets". In May 2023, this restriction was extended to Payment Service Providers (PSP).
- In mid-April 2023, the regulatory process for the crypto sector gained momentum, triggered by the partial approval of the bill presented by the National Executive Branch in 2021. The potential regulators designated in the draft bill, namely the CNV and the UFI, played a pivotal role in advancing this process.

The regulatory landscape in 2024

In 2024, the Financial Action Task Force (FATF) is set to conduct the fourth round of mutual evaluation focusing on the prevention of money laundering and the financing of terrorism (AML/CFT). Both the private sector and public authorities are fully cognizant of the need for the Argentine Republic to obtain a satisfactory evaluation. This evaluation, which includes a special section dedicated to the cryptoasset industry, is the reason for the recent acceleration in the regulatory process for the crypto sector.



Self-regulation:

In the absence of clear rules, the industry has taken a proactive approach to self-regulation, demonstrating an exemplary approach to practices and standards. In many instances, these voluntary measures surpass those observed in already regulated sectors. How is it achieving this self-regulation? Through Compliance programs and solutions that use cryptography as a tool to promote transparency and traceability.

For the first time, a private sector company in Argentina—Lemon—participated in the GAFILAT Regional Forums to show that the industry is playing an active role in driving the safe and sustainable development of the crypto ecosystem in the region. The industry's self-regulatory measures and tools were highlighted as well as the advantages of blockchain technology, particularly its role in crime prevention and enhancing transparency.

Tax reform:

The industry players represented by the **Argentine Fintech Chamber** are currently campaigning for a **new tax framework for the sector**, with the aim of positioning Argentina as a crypto capital and a pioneer of innovation. The proposed reform includes tax benefits on Income and Personal Property taxes among other clauses. It also proposes a tax treatment strategically aligned with market dynamics and the previously mentioned Prevention of Money Laundering and Financing of Terrorism (PLA/FT) regulatory framework. The aim is to prevent the emergence of "regulated environments with no users".

Towards relevant regulation

The fundamental principles of the crypto and Web3 industry, such as decentralization and freedom, should not be neglected in the work to draw up the new law. This is necessary to safeguard the interests of both the end user and the companies creating and contributing value to Argentina and the world. In the light of this objective, various industry stakeholders have been engaging in working groups alongside public sector participants.

To ensure the interoperability of the crypto ecosystem with the traditional financial system, it is also vital to establish specific standards or regulatory guidelines. Clear rules would help build confidence in people, institutions and companies to adopt crypto.

Why is regulation so necessary to defend the values of the industry?

The legal vacuum leaves the door open for the hasty imposition of rules in the future, without adequate consultation, harming the ecosystem as well as the opportunities it offers to the people behind those 10 million cryptoasset accounts currently active in Argentina.

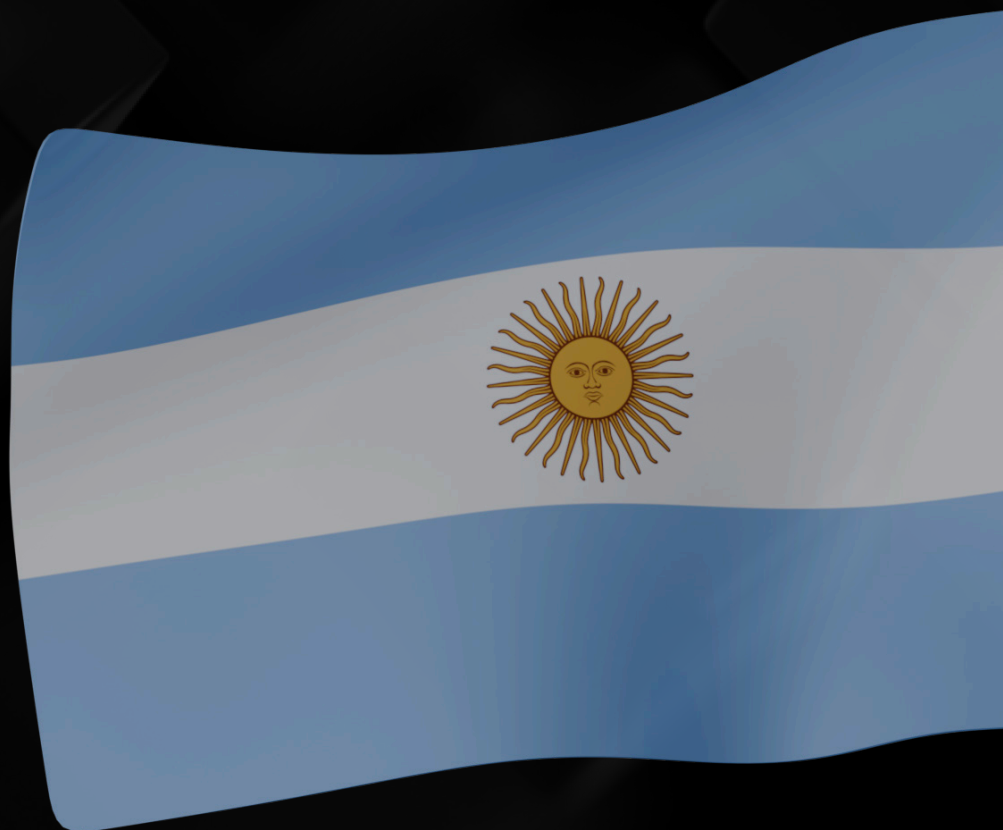


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Local crypto ecosystem

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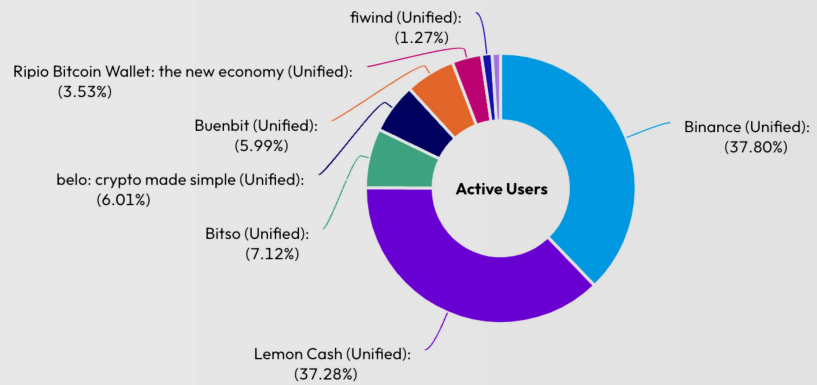




PLATFORMS AND COMPETITION

Binance and Lemon are the two leaders in the Argentine market, with Lemon slightly behind, having 0.50% fewer active users.¹¹

Market share of crypto apps in Argentina in 2023



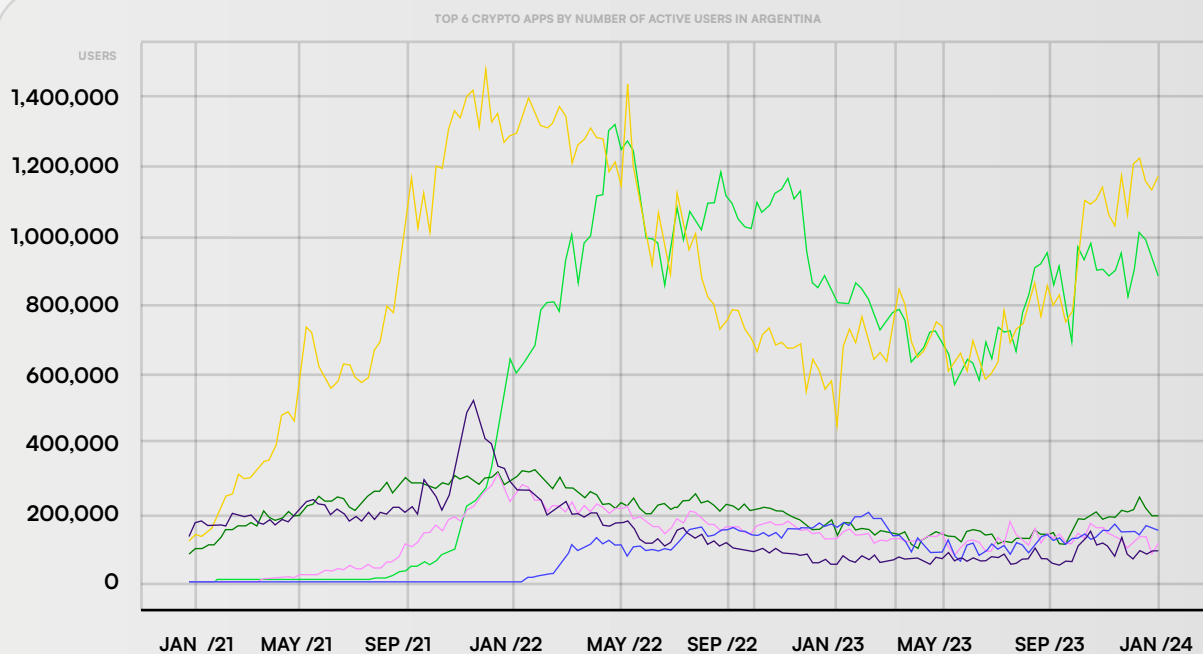
Annual average of active users in Argentina during 2023 on the main crypto apps. Active users may duplicate their use of apps.

Source: data.ai¹²

The following graph shows the evolution of active users joining the main crypto apps from 2021 to 2023:

Evolution of weekly active users in the main crypto apps (IN ARGENTINA: 2021-2023)

● Belo ● Binance ● Bitso ● BuenBit ● Lemon ● Ripio



Weekly active users of Binance, Lemon Cash, Bitso, Belo, Buenbit and Ripio in Argentina from 2021 to 2023. Each active user may use more than one application.

Source: data.ai

11. Source: data.ai

12. As well as using app stores as a source, data.ai also uses AI and Big Data to analyze public reports, demographics and in-app analytical data to draw up its own ranking.

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Below are some comparative tables showing the performance of the different companies founded in Latin America that are working in the crypto industry, according to different subject areas.

Transparency

Events like the collapse of companies and projects worth millions of dollars in valuation and funds, such as 3AC, Celsius, BlockFi, Terra and FTX, called into question the transparency of the ecosystem, while marking the end of a cycle powered by high interest rates in order to attract users.

In this sense, **Lemon is the only company in Latin America that has, for over a year, allowed its users to verify—on the blockchain and in real time—the quantity and location of all the assets it custodies on behalf of its users. It is worth pointing out that no other bank or exchange allows users to do this.** During 2023, more than 100,000 Lemon users entered the Test of Reservations section on the app and were able to audit the assets held by the company in real time.

Transparency

	PROOF OF RESERVES		PROOF OF LIABILITIES	
	TYPE OF PROOF	ASSETS	TYPE OF PROOF	PERIODICITY
BELO	×	×	×	×
BITSO	Verifiable on blockchain	Only BTC and ETH	Crypto-based (BTC and ETH only)	Monthly
BUENBIT	Document signed by accountant (2022)	All	×	×
FIWIND	×	×	×	×
LEMON	Verifiable on blockchain	All	Based on cryptography for all assets	Weekly
LET'SBIT	×	×	×	×
RIPIO	Verifiable on blockchain	Only BTC, ETH and RPC	Based on cryptography (only BTC, ETH and RPC)	Every 6 months



Blockchain and network offering

	FIAT CURRENCIES	TOKENS	NETWORKS
BELO	Pesos	5	8
BITSO	Pesos	52	17
BUENBIT	Pesos, dollars	27* *7 tokens cannot be deposited or withdrawn	5
FIWIND	Pesos, dollars	10	10
LEMON	Pesos	29	19
LET'SBIT	Pesos, dollars	24	15
RIPIO	Pesos	34	15

Networks available to deposit \$BTC¹⁴

	BELO	BITSO	BUENBIT	FIWIND	LEMON	LET'S BIT	RIPIO
BITCOIN	✓	✓	✓	✓	✓	✓	✓
LIGHTNING NETWORK	✓	✗	✗	✓	✓	✗	✓
BNB CHAIN	✗	✗	✓	✓	✓	✓	✗

14. This comparative table has been prepared using information published by the companies themselves on their websites and other public sources.



Networks available to deposit \$USDT¹⁵

	BELO	BITSO	BUENBIT	FIWIND	LEMON	LET'S BIT	RIPIO
ARBITRUM	✓	✗	✗	✓	✓	✗	✓
AVALANCHE	✓	✗	✗	✗	✓	✓	✓
BNB CHAIN	✗	✗	✓	✓	✓	✓	✓
ETHEREUM	✓	✓	✓	✓	✓	✓	✓
OPTIMISM	✓	✗	✗	✓	✓	✗	✓
POLYGON	✓	✗	✓	✓	✓	✓	✓
TRON	✓	✓	✗	✓	✓	✓	✓
ALGORAND	✗	✗	✗	✗	✗	✗	✓

Products and features

	BUSINESS ACCOUNT	CRYPTO CARD		CRYPTO (DEFI) PROFITS		COMMISSIONS
		CARD	CASHBACK	AVAILABLE TOKENS	FORMAT	
BELO	✓	Physical, virtual	✗	USDC, USDT, ETH, DAI, BTC	The user chooses which token to activate	Purchase: 0% Sale: 0%
BITSO	✓	QR	0% A 25% Random CEILING ARS 15,000	Dólares digitales (USDC, USDP, USDT)	User can activate or deactivate it	Purchase: 0.45% Sale: 0.6%
BUENBIT	✗	Physical, virtual	Levels from 0.5% A 5% CEILING ARS 7,000	DAI, nARS, ETH, USDM, USDC, USDT	The user chooses which token to activate	Purchase: 0% Sale: 0%
FIWIND	✓	QR	✗	USDC, USDT, ETH, DAI, BTC, ADA, DOT, MATIC	User can activate or deactivate it	Purchase: 0% Sale: 0%
LEMON	✗	Physical	Crypto: 2% Pesos: 0.5% CEILING ARS 21,000	USDC, USDT, DAI, ETH, MATIC, AVAX	The user chooses the token and protocol to invest, which can be seen in the PoR	Purchase: 1% Sale: 0.5%
LET'SBIT	✓	Physical, virtual	✗	USDC, USDT, DAI, USDP, nARS, ADA	The user chooses which token to activate	Purchase: 0% Sale: 0%
RIPIO	✓	Physical, virtual	Crypto: 2% Pesos: 0.5% CEILING ARS 30,000	USDC, USDT, ETH, DAI, BTC	The user chooses the token and protocol	Purchase: 0.5% Sale: 0.5%

15. This comparative table has been prepared using information published by the companies themselves on their websites and other public sources.



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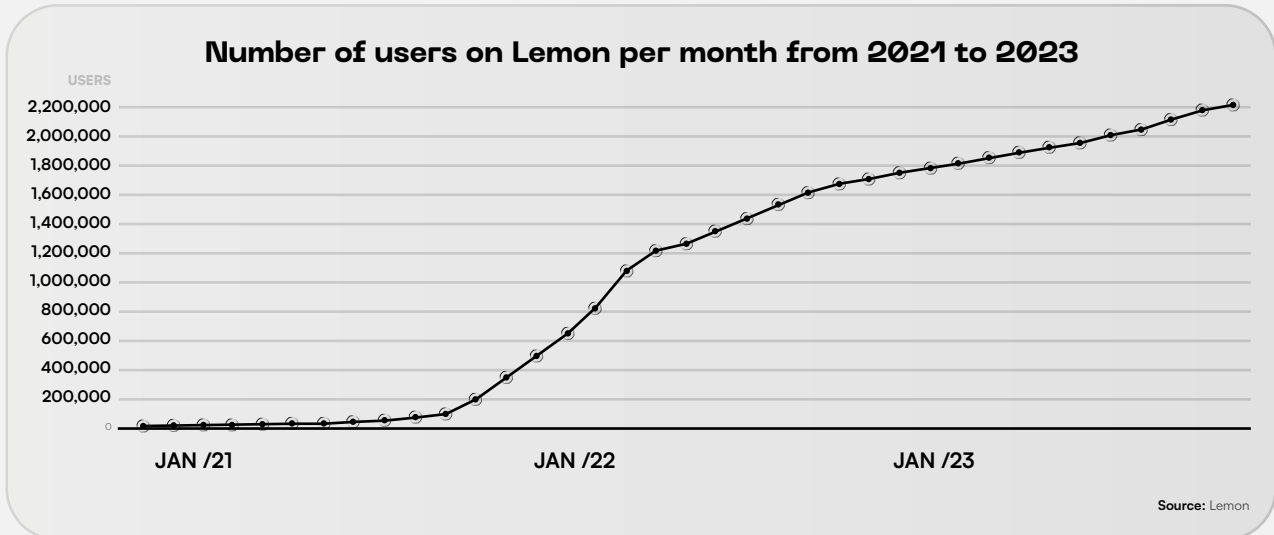
Lemon user behavior patterns

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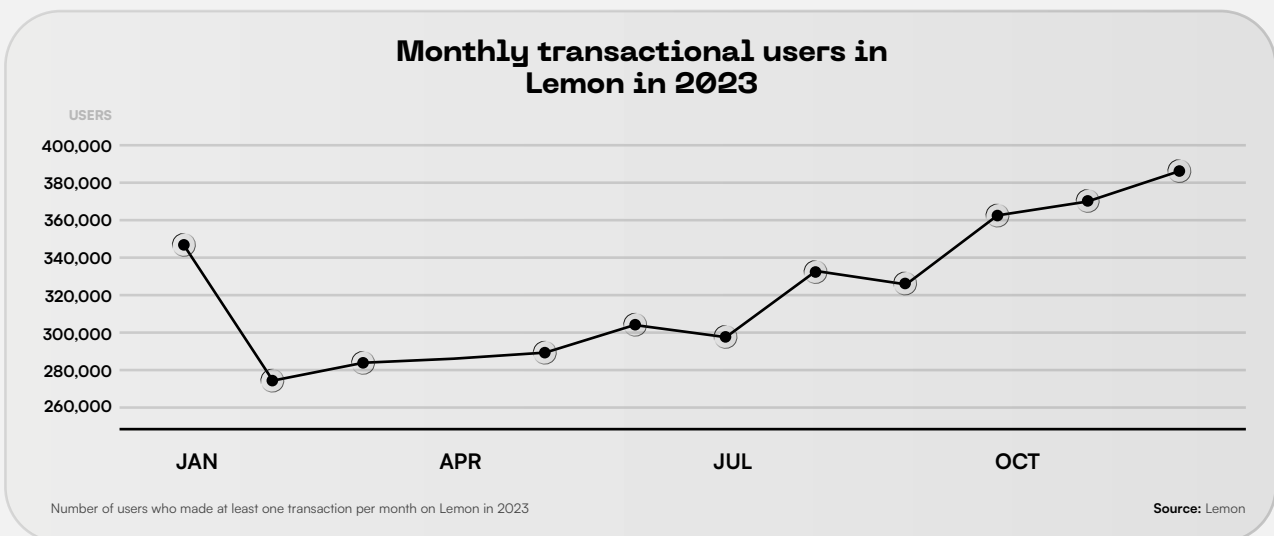




During 2023, the number of total Lemon users grew from 1,760,000 to over 2.25 million. This **26.5% YOY increase** means that, on average, there were 1,400 new people each day who downloaded the Lemon app.

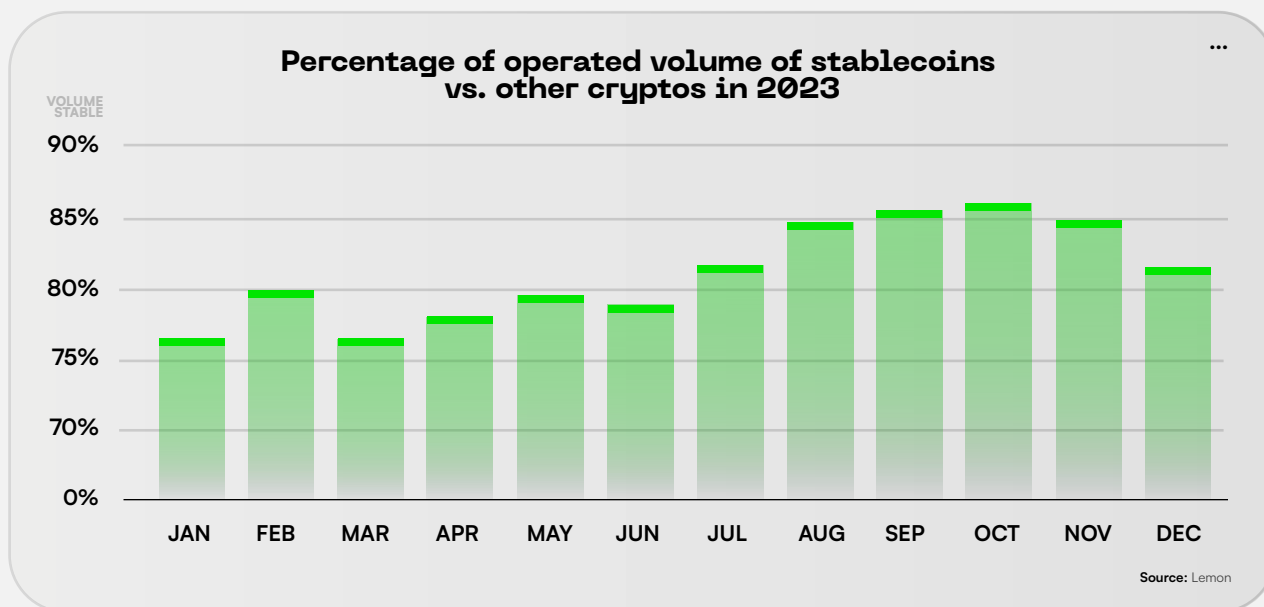


The number of monthly active users¹⁶ carrying out transactions on Lemon demonstrated a consistent growth curve during the year, increasing significantly in the second half of the year. The month with the highest number of users was **December, which closed 30% above the average recorded for the first six months**



In the first half of 2023, 78% of the crypto volume operated in Lemon corresponded to the purchase and sale of stablecoins. During the year, **this figure increased, hitting a peak of 86% in October**, a month characterized by high volatility and uncertainty where the crypto dollar reached a price of over 1,200 Argentine pesos.

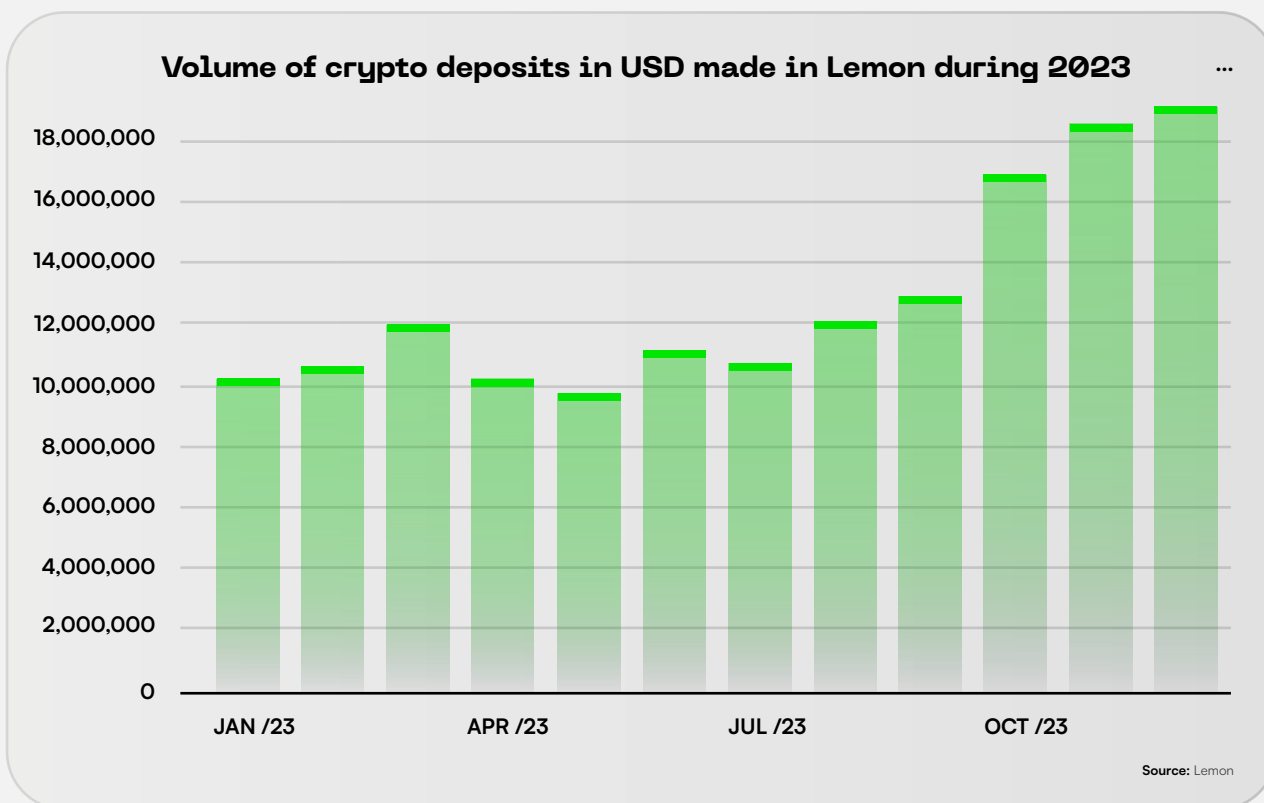
16. For this metric, active users are considered to be any user who has entered the app and made at least one transaction, whether deposits, withdrawals, crypto purchases/sales, shipments by \$lemontag, expenses with the Lemon Card, payment of services or use of Lemon Earn.



In line with the greater activity recorded among users, the second half of the year also featured higher deposits volumes at Lemon.

For example, during Q4, we observed **a 73% increase in the volume of crypto deposited** compared to the average registered during the first two quarters of the year.

In **december, cryptocurrency deposits in Lemon reached ARS 19 million**. This was a historical record, narrowly surpassing the previous record reached in May 2022.



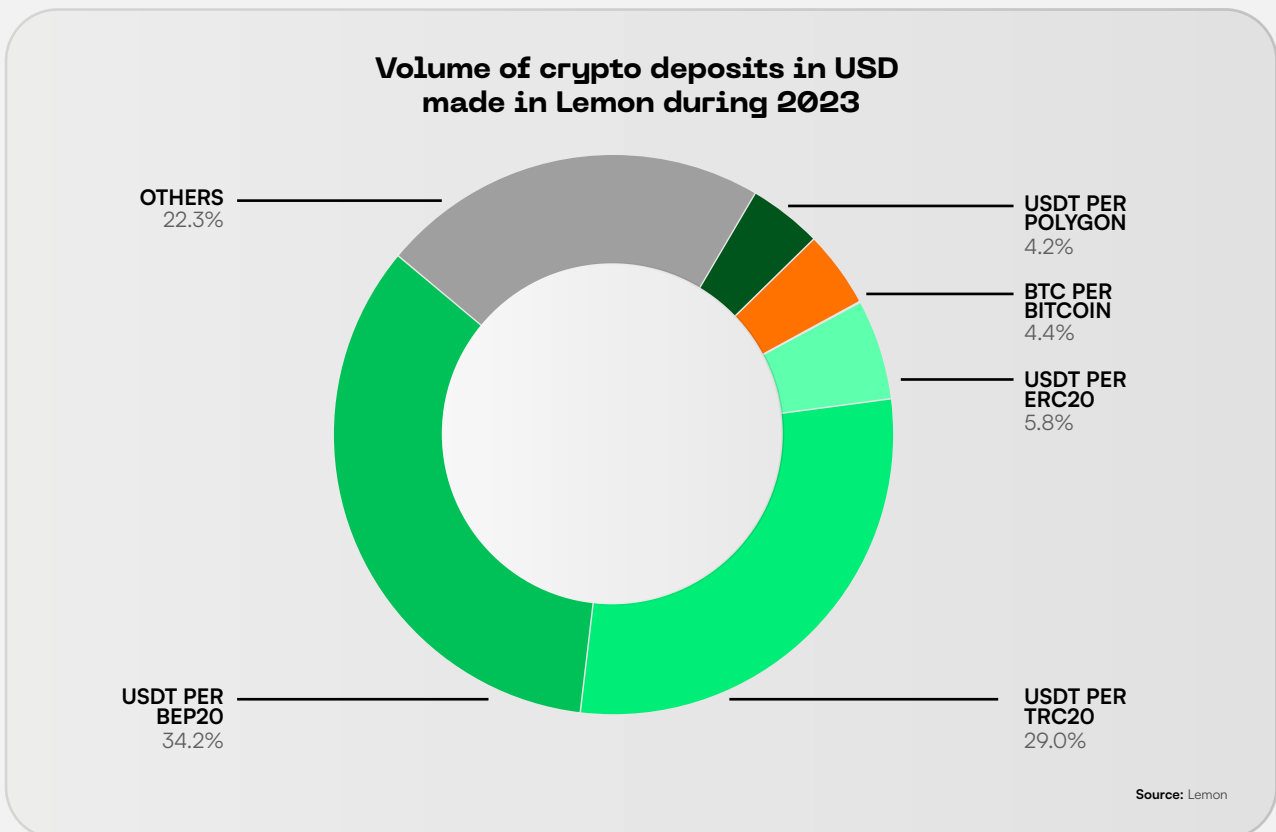


What tokens do users deposit?

The tokens that are most deposited in Lemon are USDT, USDC and BTC.

USDT is most commonly deposited via the BEP20 and TRC20 networks, while the main deposit networks for USDC are Polygon and ERC20.

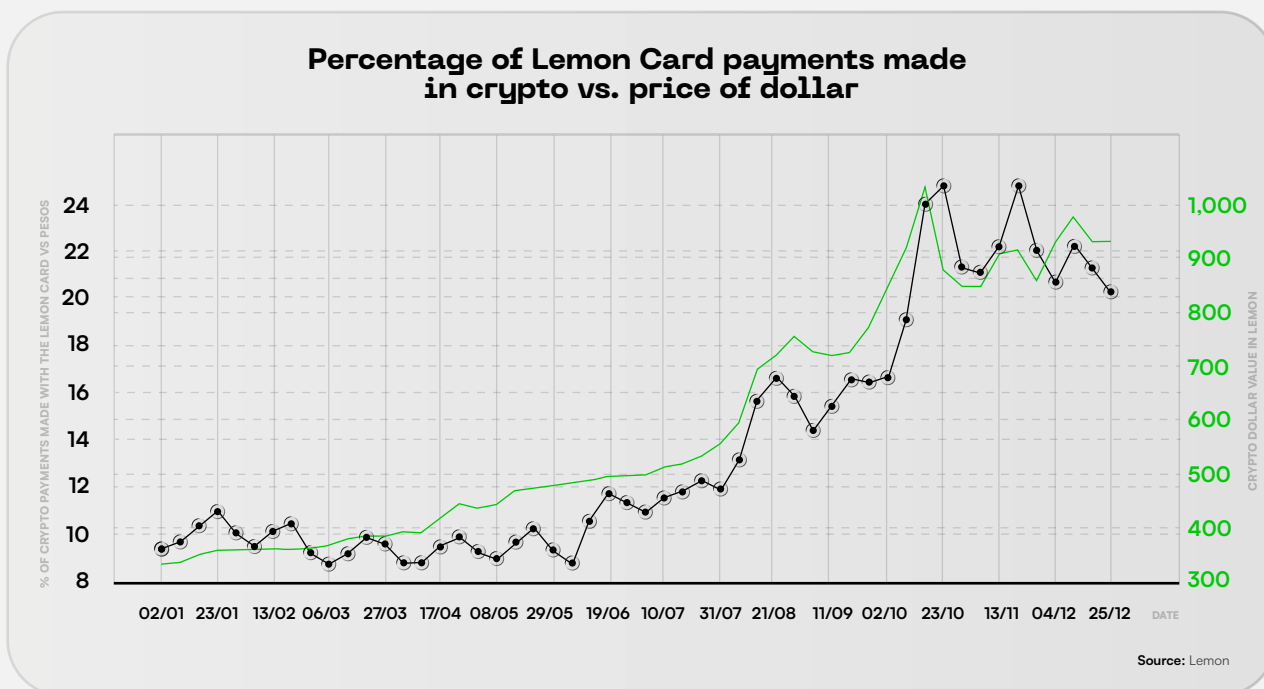
In the case of BTC, the majority of deposits are made using the native network with a smaller percentage happening through BEP20.



The proportion of payments in crypto made with the Lemon Card doubled in 2023

During 2023, almost **40 transactions per minute** on average were made using the VISA Lemon Card worldwide. In January 2023, 90% of the payments were made in pesos and only 10% in cryptocurrencies. The latter figure grew as the year progressed, indicating that more and more Argentines are taking the decision to use crypto in their daily lives.

By October, the percentage of payments being made in crypto exceeded 20% of the total. **In other words, the proportion of people paying for their daily consumption in crypto with the Lemon Card doubled.**



The graph above shows a correlation between the percentage of payments made in crypto using the Lemon Card and the price of the dollar. In other words, **the more significant the local economic instability, the more Argentines appreciate the value of an open and decentralized financial system**, such as that offered by the crypto ecosystem.

Crypto is used to pay for 38% of Lemon services

As from October 2023, people have been able to pay for more than 4,000 different services using cryptocurrencies directly from the Lemon app. Since then, **over 100,000 invoices have been paid, of which 38% were debited in crypto**. The cryptocurrencies that are most used to pay for services are USDT and BTC, and the most paid services are telephone and internet companies, electricity bills and credit cards.

Crypto continues to gain ground in people's daily economic life. It has become an essential tool for those seeking to safeguard their cryptocurrency assets against devaluation and manage their monthly expenses without the need to sell manually or navigate multiple platforms.

The number of users investing in DeFi grew by 17% in the last quarter of 2023

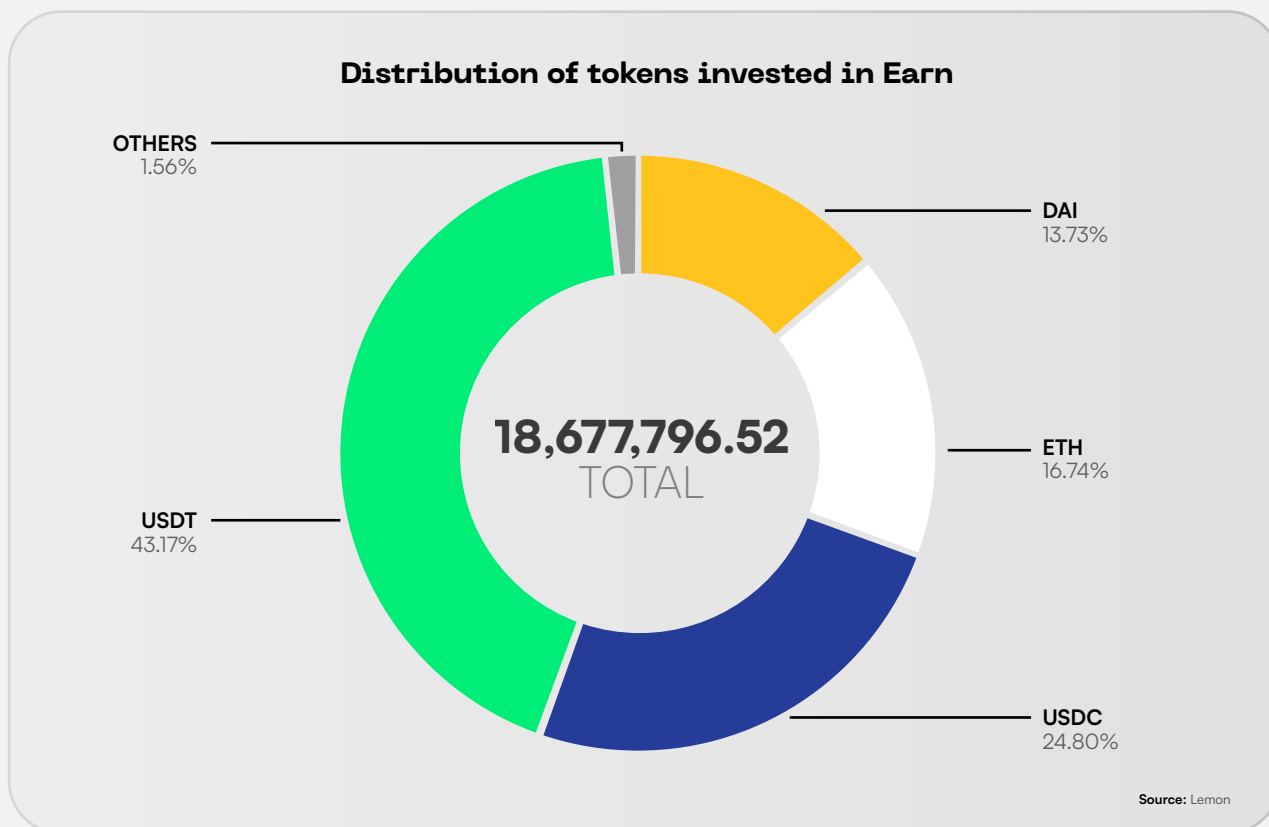
Investments in DeFi serve as an alternative during times of uncertainty, as they are independent of the local economic and political context. Additionally, they offer a more transparent service compared with traditional financial services because they are executed by code rather than by an entity.

Lemon Earn is an app functionality that connects users to decentralized investment protocols. Users can choose any tokens they like from those available for investment to receive weekly profits. Furthermore, since the invested funds are not blocked, they can be sold at any time, used to pay for services, or spent using the Lemon Card.



In December, **over 110,000 users turned weekly crypto profits through Lemon Earn**, 17% more than in October. If we add together the weekly crypto returns of all users who invested in DeFi with Lemon Earn during December, this would come to a total of USD 73,111.

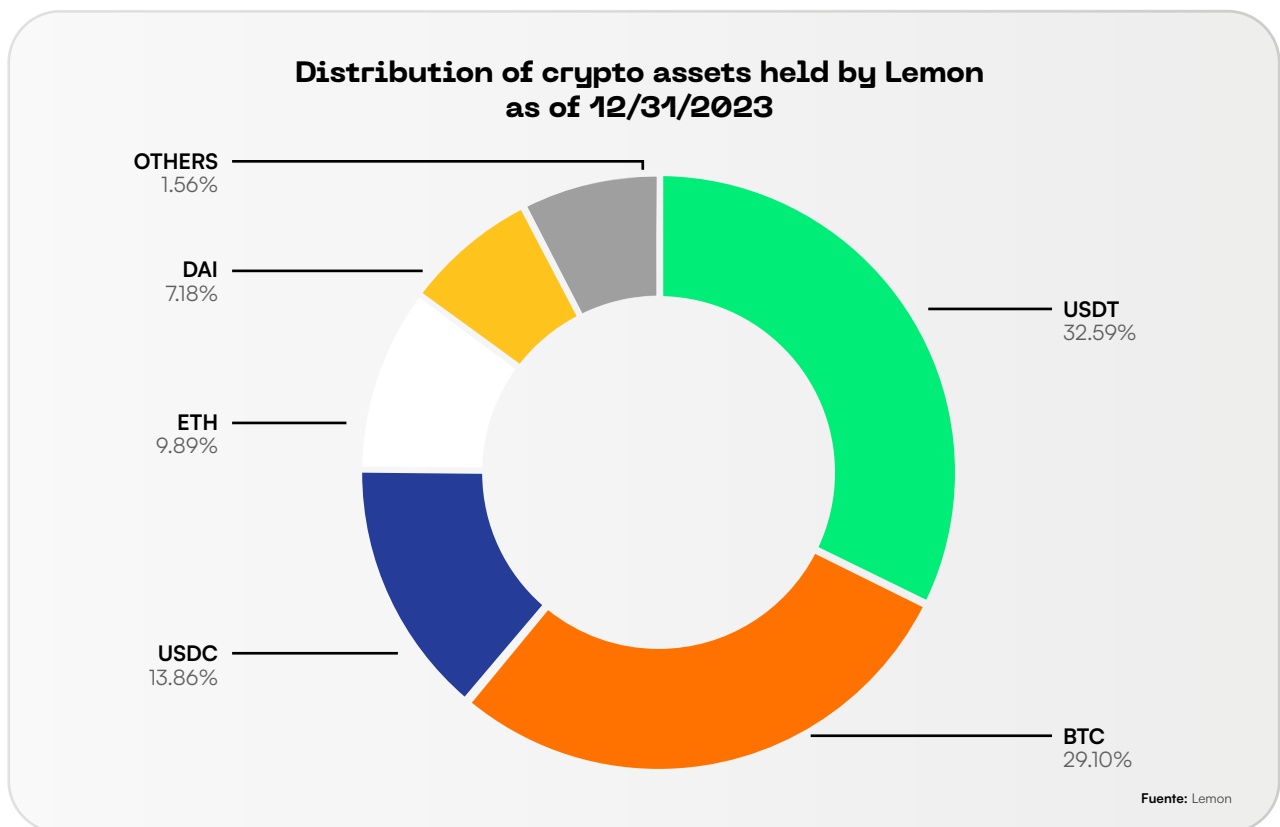
What tokens do they invest in the most?



Composition of user crypto portfolio as of December 31, 2023

At the end of 2023, Lemon held on behalf of its users over **USD 62 million in cryptocurrencies**. In **percentage terms**, **USDT** was the highest held asset.

It is worth noting **29% of the total crypto asset portfolio held was Bitcoin**.



These data are **easily accessible in real time** in the Proof of Reserves and Solvency section on the app. The idea is to provide users with **assurance about the security of their asset management**.

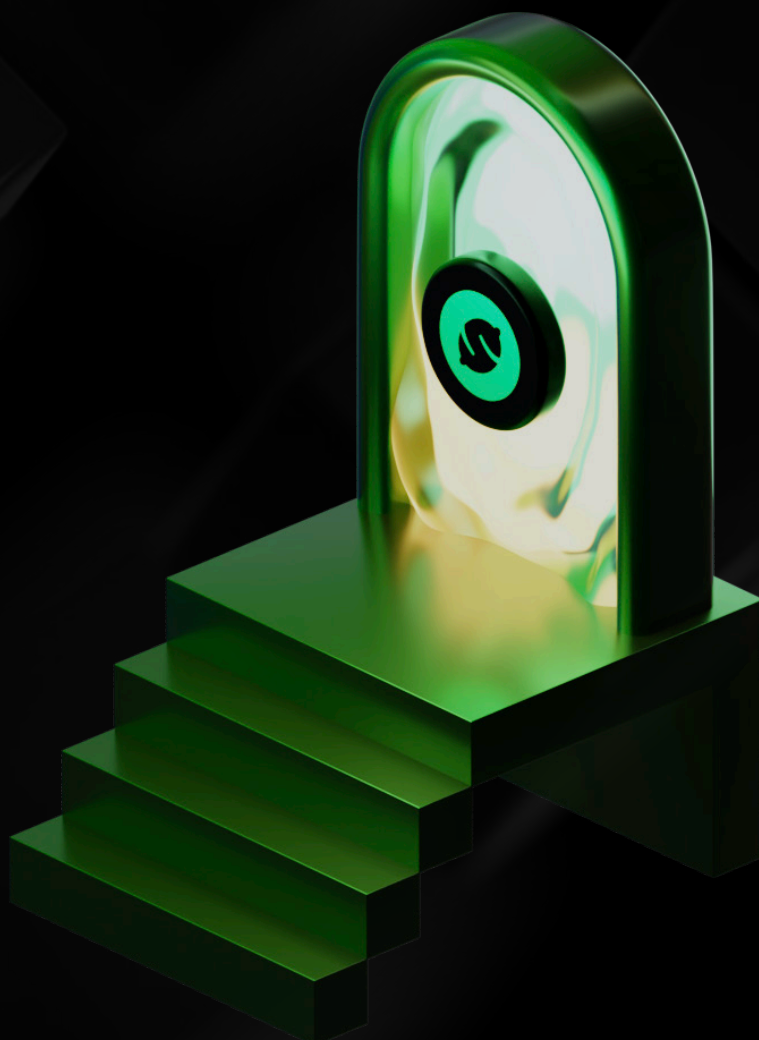


06

(CHAPTER)

Key trends for 2024

PAGES 27-35



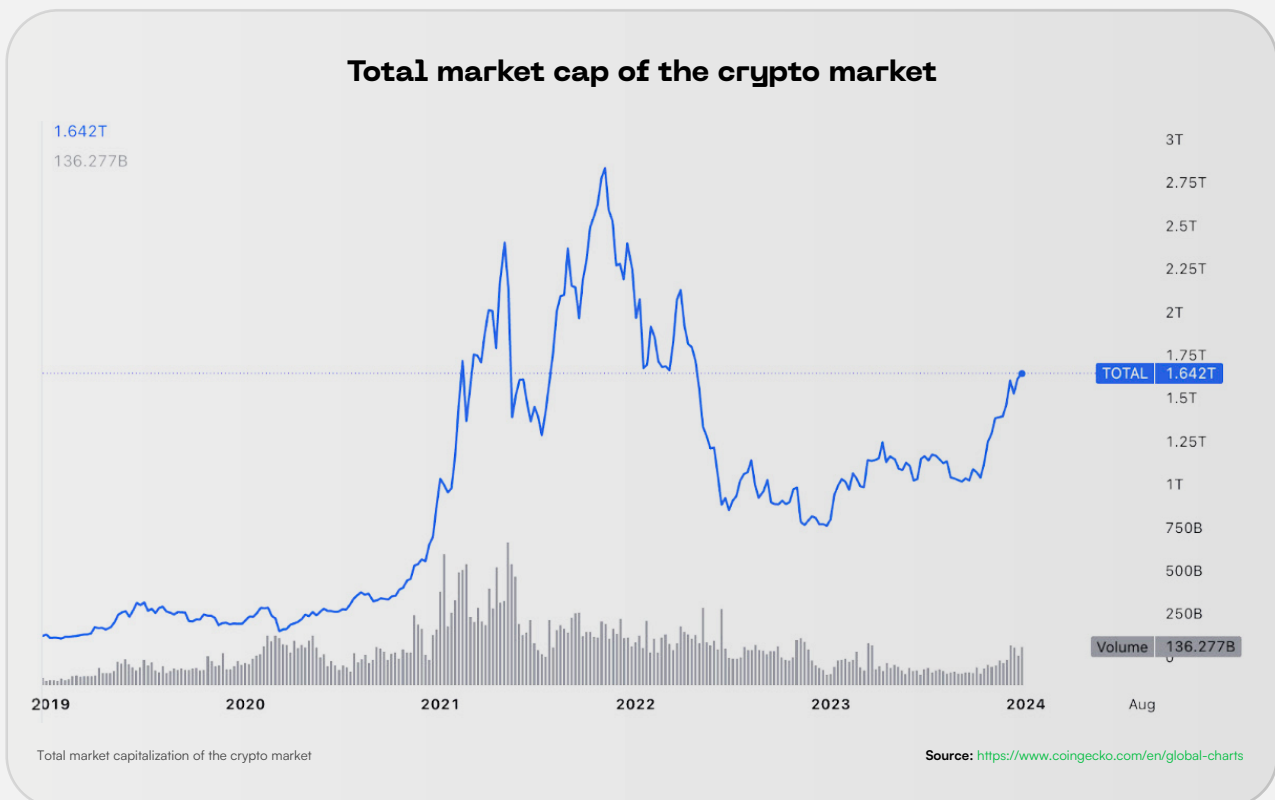


Below is a review of the main topics and areas of interest to which attention should be paid in order to better understand and follow the evolution of the crypto ecosystem:

A

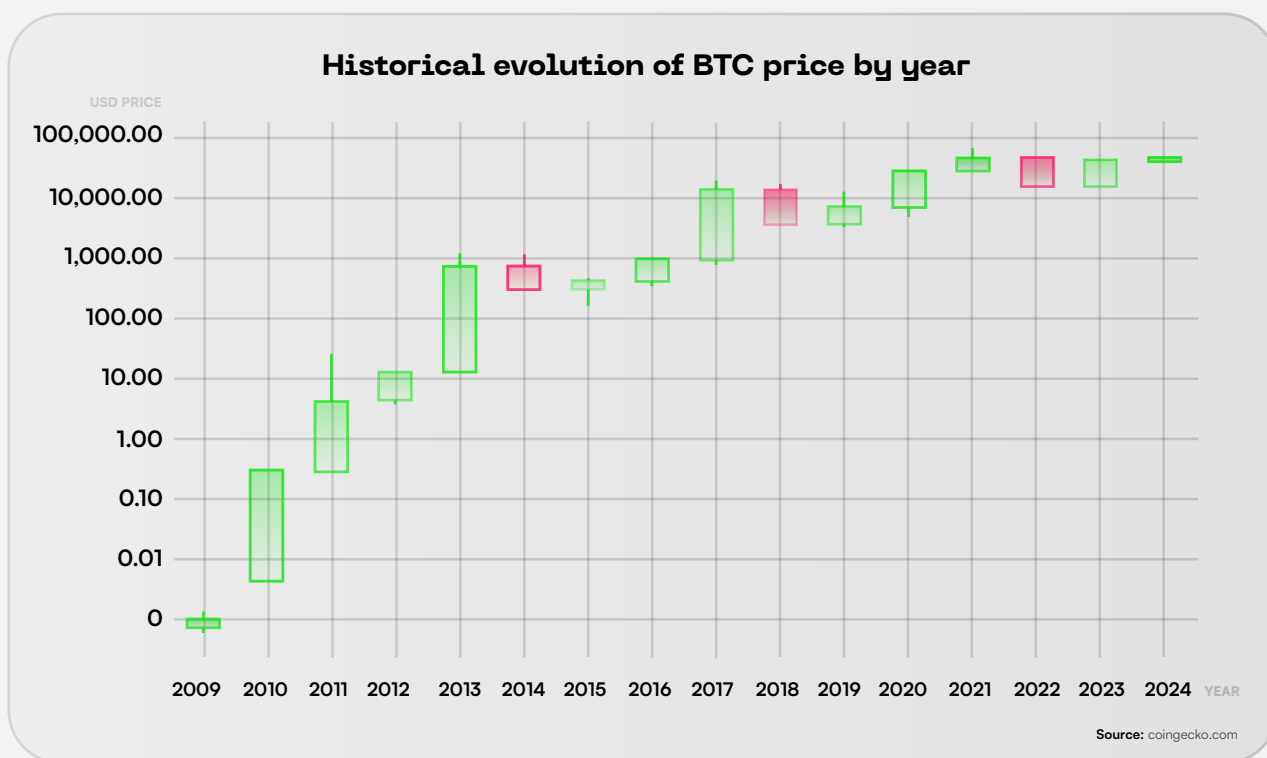
THE CRYPTO OUTLOOK FOR 2024: A POTENTIAL BULL CYCLE?

After the 2022 bear market, marked by a significant decline in confidence within the ecosystem, 2023 witnessed a global crypto recovery. From January to December, market capitalization and the volume of crypto processed increased steadily. By the beginning of 2024, we were 40% below the all-time high reached in November 2021.



How will the BTC halving impact the market?

Bitcoin has 15 years of presence in the markets. Although it has always behaved as a volatile asset, only in three out of those 15 years did its price decrease. These were the bear cycles of 2014, 2018 and 2022.

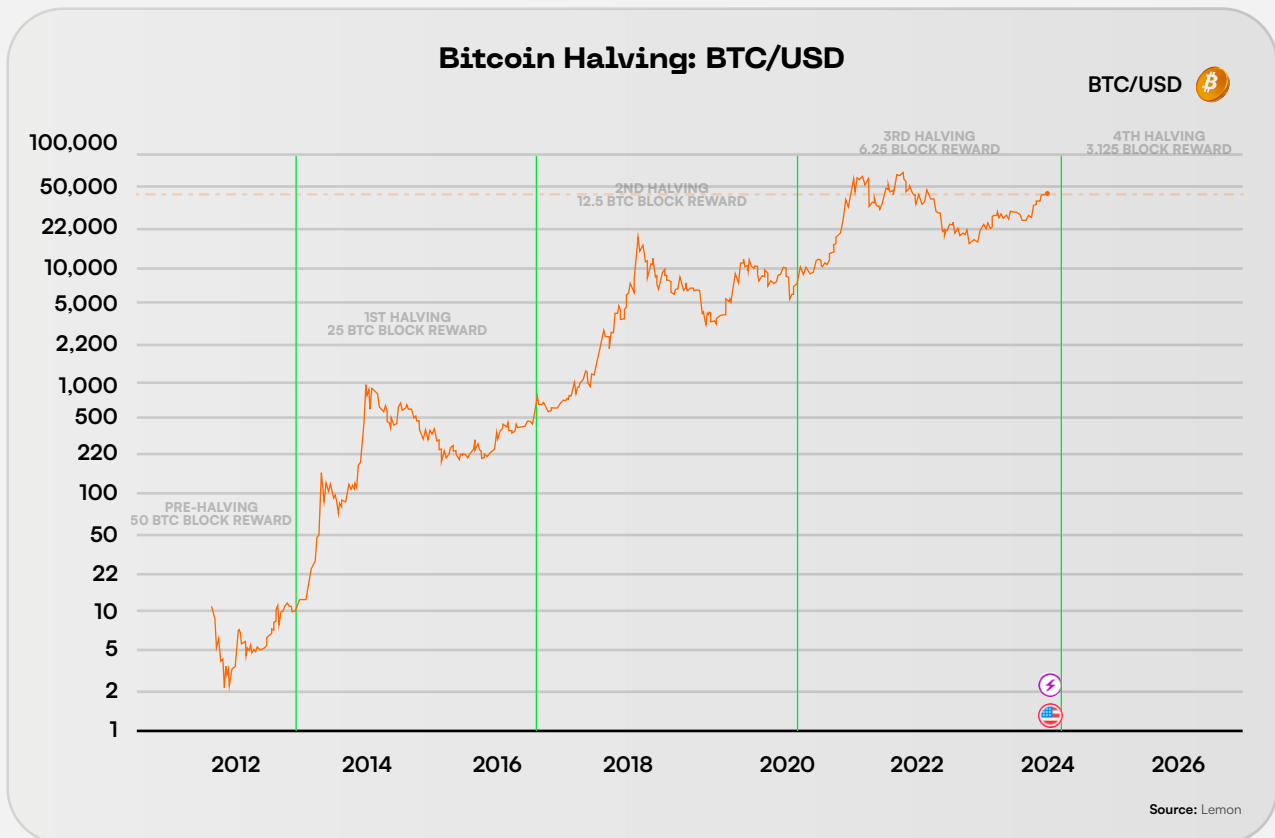


Interestingly, these cycles seem to be related to Bitcoin halvings. **The halving is an event that occurs every 4 years and reduces the amount of BTC issued per block by half.**

In 2009, 50 BTC were issued per block. Today, after three halvings, the value has dropped to 6.25 BTC per block. This system will continue until the maximum limit of 21 million BTC issued is reached, approximately in 2140.

If we look at BTC prices during halvings, **we can see that this event also usually precedes a bull market.** In fact, over the last 10 years, we have seen a year of sharp declines followed by a year of recovery, a halving followed by a bull market setting a new all-time high for the price of BTC. The next halving is scheduled to happen sometime in April 2024, where the BTC issued per block will be reduced to 3.125 units.

	DATE	BTC ISSUED PER BLOCK	HALVING PRICE	MAXIMUM PRICE IN FOLLOWING YEAR
1ST HALVING	November 2012	25	USD 13	USD 1,162
2ND HALVING	July 2016	12.5	USD 664	USD 17,760
3RD HALVING	May 2020	6.25	USD 9,734	USD 67,550
4TH HALVING	April 2024	3.125	?	?



By April 2024, the supply of bitcoin will have reached 93.75% of its maximum. The remaining just-over 6% will be emitted slowly over the next 80 years. **Bitcoin's controlled and transparent monetary policy, as well as its free and global access, position it as one of the best long-term repositories of value.**

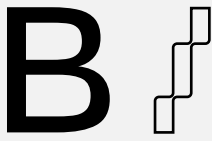
Macro context: A boost for the crypto ecosystem?

Looking beyond the specifics of the crypto ecosystem, 2024 and 2025 are likely to be good years for the financial market in general. Why? **Because this expectation stems from the projected decrease in interest rates by the United States Federal Reserve (FED).**

Interest rates play a crucial role in the economy as they essentially determine the cost of money. When the FED lowers interest rates, it is basically lowering the cost of money. This means that borrowing is cheaper and often heralds an increase in investment and spending.

At the same time, from the lenders' point of view, returns will be lower. In a low interest rate environment, investors seeking higher returns may lean towards "riskier" assets like stocks or cryptocurrencies.

A favorable macroeconomic context with access to financing, added to the Bitcoin halving, **could not only positively impact the price of Bitcoin but also boost the entire crypto ecosystem.** As the ecosystem attracts more interest, it will draw in additional users, developers, and companies. This influx is expected to foster the creation of superior products within the ecosystem.



CRYPTO WITHOUT BORDERS

Blockchain technology is ushering in a new financial system, transforming the way in which individuals and businesses exchange value on a global scale. These crypto projects form a layer of financial technology that leverages the internet to reduce the costs and friction of the traditional financial system and reimagine a new realm of possibilities when exchanging value.

Stablecoins are probably the main use case for this new technology today. These are cryptocurrencies designed to follow the price of other assets such as the U.S. dollar. In this way, they combine the accessibility, transparency and ease of exchange of cryptocurrencies with the stability and acceptance of the dollar.

Using stablecoins is like having a bank account in digital dollars that allows you to own your money, sending it 24/7 to any part of the world with almost no costs and in seconds. In addition, it lets you connect to hundreds of innovative applications that work on the blockchain.

Remittances: a crypto opportunity

According to data from World Bank,¹⁷ in 2023 the remittance market in Latin America moved some USD 156 billion. The region experienced the highest growth last year, recording an increase of 8%. In terms of costs, sending USD 200 to another country in Latin America cost 6.1% on average. This means that Latin Americans who sent and received money from other countries in the region **paid some USD 9.5 billion in commissions.**

Where do these costs come from?

Since a transfer leaves one country and arrives in another, probably in another currency, it passes through several intermediaries who charge commissions. The fact that the traditional financial system is fragmented across countries and jurisdictions makes it poorly suited for global transfers of value.

Blockchain and cryptocurrencies solve these limitations as they allow us to transfer value over the internet without intermediaries. Cryptocurrency transfers do not have a minimum or maximum amount; they can be done in seconds and at a low cost. Remittances are likely to be one of the first mass use cases for crypto and will help legitimize the industry.

USD 156 BILLION

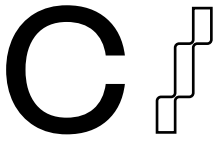
in remittances sent in Latin America, 2023

USD 9.5 BILLION

paid in commissions



Crypto = opportunity to send remittances using blockchain without intermediaries and at low cost



WEB3

Decentralized at its core, the Internet allows us to create and exchange information instantly with anyone in the world.

Web3 is a natural evolution of the Internet, integrating blockchain technology to create an additional layer that enables the transfer of value.

This new layer not only facilitates financial transactions, but also enables the creation of decentralized, transparent and secure systems. In Web3, blockchain acts as fundamental infrastructure, enabling the creation of innovative applications and services and opening up a range of possibilities that go beyond the purely economic.

Looking ahead, it's likely that the term Web3 will be used only during this period of transition, as it will eventually end up being called the Internet, quite simply. In this scenario, blockchain will become an intrinsic part of the online experience, facilitating direct and secure interaction between users and various digital systems.

However, **it is crucial to understand that the path to widespread Web3 adoption is not without challenges.** These include scalability and user experience.

Scalability

In the 2020 and 2021 bull markets, the number of users transacting on the main blockchains experienced exponential growth. The increase in demand caused major congestion in these networks, translating into more expensive and slower transactions. For example, on the Ethereum blockchain, at one time it was common to have to pay more than USD 50 for a transaction.

Advances in 2023: the growth of Layer 2 blockchain

Over the last two years, there have been major developments in terms of infrastructure and scalability. During 2023, we saw growth in Ethereum's Layer 2 Blockchain,¹⁸ enabling more transactions to be processed per second while preserving the security of Ethereum, to a certain extent.

In January 2023, there were around 450,000 addresses that were active daily in the Ethereum ecosystem. Of this total, 78% corresponded to addresses on Ethereum's Layer 1. The landscape shifted noticeably by December, when the total number of active addresses reached 1,000,000 and only 37% were from Layer 1. **In other words, Layer 2 blockchains have almost twice as many active users as Ethereum's main network.**

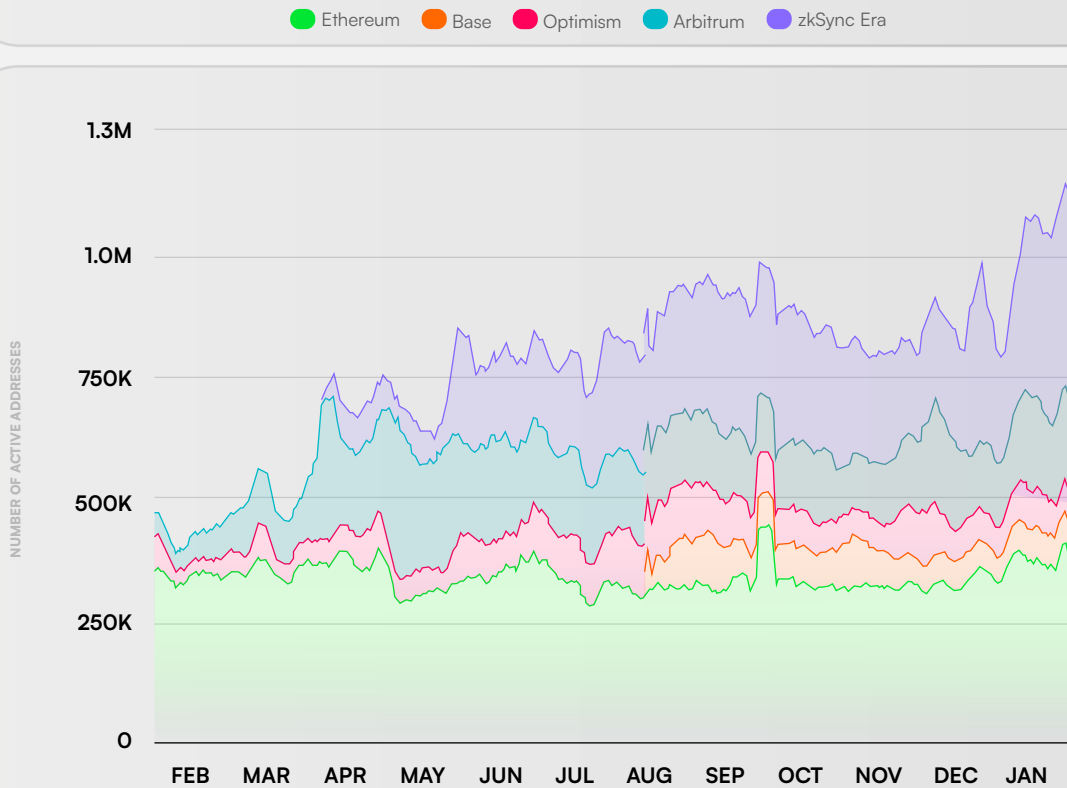
2X

users of Layer 2 Blockchain
compared to Ethereum
main network in 2023

18. <https://wiki.lemon.me/blockchain/que-son-los-protocolos-de-capa-2/>



Active addresses on Ethereum and Layer 2 blockchain in 2023



Source: <https://www.growthpie.xyz> 19

Limitations and areas for improvement in 2024

While advances in technology and the adoption of the Ethereum Layer 2 ecosystem have exceeded most expectations, the relevant products are still far from finished. Today, all Layer 2 blockchains have centralization points, which means that they lack the level of security comparable to that of Ethereum Layer 1. Additionally, they are still susceptible to high fees during times of congestion.

During 2024, **we expect to see continued development and maturity of Layer 2 technology.** Additionally, updates such as **Dencun Upgrade** in Ethereum's Layer 1 will favor the scalability and ensuing adoption of these projects.

Progress here will bring Layer 2 blockchains closer to their ultimate goal: **an ecosystem of interoperable networks able to leverage the security offered by Ethereum to attract one billion on-chain users.**

Account Abstraction: the door to mass adoption

While technology and scalability are crucial for achieving adoption, **user experience is emerging as a critical factor for millions of people worldwide in harnessing the benefits of cryptocurrency.**

Currently, securely creating and using a self-custodied wallet entails understanding a lengthy list of complex technical concepts (e.g., seed phrases, derivation paths, token approval, native and bridged tokens, etc.).



Yet, to drive a car, we don't need to know about how the engine's cylinders, pistons and injectors work. This is because the technical aspects have been abstracted and replaced by a simple-to-use interface: the steering wheel and the pedals.

This is the potential offered by technologies such as Account Abstraction to simplify the use of crypto. Wallets that use Account Abstraction, called smart accounts, are controlled by a **smart contract** instead of by a seed phrase. This means that logic and conditions can be programmed into a wallet directly on the blockchain. It can be thought of as a tool that helps us to interact with the blockchain in a simpler way, thus unlocking new use cases.

What can Account Abstraction be used for?



Social recovery

Instead of saving a 12-word phrase on paper, we can create recovery rules based on other addresses that can be controlled by people we trust, specialized services or even by ourselves. **This eliminates the need to save a seed phrase and consequently risk its loss or theft.**



Paying commissions with any currency

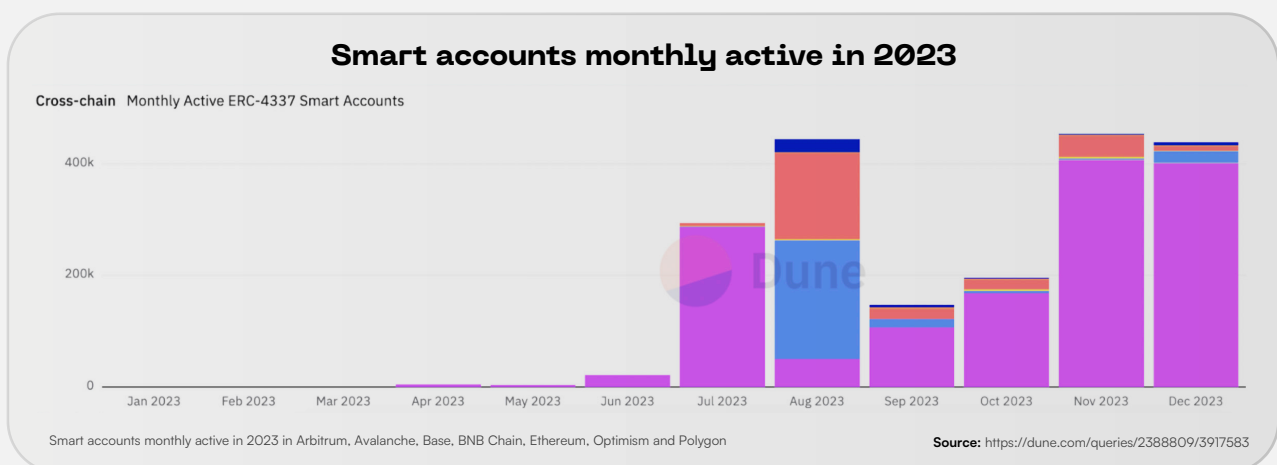
If we want to send and receive stablecoins such as USDC, we no longer need to have a native token from the network where we're operating in order to pay commissions. **Smart accounts let us choose whatever currency we want to pay commissions,** eliminating a very common problem for new users.



Spending limits and address whitelist

Smart accounts not only improve user experience but **also enhance security.** By being able to program logic in the wallet, we can establish limits on how much and to what addresses we can send money. For example, ensuring that transactions to new addresses or transactions greater than a certain amount require a delay of two days which provides a time window where we can identify and cancel malicious transactions.

The concept of smart accounts has been around since 2016, just a year after the launch of Ethereum. However, it only started to gain strength in 2023 with the arrival of EIP-4337, a standard enabling the creation of smart accounts without making changes to the Ethereum code. This standard meant that new wallets could be developed, thus allowing for the creation of smart accounts, **leading to significant growth in the number of addresses controlled by smart contracts.**



During 2024, the development and use of Smart Accounts are expected to continue growing. As these new wallets mature and iterate their products, it will become increasingly easier to interact with the blockchain.



ARGENTINA: CAPITAL OF CRYPTO

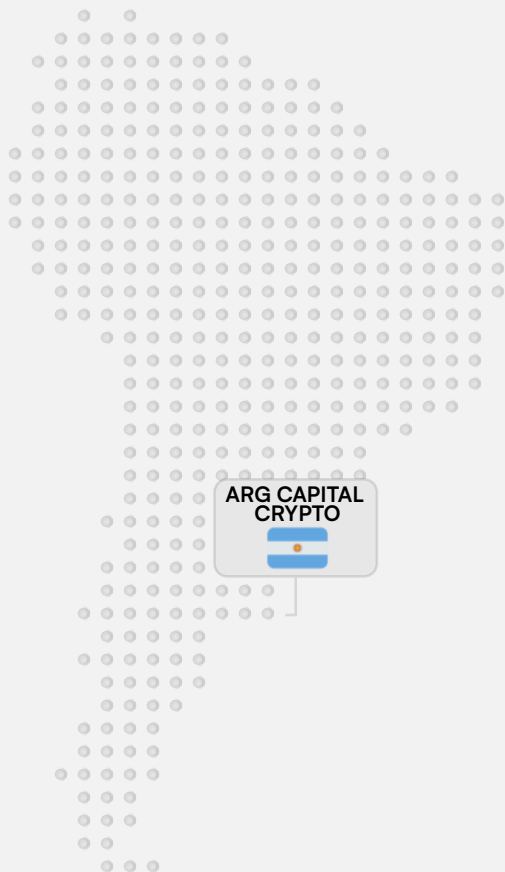
We are standing at a crossroads in our history: **Argentina is poised to deploy all its talent and potential to be the most important crypto innovation hub in the world.** And the best news is that it depends on us!

We Argentines are experts in finding the best way to safeguard the value of our money, perhaps the reason why we're one of the countries with the highest crypto adoption rate in the world. This adoption rate, added to the talent of the latest generation of local entrepreneurs, has led to us having dozens of companies that are promoting the cryptocurrency industry with real use cases, and over 10 million crypto accounts being opened throughout the country.

In this context, we are proposing a series of promotional measures through the Argentine Chamber of Fintech, **that, if implemented, could swiftly catapult us into pole position at the head of the global crypto scene.**

One of these examples is the tokenization of real assets (soybeans, real estate, etc.) and their commercialization on exchanges. This would allow small investors to access new markets, acquiring fractions of the tokenized good, which would in turn acquire greater liquidity.

According to the Fintech Chamber, the key element essential for achieving widespread adoption involves the progressive development of regulations, taking advantage of comparative experience and starting with regulatory sandboxes, and then adopting the underlying administrative and legal reforms that will provide a framework of legal security for bidders and investors.



10M

Crypto accounts open throughout the country



Driven by the Argentine Chamber of Fintech

Some of the measures under development include

- ☑ New tax regime
- ☑ Expansion in transactions accepted with cryptocurrencies
- ☑ Free coin competition
- ☑ Cryptocurrency salaries at the employee's choice
- ☑ Cryptocurrency contracts



Launching civilization into the future of money and the Internet.

About Lemon

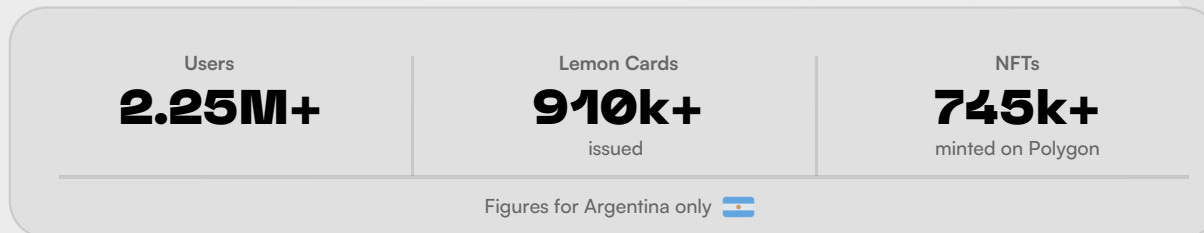
Lemon is a Latam-born company **leading the retail cryptomarket in the region with the most active user ranking in Argentina** and second highest in Latam. The company has operations in Argentina and Brazil and recently launched in Mexico, Peru, Colombia, Uruguay and Ecuador. Lemon's goal is to be the **gateway to the future of money and the Internet**. Emphasizing Web2 to Web3 interoperability, its primary offering is a virtual wallet that integrates traditional finance with cryptocurrencies. This seamless exchange between local currency and crypto enhanced by additional weekly crypto earnings through the integration of DeFi protocols.

The innovative **VISA Lemon Card**, available for Argentine users, offers global spending with **Bitcoin cashback on every purchase**. Taking their partnership a step further, Lemon and Visa are developing plans to expand the Lemon Card throughout the region. In addition, Brazilian users can pay with PIX, an instant payment system that allows cryptocurrencies to be combined with Reais for local transactions and payments.

Launched in 2019 by entrepreneur Marcelo Cavazzoli, Lemon secured **UDS 16.3 million in Series A funding in 2021**, led by Kingsway Capital and supported by Draper Associates and Coinbase Ventures. The company continued its growth with a **USD 27.8 million investment in 2022** from DST Global, Valor Capital, GoodWater Capital, CMT Digital, Cadenza, Samsung, Propel, among others.



At a glance



Built-in Transparency

- ☑ **Proof of Reserves** live in-app and updated every 10 minutes
- ☑ User-verifiable cryptography-based **Proof of Solvency**
- ☑ **PSP license** in Argentina
- ☑ **Bitcoin License and Digital Assets Provider License** (PSAD) in El Salvador

Partnerships

Aave
CIRCLE VISA

Collaborations



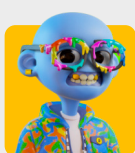
Management team



MARCELO CAVAZZOLI

CEO & FOUNDER

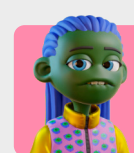
[in /marcelocavazzoli](#) [x /lemoncheli](#)



MAXIMILIANO RAIMONDI

CFO

[in /maxiraimondi](#)



FEDERICO BISKUPOVICH

COO

[in /federicobiskupovich](#) [x /efebisk](#)

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