

DIGITAL ISLE OF MAN

ANNUAL REPORT 2023

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CHAIR'S OPENING REMARKS

As we delve into the pages of the 2023 Digital Isle of Man Annual Report, I am pleased to reflect on a year of milestones, collaborative efforts, and forward-thinking initiatives.

Digital Isle of Man remains steadfast in its mission to foster sustainable economic growth, promote innovation, and support ambition, positioning the Isle of Man as a hub for digital excellence. Collaboration between government and the private sector continues to be key in achieving this aspiration and is reflected in the way in which Digital Isle of Man is structured. At the core of our endeavours is a dynamic Board comprising industry experts with diverse skills, ensuring a broad representation of our digital sector.



PHIL ADCOCK, DIGITAL BOARD CHAIR

In the ever-evolving landscape of the digital economy, collaboration and engagement are paramount. Our Strategic Partnership Programme serves as a conduit for regular interaction with stakeholders, providing a platform for industry voices to be heard. These partnerships empower us to leverage our collective expertise to identify opportunities, drive initiatives, overcome barriers to growth and influence government policy.

The Economic Strategy for the Island, released in 2022, underscored the pivotal role of the digital sector as a catalyst for innovation, job creation, and economic diversification. Therefore, our primary focus at Digital Isle of Man this year has been to strengthen the sector where possible, spanning from financial services to emerging technologies.

In 2023, we launched the inaugural Innovation Challenge, which proved to be a resounding success. Drawing interest from over 80 applicants across 20 countries, the competition culminated in the recognition of 14 finalists and three deserving winners – SQR, Crucial Compliance, and Cygnetise. This global interest in the Isle of Man is testament to our thriving digital ecosystem, with these businesses now actively contributing to job creation on the Island, underscoring the tangible impact of such initiatives.

Looking ahead to the 2024 Innovation Challenge, we are expanding its scope to include FinTech, Data and Artificial Intelligence (AI), and Cleantech, aligning with our unique UNESCO whole-nation Biosphere status. Additionally, we are venturing into the realm of Data Stewardship, testing its market viability in the upcoming challenge. An ambitious AI Programme is

also on the horizon, aiming to position the Isle of Man as an AI centre of excellence. Collaborations with AI Singapore during 2024 are set to accelerate these aspirations.

I'd also like to take this opportunity to thank the dedicated Digital Isle of Man team for their commitment and hard work and would like to extend my gratitude to our industry partners for their collaborative efforts in helping us to realise our shared vision.

As we progress, I am pleased to note the welcome addition of several new industry Board Members in 2023. To those who share our vision and enthusiasm, consider this an invitation to join us. In summer 2024, we will be seeking applications for further Board membership – a fantastic opportunity to actively contribute to our digital journey. Feel free to reach out to me for more information.

Together, let's continue shaping a vibrant and prosperous digital future for the Isle of Man.

CEO'S FOREWORD

In 2023 we faced significant challenges and substantial opportunities at Digital Isle of Man. Our commitment to fostering the digital economy on the Isle of Man remained steadfast, despite having to navigate a landscape marked by unprecedented changes and evolving demands.

This year we fell slightly short of our ambitious targets, securing 240 new jobs against a goal of 300 and obtaining 84 licenses out of the targeted 90. However, it's crucial to consider the context of these figures, given the numerous challenges in the global digital sector, from broader economic shifts to the rapid emergence and integration of Artificial Intelligence (AI), and the growing importance of data management and security.

It's crucial to bear in mind that targets are intended to push our capabilities and aren't always easily achievable. In this context, Digital Isle of Man has performed commendably, mirroring the success of 2022, our most successful year to date, while simultaneously launching a record number of initiatives.

Among our accomplishments, we successfully hosted the first Innovation Challenge, paving the way for an even more ambitious event in 2024. Our annual Digital Isle event not only sold out in record time but also acted as a launchpad for several ground-breaking initiatives.

A highlight of this year was the development of a new Data Stewardship concept. This initiative, which has undergone thorough validation, promises to elevate the Isle of Man's global standing in this space, creating new opportunities for both existing and emerging businesses on the Island.

In the rapidly evolving field of AI, which has swiftly moved from speculative fiction to mainstream reality, the Digital Isle of Man Board took proactive measures. Recognising the urgency, we embarked on an extensive journey of learning, research, and training to seamlessly integrate AI into our operational framework.



LYLE WRAXALL
CHIEF EXECUTIVE OFFICER, DIGITAL ISLE OF MAN

Our future strategy will be shaped by global trends and the experiences of early adopters in the AI space.

However, not all initiatives met our expectations. The Digital Academy, designed to address immediate skill gaps on Island, was put on hold in early 2023 due to the formation of the Skills and Workforce Board. Albeit three years of concerted effort, the Smart Island initiative has faced notable challenges, with the primary issue being the demonstration of its economic value. This has led us to re-evaluate and redirect our focus for the upcoming year.

The experiences of 2023 have provided valuable insights, showcasing our capacity for agility, and emphasising the importance of adapting to changing circumstances. Equally, these experiences have highlighted the need to glean lessons from less successful endeavours and apply them in our forward journey.

In conclusion, I'd like to extend my gratitude to the Board for their invaluable guidance, advice, and support throughout this challenging yet rewarding year. I also commend the Digital Isle of Man team for their unwavering creativity, determination, and resilience. Together, we eagerly anticipate collaborating with our partners, both longstanding and new, to realise our ambitions for 2024.

2023 IN REVIEW



EGAM:ING

Building on the success of 2022, the Agency's aim in 2023 was to create and fulfil 200 new jobs in the eGaming sector, a target that fell slightly short, with 143 of the planned roles achieved. While disappointing, we acknowledge a significant opportunity for the Island was delayed, and we anticipate seeing additional roles materialise by the end of Q1 2024. This ongoing sector growth underscores our offering in this space and highlights the continued success of the eGaming industry in the Isle of Man.

60% of these vacancies can be attributed to inward migration, with 40% recruited from on-Island talent. Skills are vital for the Island's success across all sectors and while it's crucial to develop the skills of our existing workforce, eGaming, being a global industry, remains pivotal in attracting specialists to relocate to the Isle of Man. We therefore must persist in encouraging the inward migration of experts to support our Island's growing ecosystem. Currently, there is demand for skills in areas such as finance, compliance, software and technical IT engineering, data analysis, along with emerging fields including MarTech (Marketing Technology).

Our eGaming 'OGRA' licenses, overseen by the Gambling Supervision Commission, have grown significantly in recent years. Our aim in 2023 was to grow the total number of licences to 80, which was surpassed by Q1 2023. Following discussions with the Digital Isle of Man Board and eGaming Strategic

Advisory Board (eGSAB), the target was increased to 90, which was achieved by June. Despite early growth, factors such as changes of focus, funding issues, and the cost of compliance led to some losses in Q3 and 4, resulting in the year finishing with 84 live licenses. Despite these challenges, Digital Isle of Man and the Gambling Supervision Commission remain committed to supporting high-quality operators who adhere to the highest levels of compliance. Our goal is to maintain a crime-free sector, protect those at risk, and ensure fair treatment of players.

Another primary goal was to secure at least two licenses in new markets, ensuring the Island maintains a diversified operator base. This objective was successfully met with the acquisition of two new license holders targeting players in India and Brazil.

This year, we conducted a recruitment exercise to fulfil a new Head of eGaming position, but unfortunately could not find the right candidate for the role. Despite not having filled the position, we aim to further develop the Island's eGaming proposition, future-proofing the sector. To achieve this, our Board and eGSAB have approved a plan to engage a consultancy business. They will collaborate with us and the wider on-Island eGaming industry to create a long-term eGaming Strategy Report guiding the sector's future. Next year's focus will centre on the tender process to identify the ideal partner for delivering the Strategy Report.

143 new jobs created
and filled out of a target
of 200

72% COMPLETE

84 live GSC licences
achieved against a
target of 90

93% COMPLETE

Deliver at least two
licences into new
markets

100% COMPLETE

FINTECH

FinTech has become a central component of the Isle of Man's financial service offering, yet global activity in this sector has decreased. This decline is partially attributed to the influence of Artificial Intelligence which has attracted significant technological investment over the course of the last year. Moreover, Crypto, a key source of FinTech investment, encountered various challenges during the year following a high-profile prosecution case against Binance and the collapse of cryptocurrency exchange FTX. These events contributed to a short-term depression in market value and a subsequent impact on investment. However, we do expect this to normalise in 2024.

From a strategic standpoint, FinTech can be divided into three core outcomes:

1. Enhancing processes and capabilities within existing financial organisations using toolsets.
2. Deconstructing existing financial activities and institutions into component parts, then applying technology and customer reach to specialised activities and micro-services.
3. Developing new digitally based financial instruments, primarily in the Crypto space.

Our primary goal is to ensure that we maintain relevance against each of these outcomes. This necessitates ongoing assessments of our ability to integrate into other ecosystems and a thoughtful approach to regulation and legislation. However, striking the right balance is crucial—encouraging innovation while safeguarding our strong global regulatory standing. By carefully constructing and filtering propositions that align with our environment and capabilities, we have the opportunity to leverage that selectivity and establish a forward-thinking hub of responsible FinTech on Island.

Ensuring the relevance of our FinTech position involves establishing structures to engage with the development community early on, gaining insights into their processes and fully understanding the context applicable to the Isle of Man. In 2023, we launched the Financial Innovation Hub—a collaboration between Digital Isle of Man, Finance Isle of Man, and the Isle of Man Financial Services Authority (FSA)—to fulfil this purpose. The core working group meets monthly, where the Agencies, representing the government's

business development interests, strive to establish common ground with the regulator, taking into account all perspectives.

This working group is now tasked with evaluating potential propositions from external parties and appropriately assigning them to either the FSA-managed Sandbox or an Agency-managed Observatory. Additionally, the group is delving into more strategic, structural questions which will serve as the foundation blocks for future regulation and proposition support. Examples of this in the more challenging area of Crypto are considerations around Stablecoins, Decentralised Autonomous Organisations (DAOs), and broader regulatory issues raised by Travel Rule, Markets in Crypto-Assets Regulation (MiCA), and Crypto-Asset Reporting Framework (CARF). To complement these efforts, we've established a FinTech Steering Committee. This committee, spanning both the Finance and Digital Agencies and the FSA, gathers input and recommendations from the Financial Innovation Hub, contributing to the collective formation of the FinTech strategy moving forward.

In 2023, Digital Isle of Man and Finance Isle of Man successfully concluded the inaugural Fintech Innovation Challenge. With 80 applicants from 20 countries, the challenge culminated in a public 'Finale' day, widely regarded as a successful showcase of innovative talent by both participants and attendees. In 2024, Business Isle of Man will join us as we expand the challenge to include three dynamic sectors: FinTech, Data and AI, and Cleantech. This enhanced contest aims to encompass a broader spectrum of sectors and leverage our unique UNESCO Biosphere status, striking a balance between Environment, People, and Economy.

In lieu of these initiatives, our business development activity for FinTech was not as proactive as we would have hoped and as such our 2023 targets of 80 new created and filled FinTech jobs, 10 new FinTech registered businesses, and four new FinTech regulated businesses were not achieved. However, we now have all the necessary elements in place to showcase a proposition, along with a budget which will be used to attend events and increase visibility in the relevant marketplaces. This positions us favourably for the next 12 months, enabling us to expand our community and improve global connectivity, ensuring that FinTech is both welcomed and accessible on the Island.

43 new jobs created and filled out of a target of 80

54% COMPLETE

4 new FinTech businesses registered as a designated business in the Isle of Man against a target of 10

40% COMPLETE

1 new FinTech related live licence against a target of 4

25% COMPLETE

ESPORTS

The 2023 Esports programme began with a thorough analysis of work completed in 2022. In Q1 2023, efforts to revise the Island's Esports strategy centred on assessments of other Esports regulatory bodies and offerings, jurisdictional competition, and collaboration opportunities. These assessments led to a new approach, broadening the programme to include the wider Video Games industry. The revised strategy will now focus on marketing the incredible financial prospects, back-office support, infrastructure, and work-life balance benefits the Isle of Man can provide, rather than relying solely on the Island's regulatory appeal.

From April to December, the team represented the Isle of Man at industry conferences, connecting, learning from, and pitching our vision to over 100 new businesses. Although we achieved only 50% of our job creation target, this is largely due to the lead times associated with opportunities following the initiation of our go-to-market strategy in April. However, our lead generation has

significantly improved, and we currently have 15 active opportunities in our pipeline from this year's business development efforts. We also achieved 90% of our target with respect to new Esports clients supported by on-Island businesses in 2023.

Looking ahead to 2024, the programme will focus on fostering growth and opportunity in the Video Games and Esports industry for the Isle of Man, driven by a shared vision of progress, innovation, and sustainable success. We plan to build on the business development efforts of 2023, with the aim of pitching the Isle of Man proposition to over 200 businesses. We also intend to deliver an Isle of Man Video Games and Esports Consortium. Meeting on a quarterly basis, the consortium will bring together local businesses, with the aim of refining our target markets, sharing successes, exchanging knowledge, and promoting best practices. The overarching goal is to cultivate a culture of continuous improvement in a supportive and informative setting, refining our offering to align with the sector's evolving needs.

5 new jobs created and filled in the Esports and Video Gaming sector out of a target of 10

50% COMPLETE

9 new Esports clients supported by the Island's businesses against a target of 10

90% COMPLETE

Review the Island's approach to Esports and refresh the existing strategy

100% COMPLETE

SMART ISLAND

In 2023, the Agency's Smart Island initiative continued to champion innovation and sustainable development, highlighting technology's role in enhancing the Isle of Man's economic and social landscapes. Our focus centred on demonstrating that digital solutions within the government can foster a more connected and efficient society by enabling an environment that facilitates the open sharing of datasets.

This year witnessed substantial progress in uniting a cross-government group of champions. Through collaborative efforts, we delved into their departmental priorities and challenges, enabling us to identify opportunities for Internet of Things (IoT) proof of concepts. Ten key projects were pinpointed, with most advancing to detailed requirement stages and half undergoing further validation. Several have moved on to procurement and are pending resolution of data distribution solution. These projects encompass diverse areas, including improving flood management in the hydrology network, implementing rail temperature monitoring for maintenance optimisation, and establishing automated systems to monitor power at crucial sites.

The journey, however, was not without its challenges. One key obstacle was the risk of contributing to the abundance of disparate data sets in government, impeding our capacity to fully unlock the value of digitisation. Isolated data sets provide limited insight

and value; it is the synergy of interconnected data that truly fuels innovation and growth.

Throughout 2023 we have been collaborating with Government Technology Services (GTS) to streamline the specifications for an advanced IoT data distribution platform. Although a rudimentary version is in place, our objective is to transform it into a comprehensive, government-wide system. This enhanced platform will embrace Smart Place principles and interoperable architecture, striving for cost efficiency and broader accessibility, in contrast to the current limited-use system.

While positive strides have been achieved, we've faced practical challenges with regards to security and privacy. Striking a balance between internal government use and external developer access requires careful consideration of data privacy and public availability.

These insights are influencing our broader 2024 focus on Data Stewardship and the ethical deployment of Artificial Intelligence innovation. Additionally, we're actively supporting our colleagues in GTS as they transition toward a more flexible model for IoT and open data access. As we move forwards, the importance of open and interoperable data sets cannot be underestimated, as they are crucial to delivering economic benefit and broader societal value.

12 new projects in the public domain

0% COMPLETE

Identify & engage champions across all 8 Government departments

100% COMPLETE

Provision of a data distribution platform & visualisation

0% COMPLETE

DATA

In 2023, our main objective was to create a data proposition for the Isle of Man, aligning with KPMG's identification of data as a crucial component of the Island's Economic Strategy. In collaboration with KPMG, we commissioned detailed studies on Data Centres, Cloud Services, Compute Centres (Quantum and High-Powered Computing), Data Sovereignty, and Data Security, closely examining the potential propositions that existed on-Island against any barriers to entry. After completing this research and incorporating findings from the Open Data Institute (ODI) in the UK, specifically on 'Data Trusts,' we concluded that our strategy in this area should focus on the introduction of a unique and well-defined Data Stewardship proposition in the Isle of Man.

Data Stewardship entails the responsible management and oversight of an organisation's data assets to ensure usability, reliability, and compliance with security standards. In this context, organisations that collect and hold data can authorise an independent group of 'Trustees' to take responsibility for deciding how the data is used and shared, aiming to strike a balance between unlocking value and maintaining integrity.

Trustees' responsibility is to ensure that these decisions and any related data processing align with a pre-defined purpose and any benefits it is intended to bring. This transparent accountability fosters trust in the handling and use of data – a prerequisite that's arisen in response to the poor control of personal data and lack of transparency in large, data-rich organisations using data for commercial purposes (for example in targeted advertising, often referred to as

'Surveillance Capitalism').

This demand for transparency, coupled with the increasingly complex burden of fragmented data regulation and a growing emphasis on data sovereignty, reinforces the potential for an offering in the Data Stewardship space.

As such, this led us to the conclusion that Foundations, supported by the Isle of Man Foundations Act, offer the most suitable structure for accommodating these trusted containers of data. Further work in 2023 involved confirming this capability using existing constructs and examining the definitions around data as an asset. Foundations were deemed ideal for various reasons. Firstly, the term 'Foundation' has positive associations, as they are commonly used to support charitable or not-for-profit endeavours. Additionally, being a hybrid between a Trust and a Company, it is an internationally recognised structure that combines the independent oversight of 'Trustees' with commercial use. Since Foundations, like 2006 Act Companies, require regulated agents, this also aligns with our regulated space, providing additional assurance that supports our concept of establishing a framework of trust.

Throughout 2024, we'll be working with our business community and technical partners to expand this concept, creating a framework where data can be trusted in its use. This framework aims to provide a safe and coordinated way for organisations to share data for monetised or beneficial purposes while ensuring the integrity and privacy of that data in a transparent and accountable manner.

Analyse options to consider with recommended actions

100% COMPLETE

Agree a programme plan to deliver an approach and benefits

100% COMPLETE

Create governance structure to support delivery & funding

100% COMPLETE



INFRASTRUCTURE

The National Broadband Plan which concluded its penultimate year in 2023, has surpassed all expectations with 94% of the Island’s premises passed by ultrafast broadband in December – exceeding our initial goal of 90%. This achievement, equivalent to over 40,000 premises, positions us strongly for the final year. By the end of 2024, we aim to reach 99% of those premises located in rural and ultra-rural areas as outlined in the programme. While the first three years progressed ahead of schedule, challenges have emerged that may impact the rollout of the network in more commercial areas. The team will need to address these challenges throughout the coming year.

To fully leverage the potential of the new network, ensuring widespread connectivity is essential. In 2023, the Agency set an ambitious target of connecting 50% of the premises passed by fibre. While we fell slightly short of this figure, the introduction of new technology is making future connections easier and more cost-effective, and we are confident of exceeding 50% in the coming year. By the end of 2022, 12,042 premises were connected, representing 37% of the premises passed or 32% of the total fixed-line broadband market. As we approach the end of 2023, 17,077 premises are connected, accounting for 43% of the premises passed and 45% of the total fixed-line broadband market. Recent figures from the Regulator indicate that fibre broadband has now become the primary network for broadband provision, surpassing VDSL in the last quarter. It’s therefore crucial to maintain support for connecting homes and businesses to the new network, and in 2024 we will continue to promote the thinkfibre.im website, which consistently attracts traffic.

In 2023, efforts were made to address the challenge of supporting the final 1% unable to access fibre due to their remote location. Various initiatives were explored and will continue into 2024. It is worth noting however that 5% of the total broadband market is now served by wireless and satellite services. Indeed, Starlink has garnered over 400 customers on the Island and has successfully established its satellite earth station on Carnane.

In 2023, we committed to monitoring and reporting on the development of 5G and its evolving use. Despite the Regulator auctioning and awarding spectrum to facilitate the rollout of 5G in the Isle of Man, there has not been a significant acceleration of the technology on the Island. Presently, a compelling business case for a widespread 5G rollout is weak, especially outside the most populated areas. We will continue monitoring 5G as part of broader infrastructure deployment, maintaining regular dialogue with the Island’s operators, and if required, will consider providing support to facilitate its introduction. In the short to medium term, smaller, targeted deployments of 5G are likely in 2024, utilising new spectrum to increase coverage and capacity on the 4G infrastructure.

The National Telecom Strategy, approved by Tynwald in October 2018, completed its fifth and final year of implementation in 2023, with over 90% of its strategic actions fulfilled. As we near the conclusion of the National Broadband Plan in 2024, we will expand the programme of work under the infrastructure banner and in collaboration with industry, will develop a new and revitalised strategy to support the sector for the next five years.

STRATEGIC PARTNERSHIPS

Digital Isle of Man’s Strategic Partnership model is now firmly established in our ecosystem, with the team supporting a growing number of businesses each year. This includes new businesses arriving to the Island and existing ones seeking our assistance in fostering their business growth. The team has collaborated with over 185 on-Island businesses, providing support, resolving issues and barriers to growth, and serving as trusted advisors in the technology sector.

In 2023 the team successfully secured 240 roles across all digital sectors and where possible, strive to streamline the process, making it as seamless as possible for both individuals and businesses.

Through inbound leads, prospecting opportunities, and event attendance, the team added a remarkable 219 new opportunities to the pipeline in 2023. These opportunities encompass potential business leads that contribute to the Isle of Man’s benefit and include businesses exploring Isle of Man licenses or registrations through the Gambling Supervision Commission (GSC) or Financial Services Authority (FSA); businesses considering partial or full relocation to the Isle of Man; and growth opportunities for existing on-Island businesses

via the creation of new roles or the relocation of current staff. Through thorough nurturing of our pipeline processes, we closed and won 108 opportunities, with successes evident across all Action Programmes.

At the end of November, we hosted our third Digital Isle event, attracting over 350 individuals from more than 160 businesses. This event aims to amplify our digital ecosystem’s voice and featured over 60 local and international speakers across 20 sessions. Additionally, the event showcased our inaugural Tech Awards, acknowledging outstanding contributions in our on-Island tech sector by both businesses and individuals. Nominees garnered over 3,500 votes from the public.

The day also marked some exciting announcements, with the team unveiling our new Artificial Intelligence (AI) and Data Stewardship initiatives, along with our Communities of Practice workstream; a project which looks to develop digital sector-specific communities in the Isle of Man with a focus on knowledge sharing. Looking ahead to 2024, we plan to expand our stakeholder base and continue supporting the growth of our digital sectors.

Continue the National Broadband Plan with 90% of homes passed

100% COMPLETE

Against of a target of connecting 50% of premises to the fibre network, 41% have been passed

85% COMPLETE

Agree a proposition to connect the final 1% of homes

0% COMPLETE

OPENING FOR IS2

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