The island's digital capabilities are picking up pace

Laying down a fintech challenge – to the world

In the second part of Insider's new Isle of Man series, **Alex Bell** explores the island's digital capabilities

"We're a self-regulating jurisdiction, have our own legislation, can do things in slightly different ways, but in ways that fit into the global ecosystem of regulation and legislation."

It's the best of both worlds, says Kurt Roosen, a man who has lived and breathed the Isle of Man for the past 25 years. Roosen recently took up his first civil servant role as head of innovation for government agency Digital Isle of Man (DIOM). It's a new role but one that comes with a sizable in-tray.

One task he's working on is a fintech 'Innovation Challenge' which was soft launched by (DIOM), fellow executive agency Finance Isle of Man (FIOM) and the Isle of Man Financial Services Authority (IOMFSA) last month.

Inviting businesses from around the world to develop creative, sustainable and technology-based solutions to a current issue in the financial services industry is the concept.

Supporting the winning applicant to take their proposition to market is another key factor. And Roosen, a former telecoms entrepreneur with 35 years of experience as an IT professional across banking, retail, manufacturing and education, is excited.

"What we've done," says Roosen, "is laid down a challenge to the world to bring fintech to life. We on this island have certain capabilities, and there are some real problems that exist in the financial industry.

"Issues like digital ID and eKYC (Electronic Know Your Customer) are inherent in every economy and if they're solved properly in an innovative way, could actually help business generally here, not just finance companies, not just e-gaming, but right across the board."

The challenge has now been thrown out to the world and will be further shared in the coming weeks.

Roosen is intrigued by what solutions might be offered. "In putting that together," he adds, "we've also included the regulator here, as well as the agencies to say, let's work together on those problems.

"We, as a prize, are not looking to necessarily develop those businesses here. We're not looking to give away a cash prize. What we're giving away is access to our market, to our government and to our regulators to make that proposition work here should it be suitable for the environment."

The challenge launched last month on the island and comes after the Isle of Man government recently published a Draft Economic Strategy, which sets out a ten to 15-year vision.

A vision with aspirations of growing the island's population from 85,000 to 100,000 by 2037, reaching GDP of £10bn and generating £200m additional annual income to reinvest in services by 2032. The fourth and final target is reducing greenhouse gas emissions by 35 per cent by decarbonising the services sector by 2030.

The fintech challenge journey is likely to culminate in Q3 2023. It will involve the use of a regulatory sandbox that allows new ideas to be tested in a live environment, providing a controlled research and development approach, while reducing risks for consumers.

Roosen adds: "It'll be quite a long challenge but we're hoping it will involve a lot of people. We're looking at around 24 finalists or so across the four challenges that were soft launched last month.

"It's quite a cohort of people to work with. Each of those will have a mentor from local industry and potentially have some customers if they solve the particular problems that we're putting against them."

It's also been said that the challenge signals a big step forward when it comes to the island being seen as a supportive jurisdiction that embraces innovation.

Digital space

Approximately a third of GDP currently comes from the digital space, which includes a relatively recent blockchain boom that has added flavour to an already established digital ecosystem.

By 2024, fibre broadband is set to be operational across 99 per cent of island properties; homes as well as businesses.

Connectivity to Ireland and the UK – with onward connections to continental Europe and the US – was also bolstered this summer when a multimillion-pound fibre-optic cable running 47 miles under the sea went live.

Roosen says: "We want to encourage big organisations to look at us in a positive way and as a place to try things as well as a way to work with a very co-operative community that will help them potentially get new products to market.

"If you look at the history of the Isle of Man, obviously we've had a strong finance sector for decades, in the same way as all of the crown dependencies have. There's a lot of focus on insurance. So, the finance industry lives here and it has done for a long time."

The Isle of Man is ready for the fintech challenge

On the digital side, the biggest thing has been e-gaming, as Roosen explains: "That happened because we actually took the bar of regulation pretty high. It was a risk but it worked. And it worked because of us doing something people could see; the consumers could see it was protecting their interests. Essentially, it's more difficult in our regulatory regime for the consumers, the players, to lose money because their money is segregated by regulation.

> "We want to encourage big organisations to look at us in a positive way."
>
> **Kurt Roosen**
> Digital Isle of Man

"And we were kind of the first to do that. If you take those two things, to support e-gaming we've had to become a very sophisticated digital economy."

By that, he points out, they have needed infrastructure, data centres, security and contingent communications – all things that huge consumers of the digital space, like e-gaming companies, would require.

"So, we've got more traditional finance, and we've got the need to be a digital nation to support e-gaming primarily," he says. "Put the digital or tech part of an ecosystem with the finance one and it should logically lead to having a fintech strategy."

Touching again on the fintech innovation challenge, Roosen says it's about a whole community coming together: "We want solutions to these problems, we know we have the will to do it because we've demonstrated that in other areas. But let's coalesce it together and make something that could be incredibly exciting, and definitely used here but potentially elsewhere, once we've proven its capability.

"We're a very small nation. If you look at economic development, we'd say that a large business is a business that has more than 25 people in it. Each business can have a large potential impact on our economy. Therefore, we're very careful about who we let within our borders. We take very strictly calculated risks about who we want to be here, why they should be here, what they're going to do, and how they're going to interact with the community."

Roosen adds that they need to be "very aware" of how all of those things are put together in the first place. "That's why things like challenges are really interesting to us," he says. "Because it brings lots of new ideas and potentials, and all sorts of people that are on different parts of the risk scale. We can assess what's going on in the world, look at that very closely and say OK, where is our risk appetite?" ■