



Isle of Man Entrepreneurship Ecosystem Review

by Startup Manufactory Ltd

London, October 2019





Foreword

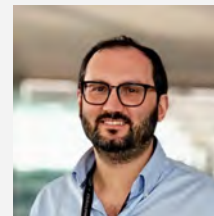
An entrepreneurship ecosystem is an economic, social, and cultural environment comprising of multiple stakeholders involved in or benefitting from concentrated activities related to entrepreneurship. These stakeholders are individuals, organisations and institutions across the private and the public sector such as entrepreneurs, investors, government, military, aid agencies, universities, research centres, professional services firms, local communities, and many more. The activities carried out by stakeholders are largely geared towards facilitating entrepreneurship in a wider sense. Although those activities are not following a concerted approach they are interrelated and can be facilitated.

The successful symbiosis of entrepreneurs and investors represents the nucleus of any entrepreneurship ecosystem around which everything revolves. Entrepreneurs innovate, create value, provide jobs, pay taxes, take risks, and disrupt. Investors provide liquidity, expertise, scale, global market access, and take risks too. Entrepreneurship ecosystems attract young people, create jobs and talent, and therefore, stimulates population growth.

About this report

This report has been produced in conjunction with input from various ecosystem players in the Isle of Man and Manx people living off-island. The study ran from August 2019 to September 2019 and involved 80 interactions with 75 individuals including face-to-face interviews, calls, workshops, emails, and surveys. Stakeholders included entrepreneurs, government, investors, suppliers, professional services firms and other business owners. We would like to express our sincere thanks to all the individuals and organisations who contributed their valuable time and insights to help make the production of this report possible.

We hope this report will be used by the ecosystem players and stakeholders to help drive innovation and collaboration to shape the desired outcomes and to provide a useful source of insight and analysis to other stakeholders across the entrepreneurship ecosystem, including policy-makers and regulators of the Isle of Man.



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1. Executive Summary

This report serves 2 main objectives:

1. Research objectives

- a. Identify the current challenges faced by entrepreneurs on the Isle of Man;
- b. Explore what factors are most important to entrepreneurs on the Isle of Man;
- c. Present suggestions for industry verticals to be developed on the Isle of Man;
- d. Case studies demonstrating good practice from other jurisdictions that the Isle of Man can learn from.

2. Policy objectives

- a. Improve the quality and quantity of entrepreneurial activity on the Isle of Man;
- b. Be able to demonstrate the link between entrepreneurial activity and economic growth;
- c. Understand the role which the Government has to play in driving the entrepreneurial ecosystem;
- d. Improve access to finance outside of Government.

This report and the research that has contributed to it has been authored by Matt Koppers and Letitia Seglah from Startup Manufactory Ltd.

Overall, the report delivers the following:

Short-term objectives

- Highlight areas where quick changes can be implemented;
- Showcase best practices in adjacent jurisdictions;
- Showcase models how geographical resources can be leveraged for industry diversification.

Medium-term objectives

- Set the foundation for an entrepreneurship ecosystem development strategy;
- Highlight the necessity for policy changes blocking entrepreneurship on the Isle of Man.

Long-term objectives

- Create more jobs on the Isle of Man through industry diversification and entrepreneurship;
- Attract more entrepreneurs and investors to settle on the Isle of Man;
- Grow the population and the local economy, increase local consumer spending, and expansion of the local tax base.

The review also seeks to highlight events in the past that had an impact on the development of the entrepreneurship ecosystem on the Island and recommends strategies for improvement.

In its current state, the ecosystem in the Isle of Man serves corporates well and as such has a concentration of sectors that dominate the economy: e-gaming 18.4% GDP; insurance 16.2%; other financial and



business services 10.9%; ICT% 10.¹ The ecosystem needs a number of dynamic transformations in order to create an enabling environment for startups, micro and small-medium (SMEs) enterprises to flourish.

There were a number of factors and underlying issues identified. Subsequent recommendations are made according to these factors as per the following:

1. Private-public partnerships

- a. Public-Private Partnerships (PPP) between the Isle of Man Government and private sector organisations providing support on the design, planning, and the execution of entrepreneurship ecosystem development projects;
- b. These partnerships are typically long-term and involve expertise on the private side;
- c. A key element is that the private party shoulders a significant portion of the risk. This, in turn, alleviates the risk for the public party and allows them to take a long-term view and increase citizen satisfaction;
- d. An economic development fund such as the EDS and a business incubator requiring at least five years to produce tangible economic results.

2. Ease of doing business

- a. As the first port of call for information on company formations, improving the company registration process, moving submissions, declarations and forms online;

- b. Digitise some of the process, e.g. a Startup Wizard to register a 1931 company. A minimum viable product (MVP) of the platform would cost £15k-£25k;
- c. Single director for a 1931 company, particularly important for individual founders;
- d. Draw customer journey experience before and after and design customer centric processes.

3. Banking

- a. There is an opportunity for a market engagement with neo-banks and fintech firms The FSA is interested in assisting the market engagements to answer any regulatory questions operators may have.
- b. IOM Gov needs to engage with the FSA to agree a process for market engagements with challenger banks to get them set up on the Island;
- c. TransferWise is a fintech company that is able to open business accounts for IOM residents, allowing for payments and other transactions. It may be useful to engage them in promotional activities on the Island, particularly at strategic events, meetups, an affiliation with significant organisations such as Chamber of Commerce, Business Connex, etc.

4. Policy and investment environment

- a. Access to finance, risk and growth capital;
- b. Angel investing and syndicates - training and capacity building workshops on the topic of angel investing, how to become an angel investor, how to form a syndicate, FSA rules on ad hoc syndicates and regular angel investing (formalised syndicate investment business);

¹ "Isle of Man offers tax breaks to attract workers | Financial Times." Accessed October 15, 2019. <https://www.ft.com/content/3f182766-3690-11e9-bb0c-42459962a812>.



- c. Investment readiness workshops for startups seeking investments. Giving startups the opportunity to present their businesses in front of the angel investing workshop attendees as real-life case studies for evaluation and discussion. This could help significantly to stimulate business angel activity and encourage pursuit of informal angel clubs and potentially formalised syndicate angel investment clubs;
- d. An approachable government, legislators and regulators;
- e. Creating a regulatory environment for businesses to test their solutions, have access to government support (could be non-financial support) and an ecosystem that supports these sectors could enable the Isle of Man to become a designated location for industry legislative innovation.

5. Human Capital Availability and Education

- a. There are opportunities to attract and retain more families relocating to the Island if there were more services and investment initiatives to support spouses, partners and the family unit of expats relocating to the island;
- b. Continue with the targeted recruitment and targeted promotion of the island to specific groups, demographics, education and skills, socio-economic status, nationalities etc;
- c. Provide free entrepreneurship education as an additional and/or alternative provision in the school curriculum, even extending it into further education, as is the case in Iceland;

- d. More courses, workshops, events, for the young, scale entrepreneurship courses at the UCM university college and developing an ecosystem that includes young entrepreneurs. Such as school, college and university startup business challenges, competitions and events. This can also serve to attract younger people to the island, such as graduates;
- e. Continue to offer entrepreneurship courses and capacity building workshops for adults and career changers, life stage entrepreneurs such as young mums;
- f. Improve The Micro Business Grant Scheme, training and capacity building offering.

6. Diversification

- a. Targeting the self-employed and digital nomads;
- b. Diversification: diversifying into other industries aside from financial services and e-gaming. Industries/sectors to consider: Cleantech, GreenTech, Marine Tech, the latter since in particular IOM has the natural and geological assets, including the UNESCO World Biosphere Region. Also explore AgriTech, Food Tech;
- c. Whilst simultaneously creating the value proposition of the IOM as a sandbox for innovation;
- d. GreenTech and Marine tech - which will attract players from the wider innovation ecosystems in the UK, Europe and worldwide to the IOM related to these sectors;
- e. Conducting a strategic town ecosystem mapping and building to put the spotlight on each and every town's attributes;



- f. Building Capacity in the towns, creating more centres of attraction and specialism, which can contribute to resolving economic and structural issues like diversifying markets, employment, and population growth (by attracting and retaining more talent).

7. Communication, Marketing and PR

- a. Clear signposting of how to navigate the ecosystem, how to register, find support, network, etc.;
- b. Creating a new narrative, including the upstream promotion of the new sector focus and towns as part of the Isle of Man value proposition;
- c. There are a number of fundamental issues that need to be addressed in order to create a new narrative and compelling value proposition;
- d. Once these fundamental issues are resolved, improvements can be made around the communications, marketing and PR, about the Isle of Man. Establish an umbrella brand to represent the startup initiative on the Isle of Man, such as Portugal “Startup Portugal” or Scotland “Entrepreneurial Scotland” etc. to bring more startups to the island who can stimulate the economy and also convert to lifelong residents;
- e. Assign ecosystem champions, launch a global entrepreneurship conference to promote the island.



2. Introduction

The interest to stimulate economic development through entrepreneurship has concerned government policy since at least the 1970s. This interest can be traced back to a report by Prof David Birch of MIT titled “The Job Generation Process” published in 1979.² He discovered that job creation in the US was coming from small businesses rather than from corporations.

This is why governments around the world have recognised the value of fostering entrepreneurship ecosystems and as a consequence, developed numerous policies to enhance entrepreneurial activities. Alongside the many economic and societal benefits entrepreneurship ecosystems bring about, entrepreneurial culture describes a skill and mindset characterised by innovation, creativity, calculated risk-taking, and taking on responsibility. This applies not only to individuals and startup teams but also to organisational cultures, government-level organisations, and entire countries. Certainly, in an increasingly fast-moving and competitive world, an entrepreneurial culture is what most governments should strive for, in order to remain globally competitive, innovative, and most importantly, populated.

The Isle of Man Department for Enterprise (DfE) has become aware that a strong entrepreneurial ecosystem supports not only economic growth

² "The Job Generation Process by David G.W. Birch :: SSRN." 24 Nov. 2009, <https://www.ssrn.com/abstract=1510007>. Accessed 24 Oct. 2019.

and jobs but also leads to a natural population increase. The Department is therefore, looking to understand how to improve the current entrepreneurial ecosystem by analysing what they have, defining what best practise looks like and exploring new products or policies to increase the quantity and quality of entrepreneurial activity on the Isle of Man. The DfE has therefore commissioned Startup Manufactory Ltd to conduct a study on the entrepreneurship ecosystem, its current issues and opportunities, and compile a research report setting out prioritised recommendations including resource implications (Roles and Responsibilities, Stakeholders, Resources) for the Isle of Man entrepreneurship ecosystem, local industry and leaders.

3. Objectives of this study

The objectives of this study are as follows:

I Research objectives

- Identify the current challenges faced by entrepreneurs on the island;
- Explore what factors are most important to entrepreneurs on the Isle of Man;
- Present suggestions for industry verticals to be developed on the Isle of Man;
- How can the Isle of Man learn from other jurisdictions that are excelling in this space?



II Policy Objectives

- Improve the quality and quantity of entrepreneurial activity on the Isle of Man;
- Be able to demonstrate the link between entrepreneurial activity and economic growth;
- Understand the role which Government has to play in driving the entrepreneurial ecosystem;
- Improve the access to finance outside of Government.

III Short term objectives

- Highlight areas where quick changes can be implemented;
- Showcase best practices in adjacent jurisdictions;
- Showcase models of how geographical resources can be leveraged for industry diversification.

IV Medium-term objectives

- Set the foundation for an entrepreneurship ecosystem development strategy;
- Highlight the necessity for policy changes blocking entrepreneurship on the Isle of Man.

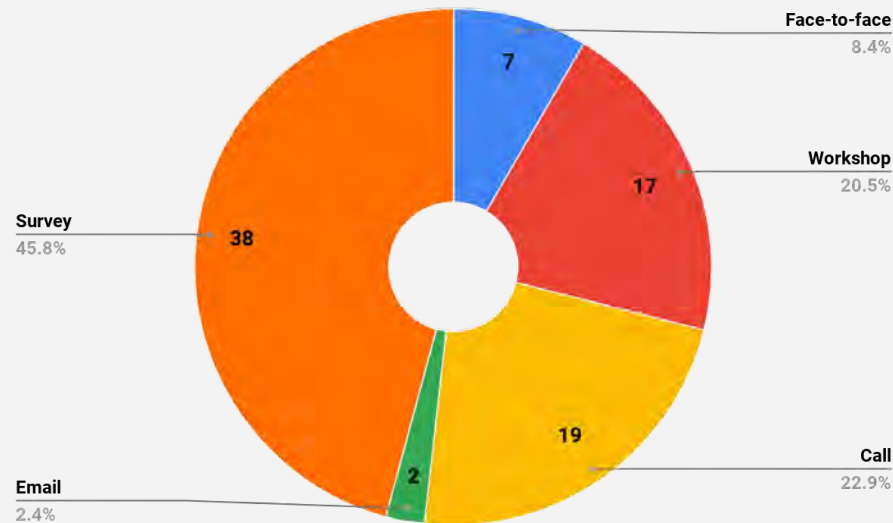
V Long-term objectives

- Create more jobs on the Isle of Man through industry diversification and entrepreneurship;
- Attract more entrepreneurs and investors to settle on the Isle of Man;
- Grow the population and the local economy, increase local consumer spending, and expansion of the local tax base.

The review also seeks to highlight events in the past that had a detrimental impact on the development of the entrepreneurship ecosystem on the Island and recommends strategies for improvement.

4. Methods and Findings

The study took place between 12/8/2019 and 30/09/2019 and comprised of a mix of primary and secondary research. In total 79 people from five different sectors took part in the study out of which five people contributed in more than one way resulting in 83 interactions in total. The pie chart below illustrates the methodology mix applied for the study including the corresponding number of interactions.



I Workshop

The primary research included a 3-hour workshop which took place on the 5th of September at the Barrool Suite in Tynwald. After an introduction, the 17 attendees were asked to give their views about the Isle of Man ecosystem specifically in relation to nine different topics. Each topic was placed on a different flipchart across the room and the attendees were given time to walk around freely to contemplate and assign their post-its carrying handwritten keywords. For each negative, the attendees assigned red post-its listing subjectively perceived negatives. The attendees then put green post-its with potential solutions. The attendees were also asked to list all positive elements of

the entrepreneurship ecosystem on a separate flip chart. Afterwards, the attendees discussed each note in detail and were asked to collectively prioritise the issues and solutions that would at minimum be required to enhance the entrepreneurial ecosystem. The workshop saw a high level of engagement and in total over 120 post-its were collected. The background of the 17 attendees ranged from government level stakeholders to entrepreneurs, investors, advisers, and professional services firms.

II Survey

In total 38 people were surveyed. The 22 questions of the survey were based on the key findings of the workshop and zoomed in on the eight different topics. The main purpose of the survey was to learn about the individual experience of entrepreneurs on the Isle of Man and included their personal experience on what it is like to start and then run a business. The questions assessed various steps along the early-stage cycle such as incorporating a company, setting up a business bank account, sourcing funding, the accessibility of public grants, etc. The survey included a mix of ordinal scales, multiple choice questions, and open-ended questions.

III Phone calls

Over the course of the research phase, 19 phone interviews were conducted with various representatives of the entrepreneurship ecosystem of the Isle of Man. The semi-structured interviews lasted for



an hour each and covered loosely the nine topics above with open-ended questions. In addition to that the interviewees provided their personal views on the quality of the entrepreneurship ecosystem including their personal situation and what areas need improvement.

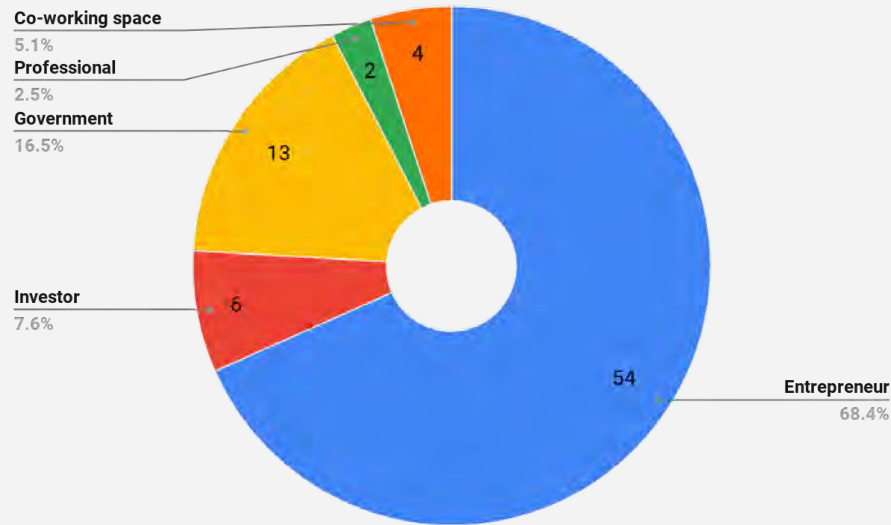
IV Face-to-face interviews

In total seven face-to-face interviews were conducted with key ecosystem players. Similar to the phone calls, the interviews followed a semi-structured approach around the nine key topics scoped out during the workshop. In addition to that, the interviews also had a free-flowing conversational element where the interviewees provided comprehensive insights into challenges and opportunities of the ecosystem. Some of the interviews were recorded with a voice recording app on a mobile phone with consent of the interviewee.

V Emails

A total of two individuals contributed via email. Out of which one individual sent additional information following a phone interview. The second individual chose to respond via email instead of attending the workshop or an in-person meeting. The email contributions were related solely to the personal experience of the senders in relation to their professional activities and the barriers faced. Despite lacking the breadth of the above structure, the contributions were immensely insightful.

The pie chart below illustrates the five different sectors and the corresponding number of representatives of each sector who took part in the study.



level of engagement and yielded a large amount of qualitative data. The nine topics included:

Political	Economic	Technology
Government	Social	Miscellaneous
Legal & Regulatory	Finance	Positives

5. Primary Research Results

I Workshop

The objective of the workshop was to initially scope out key areas of the Isle of Man entrepreneurship ecosystem as a basis for deeper research. The workshop attendees were asked to provide insight into nine different key areas of the ecosystem. The responses were split into two categories; Negatives and Improvements. The workshop saw a high

Political

On the political side, the attendees concluded that there is a general lack of risk appetite in Government and that legislation could be flexed more to build the entrepreneurship industry in the same way as the e-gaming industry has been developed. The fact that each Government department runs as an entity of its own right was perceived as a negative. It was suggested that single legal entity Governmental departments should be discussed to review its efficiencies or perhaps more practically, to create cross departmental working groups or task forces. Further concerns raised where the



perceived 'short-term thinking' on the side of the politicians as they are seen to be thinking along the lines of their legislatures rather than taking a long-term view. Further solutions included changing Government's policies to make them more entrepreneur friendly.

Establishing more public-private sector partnerships was suggested in order to bring in new ideas through external experts in areas such as entrepreneurship ecosystem development. Furthermore, access to finance in the form of seed capital was demanded in conjunction with the improvement of the conditions for angel investors.

Government

In total, 18 post-its were collected for the topic of Government and its role within the entrepreneurship ecosystem. During the discussion the attendees consented that the Government is too involved and that the ecosystem is overly reliant on Government support. The Government's decision-making processes were perceived as slow and as 'not bold enough'. According to the attendees, Government has unclear policies which are effectively designed for stability but do not allow for changes with a 'too narrow focus'. It was suspected that some areas of Government are understaffed which could explain the characteristic delay in decision-making and the execution of administrative processes. One attendee remarked there was a gap in funding for high turnover low profit businesses. It was suggested to introduce an 'entrepreneurship support service' provided by Government for tasks such as filing tax returns, VAT returns, etc.

The attendees unequivocally asked that Government should support

young entrepreneurs, especially those in their teens and twenties. Further, in order to inject pace into the grant application decision-making process it was suggested that the number of staff working on grants as well as Government funding in general be increased. Further suggestions included improvement of the public IT infrastructure plus moving on to digitisation and e-government similar to the Estonian e-government portal. This way, people can apply and manage the entire grant application process online similar to the Innovate UK website.

Legal & Regulatory

On the Legal & Regulatory side the workshop attendees collectively agreed that opening a business bank account on the Isle of Man represents the biggest challenge for small businesses. This particular issue was vocalised with little hesitation. Also, the slow lead time and presumably under-resourced Government were blamed for the slow legislative processes to support entrepreneurs in general. It was also questioned why one should set up a business on the Island when there is little regulatory difference to the UK and no incentive on top when the market is much larger in the UK.

The regulatory framework was described as not being competitive enough. This would be particularly visible in the areas of crowdfunding and telecoms. The latter were described as complicated and costly. As for crowdfunding it was suggested to review the investment caps per capita. It was suggested that the regulatory uncertainty be alleviated by expanding the regulatory sandbox for businesses to pilot their business models. It was further suggested to



increase PR activity around setting up a business on the Island and to develop specified 'how-to' explainer videos to make it easier for people to submit their tax returns and other administrative tasks.

There was a clear demand for external support to Government how they can become more entrepreneur friendly. A final point was the lack of an angel network. Currently, there are no institutionalised investor networks to turn to as an entrepreneur. As a solution it was suggested to revive the Bridge Angel Network which had been set up by a local entrepreneur a couple of years ago but then closed down because the proposed new activities may have required regulatory approval.

Economic

On the Economic side, the workshop attendees listed a shortage of skills and a low level of unemployment as one of the key issues. A small pool of talent keeps the wages up resulting in small businesses not being able to compete with corporates in the labour market. Increasing and diversifying the labour market was another key demand from the attendees. It was suggested to revise work permits to make it easier for people to settle on the Island. A further point raised was the lack of economic incentives for startups such as affordable commercial property, talent, R&D incentives and low levels of regulation. Further, the lack of air links to Europe was mentioned as a barrier which prevents European entrepreneurs and talent alike to travel more frequently to the Island and vice versa. As potential solutions for the Economic issues the attendees suggested to increase the international presence and awareness of the Island,

relaxation/elimination of work permits, and to expand Government grants to the retail and health sectors.

Social

Asked for issues and suggestions for improvement around the topic of Social, the workshop attendees discussed the lack of networks targeting different demographics. They claimed there is a lack of people with similar interests particularly around entrepreneurship. Some of the attendees felt that the brand Isle of Man is not associated with entrepreneurship and that entrepreneurs are seen merely as 'dog groomers' due to a common lack of understanding of high risk and scaling a tech business. The issue of insufficient transport links came up again as well as the lack of talent and skills. It was agreed that there are too many barriers such as work permit restrictions preventing new talent influx into the local labour market. Another attendee mentioned that society on the Island is very traditional, thus, risk averse and 'stuck in old ways' which is reflected in a widely shared negative attitude towards failure. A more practical point was raised pointing to the fact that there is not enough childcare available for entrepreneurs.

In the solutions section the attendees welcomed more meetups for entrepreneurs organised from private sector stakeholders such as Eagle Labs and an umbrella brand to represent the startup initiative on the Isle of Man, such as Portugal "Startup Portugal" or Scotland "Entrepreneurial Scotland" etc. Improvements are needed concerning marketing and communication to the outer world in order to raise the profile of the Island's entrepreneurship community. In order to



increase travel options the idea of a Government owned Manx airline which could provide subsidised tickets with links to Europe was discussed. To attract young off-islanders joining the Island's ecosystem the suggestion was made to run events targeted specifically at young off-islanders. Running an entrepreneurship bootcamp for graduates organised by the DfE which could be sponsored by the corporate sector was another suggestion made.

Finance

Concerning the topic of Finance, the attendees vividly discussed a number of issues including the lack of an EIS equivalent, the lack of tax incentives for angel investors, and the lack of innovation grants. One attendee mentioned that government grants should not be tied to the condition of having revenues. On the infrastructure side, the attendees reported issues with challenger banks such as PayPal, Revolut or Starling who do not serve the Isle of Man. When it comes to public funding for business starters Government ask for securities which was perceived as 'pointless' because having just started out there are no substantial assets yet in the business. Another point made was the limits on crowdfunding and syndication regulations which blocks the natural development of an angel investor ecosystem. As for suggestions the attendees asked for a revision of the e-money regulations and the Government to launch a new business bank allowing to set up business bank accounts online. Staying with the online topic, the attendees further suggested to implement an e-government facility that allows for uploading the company articles online. The idea of a Manx EIS scheme was applauded. There is a strong need for more access to crowdfunding opportunities on the

Island and access to angel networks and syndicates. On the public sector side there should be more grants, loans, and equity funding available including the Terms & Conditions publicly and visibly available on the Government website as opposed to having to ask for them specifically.

Technology

In the area of Technology on the Isle of Man the attendees discussed the high costs for internet and telephone which was also described as unreliable. As one attendee put it, the home broadband is 'barely fast enough to sustain a video call after 6pm'. It was suggested to improve the overall digital infrastructure as online businesses that require a fast internet connection would not be able to operate. Although, already in place, it was demanded that Government develop a national telecoms strategy to improve access to the global internet.³ A further idea put forward was opening up the market for competition from the UK which would result in better quality at more affordable prices.

Miscellaneous

On the Miscellaneous flip-chart the workshop attendees collated largely ecosystem-related topics that need resolving in their view. The

³ "national telecommunications strategy - Tynwald."
<http://www.tynwald.org.im/business/opqp/sittings/20182021/2018-GD-0062.pdf>. Accessed 24 Oct. 2019.



fact that businesses tax returns can be filed online has escaped public knowledge. The attendees suggested this should be communicated more widely. One attendee mentioned that the lack of communication as a whole is emblematic for the Isle of Man as things happen in silos. This also goes for funding schemes whose existence largely go unnoticed by the entrepreneurship community. In order to break down the barriers between the silos, the attendees suggested having a central place of information such as the website startupisleofman.com and regular meetups. On the public funding note, it was mentioned that the Isle of Man is generally excluded from EU funding schemes.

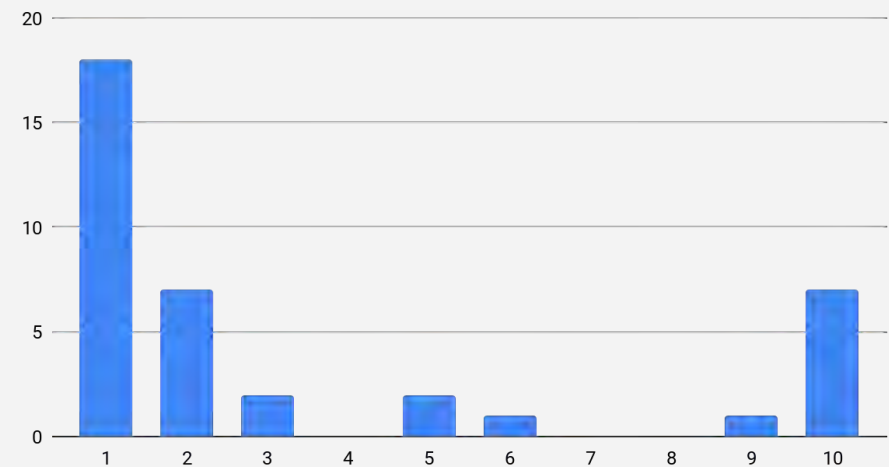
Positives

Alongside the critical points raised there were also plenty of positives. There was a consensus that the community on the Isle of Man is close-knit, very supportive and very welcoming. There are a lot of Government funding schemes available and the secondary ecosystem of professional services around entrepreneurship is developed well. The tax and regulatory attractiveness for companies in general is high and the Government and decision makers are easily accessible. The decision-making processes can be short albeit not always and the Island itself represents a good testing ground for business models. Alongside the high quality of life, there is a huge potential for knowledge transfer because of the large number of mentors.

In total the survey collected responses from 38 entrepreneurs located on the Isle of Man aged between 18 to 61 years old. The majority of the male respondents was in the range between 51 - 61 years old and the majority of the female respondents was in the range of 40 - 50 years old.

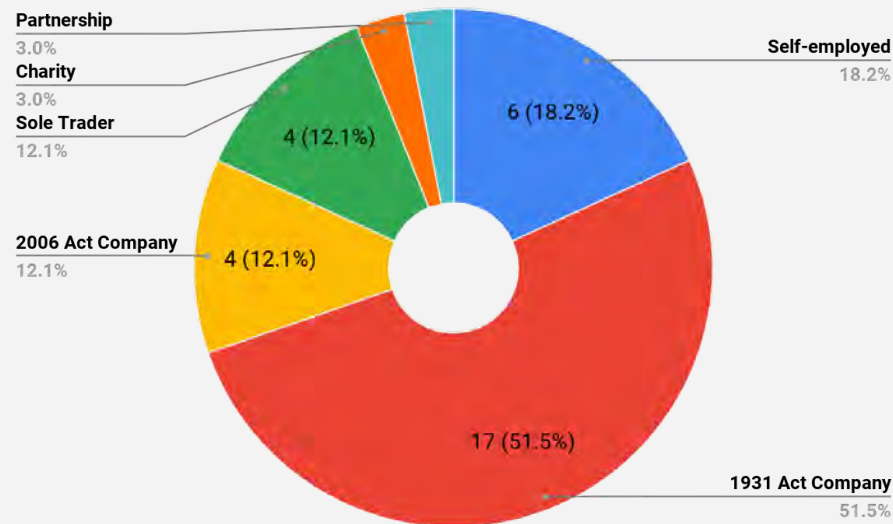
In total 16 male and 22 female entrepreneurs responded to the survey. The results of the preceding workshop served as a basis for the survey design. Since the survey was targeted specifically at entrepreneurs we were able to extract a more granular picture of the underlying issues impacting the entrepreneurship ecosystem of the Isle of Man.

How many years have you had your business?



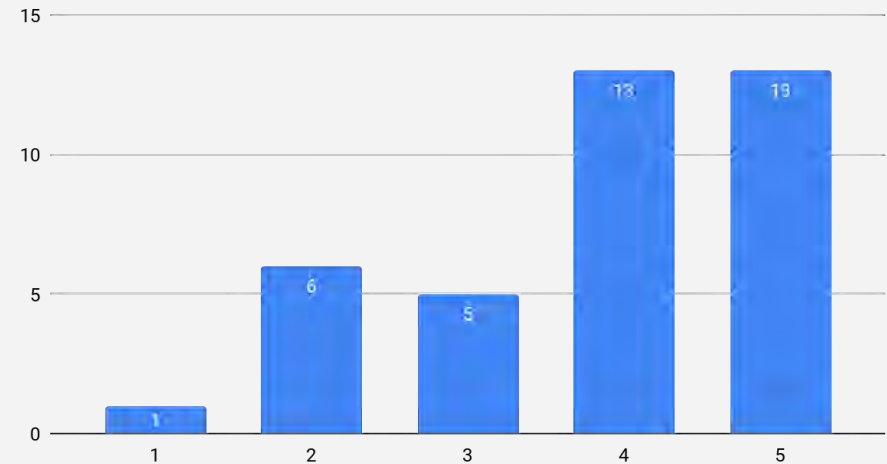
II Survey

The majority of the entrepreneurs surveyed are early stage business owners who recently went through the process of setting up their business.



More than half of the respondents own a 1931 Act Company.

How easy did you find the process of incorporation?



Asked for how easy the entrepreneurs found the process of incorporating their business, 68.4% responded with 4 and 5 on the range from **1 (very difficult) to 5 (very easy)**.

In the comments section, the respondents mentioned that incorporating a company on the Isle of Man is expensive and takes a long time compared to the UK. There is also a lack of information about the process itself which was suspected to be designed deliberately so that people have to turn to a corporate service providers (CSP), which increases costs.

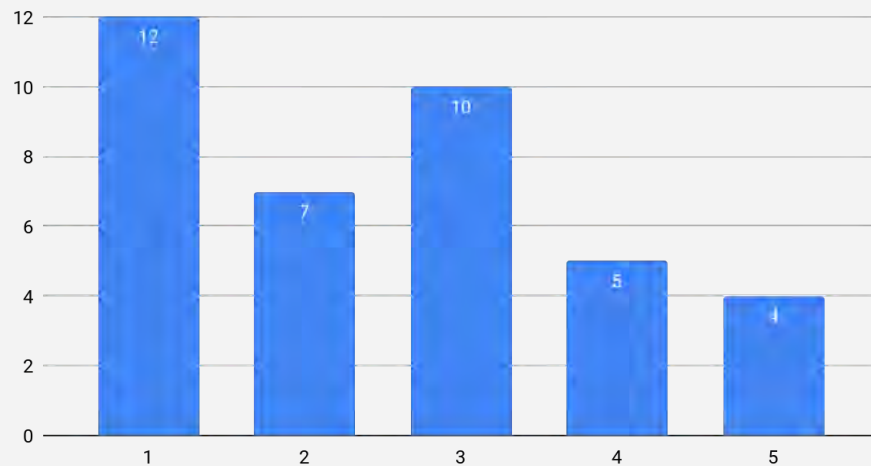
Contrary to this, some respondents reported the process as being easy, mainly because they had a professional background or experience of



complex administrations. Another suggestion was to implement an online registration process to make the process more efficient and transparent.

“Dealing with the registry is very 20th Century rather than 21st. Filing should be electronic rather than by paper and post, plus they are incredibly pedantic mainly I think to try and generate increased revenues through fines and mistakes”

How easy did you find getting an IOM bank account?



“Really fast service from companies registry and very helpful”

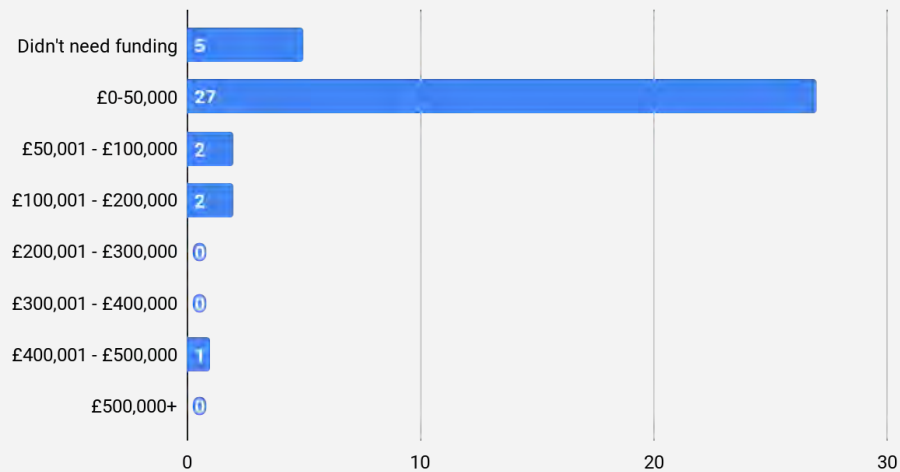
Asked how easy entrepreneurs found the process of opening a business bank account 50% responded with 1 and 2 on the range from **1 (very difficult) to 5 (very easy)**.

Asked for comments the majority of the respondents mentioned facing unexpected challenges with opening business bank accounts for their newly established business. For most entrepreneurs some of the local high street banks were the only option despite its long processing times. The respondents added that most of the local banks provide business bank accounts but mostly at a minimum threshold of an annual turnover of £100,000. Also, the KYC process was described as being very intense compared to the UK. Most of the local banks provide mobile banking apps which have only been introduced recently. This makes banking more convenient. Summing up, the traditional banks need to make an effort to provide the same standard as their counterparts in the UK and challenger banks need to start servicing the Isle of Man.

“Nightmare. Only IOM Bank would give [me a] bank account. Process took weeks, wasn't asking for credit, loan or credit card. Couldn't believe have [sic] messy it was.”

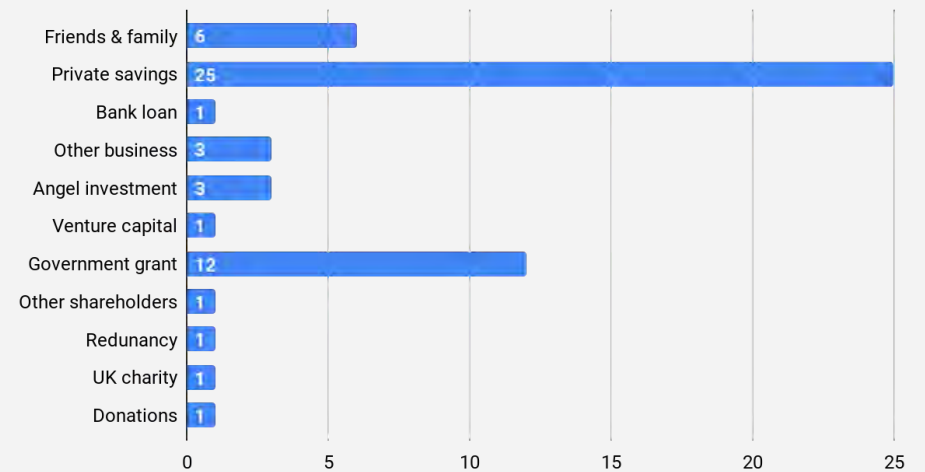
“IOM is at the end of a very long chain. I recently opened a bank account for a new business and it took 6 months - unacceptable. You can open a bank account with a challenger bank in an hour with digital KYC - wake up IOM/FSA.”

How much seed funding was required?



Five respondents did not need funding and 27 needed up to £50,000 as an initial investment.

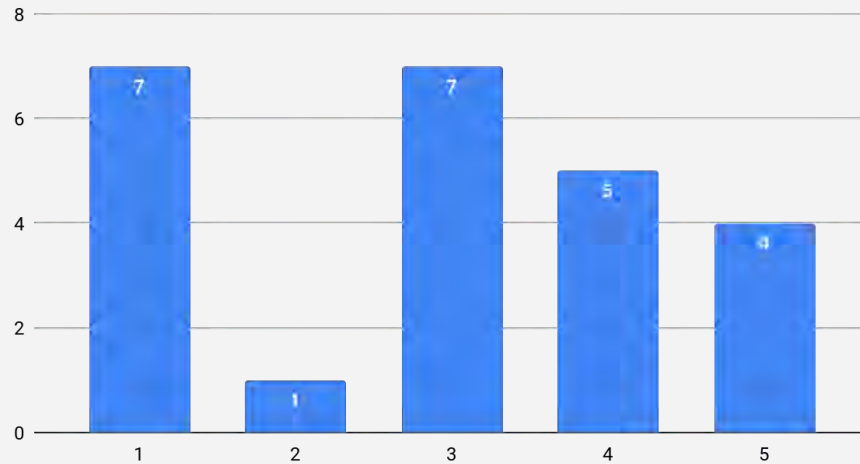
How did you fund starting your business?



Most people used a funding mix to fund their business.



How easy did you find applying and receiving the grant?



Asked for how easy the entrepreneurs perceived the process of applying and receiving a government grant 33.4% responded with 1 and 2 on the range from **1 (very difficult) to 5 (very easy)**. 29.2% were in between and 37.5% found the process very easy. This is a very balanced picture.

However, in the comments the respondents reported that the current grants need to be more clearly promoted. In particular the Micro Business Grant Scheme (MBGS) was received with mixed views. Some found the process and the scheme itself helpful, whereas others reported it doesn't provide funding until the company is operational.

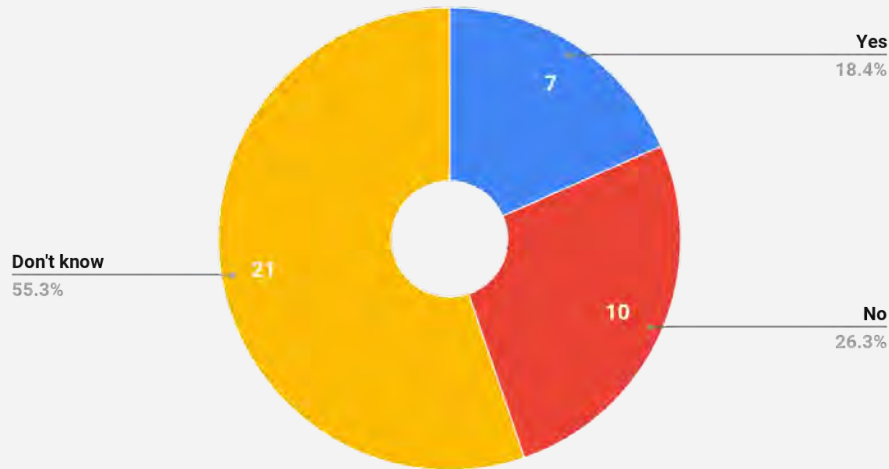
Comments were made about the long turnaround which could be improved. Especially if the application process was entirely online. According to the respondents there is no single place where all the grants are being promoted. Furthermore, the Terms & Conditions (T&Cs) aren't made available. In one case, an entrepreneur was asked to provide securities only after several months to his bewilderment. He asked why this had not been requested right at the beginning of the process.

“I am on the MBGS but they don't provide funding until you are operational, so it doesn't really apply to startups, I delayed marketing while waiting for this as I didn't know; as it happens when I found out I was able to access some savings that I didn't have access to earlier in the year. I almost wish I had withdrawn from the scheme.”

“2 issues with grant system: 1. Grants depend on the recipient already spending the money when cashflow is a big issue for startup. 2. It can take ages to get funding approved when business moves many times faster.”

“The process was very straight forward and processed quickly.”

Do you believe there is sufficient angel investment in the IOM?



55.3% of the respondents replied with 'Don't know' asking whether there is sufficient angel investment available on the Isle of Man. Most of the respondents commented they neither have contacts who invest in startups nor know where to find investors on the Island.

Apparently, angel investment is difficult to access without a network or an organised meetup. This would have to be implemented again. One respondent suggested to launch a startup scheme aimed at young people aged 18 to 25 similar to the Prince's Youth Trust, which offers loans rather than investment. As a suggestion for improvement, the Bridge Angel Network should be revived.

“Poor ecosystem and 10+ years inadequate Gov support means very few successful exits means very small pool of angels. Lack of VC funding is an equal or even bigger problem for tech startups with ambition to scale up and grow beyond IOM.”

“Next to no information available since Bridge consolidated”

“Tax relief and loss relief are desperately needed to bring in more investment and increase the amount of money invested via existing small pool of active angels”

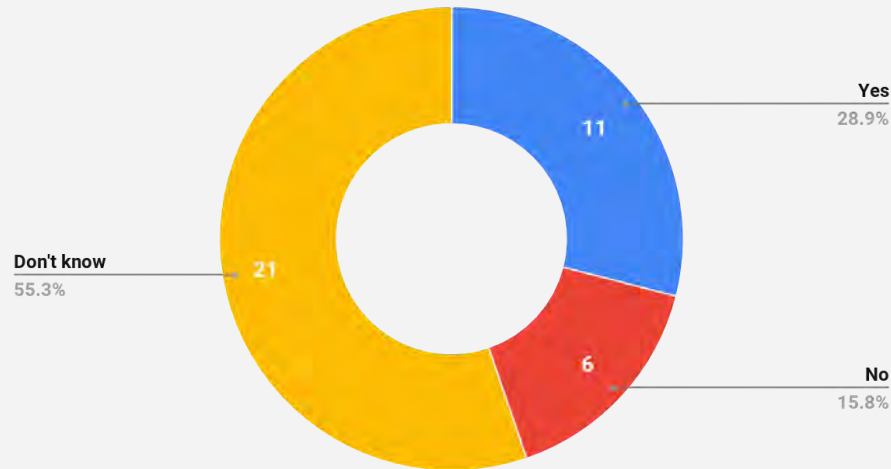
What was the smallest challenge setting up a business on the IOM? (38 responses)

On this question, respondents considered setting up IT, learning the skills required, and marketing as having been the smallest challenges. Getting customers and being a jack-of-all trade has also been mentioned.

Accessing the micro business scheme was listed as a small challenge by someone. Furthermore, networking appeared to have been the smallest challenge for an entrepreneur which is commensurate with the close-knit community factor mentioned above.

Finding office space was mentioned to have been an easy undertaking as well as setting up a social media page.

If there was an EIS equivalent in the IOM, would you apply?



Asked if respondents would apply for an EIS equivalent if there was an option on the Isle of Man, 28.9% respondent with 'Yes', 15.8% with 'No', and 55.3% with 'Don't know'. Most of the respondents are not familiar with the scheme but are interested in learning more about it. This evidences the fact that the scheme in itself is not popular and never has been on the Island. This is contrary to the UK, where the scheme has been widely promoted to the extent that applying for SEIS has become a standard for almost every new startup launched, greatly increasing their chances to attract investors.

“As EIS' have never been permitted on the island it's quite difficult to comment as very few people would understand what they are for. You would need a strong marketing campaign”

What was the biggest challenge you faced setting up a business on the IOM? (38 responses)

This question received 38 responses in total. The main issues highlighted were restricted access to banking, financial services, Government grants, and angel investment. Also, access to information concerning Government grants and funding in general came up again. The second most pressing issue mentioned was limited access to the local community.

“The Isle of Man is very cliquey in terms of business. Breaking through existing relationships to get projects is tricky.”

A couple of entrepreneurs mentioned that the IOM business community is hard to break into as everything is happening in closed circles. A further issue mentioned was limited access to affordable business property and the lack of human capital. Furthermore, the day-to-day activities of launching and running a new business was described as difficult.

“Dealing with some Government departments - the process feels like it grinds to a halt.”



“Sales & Marketing. Marketing costs very high from all avenues. Would be useful for discounts to startups (maybe via Chamber of Commerce or DfE)”

“Accessing the DfE micro business support - I’ve been very impressed.”

“I actually don't know the answer to this but I do think the Chamber of Commerce are doing an amazing job for new businesses on the island.”

If you had a magic wand what would you change? (38 responses)

This question attracted a large number of responses. The most demanded changes are in the banking and government sectors. The respondents demanded for the banking system to be more supportive, easier to speak with and to make it possible to open a business bank account in one day. Support to set up a company was another one mentioned and included transparency concerning the requirements and documents required.

Another entrepreneur suggested an entity that provides all the services required to start a business on the Isle of Man with a hub to turn to for engaging with the local community. One respondent offered his support to help Government putting out relevant content to help navigating the intricacies of the Isle of Man’s specific red tape. Another entrepreneur

asked for an angel syndicate outside FSA regulation to run and in general more available capital. A suggestion for the Government was for “All of the forms and related documents to be revisited and reviewed so they are fit for purpose”.

“I'd probably implement the Single Legal Entity to Government so it wasn't just the DofE driving the new business train. All areas need to be accountable for their contribution to growth on the island.”

“Greater non-financial support would be beneficial. While the funding received from the micro-business scheme has been invaluable, we have found that there is a lack of support available in terms of networking/connecting with the right people.”

“More support in finding suitable shared desk/meeting room options - Eagle Lab seems to be the location of choice but it’s not ideal (in town, parking a problem).”

**“1. Government to accept that they are massively under investing in supporting local entrepreneurs and attracting inward investment compared to Jersey/Northern Ireland etc. Although, Jersey doesn't provide inward investment.
2. DfE to upskill and grow capability by recruiting experienced business development/inward investment professionals from off island with experience of working in Regional Development/IDA. 3. Support/encourage VC funding and introduce Gov matching funding (for equity position) similar to Gov schemes in UK”**



“I'd help relevant gov departments and local organisations put out regular content on social media aimed at helping people like me. I'd walk them through developing a social media strategy which provides tonnes of value. Yes, it's great to meet in person, but social can be used to start these conversations and get the messages out.”

“I would like to see a scheme which provides all of the services needed to start a company on the Isle of Man and then go to hub for questions no matter how small to be answered by like-minded individuals.”

“There needs to be more transparency on what you need from an accounts/legal perspective (ie, no need for audited accounts for a small company, GDPR, Brexit, basic contract terms). It would be helpful if all of this was in one place. Not everyone attends the Micro Business Grants Scheme (Time commitments etc).”

“Getting individuals within government to really understand what is involved in creating and running business. The real-life financial risks that come with doing so.”

III Interviews with Off-Islanders

Entrepreneur

The majority of the interviews held with entrepreneurs and professional service providers reflected the views expressed in the survey and during the workshop. However, the interviews were more personal and the direct impact of the aforementioned issues on the interviewees lives were discussed. For example, one interviewee who runs a professional services firm admitted that due to the slow processes of setting up a business and opening a bank account on the Island stopped advising clients from abroad setting up on the Isle of Man.

“After a number of complaints from clients about the slow processes I decided to protect my reputation and stop advising clients to come to the Isle of Man”. The interviewee set up a business in the UK and now works with UK-based clients and overseas clients providing support on company incorporation, business bank accounts, and taxation.

The fact that company formation plus setting up a business bank account takes no more than 24 hours in the UK is so compelling for the interviewee that despite the additional corporation tax this business set-up is a better deal than what the Isle of Man has to offer.



“After a number of complaints from clients about the slow processes I decided to protect my reputation and stop advising clients to come to the Isle of Man”

Angel investor

A further individual, who is an active angel investor, mentioned that 80% of his investments are made in the UK because there is currently no EIS scheme in the Isle of Man that would mitigate investment risks. As the Bridge Angel Network closed down the individual has no options to socialize with likeminded people and startups to source local investment opportunities. The angel investor is currently using a dual structure with an Isle of Man-based company and an associated UK branch which has been registered for EIS relief as advised by KPMG. This highly complex undertaking involves dual company registrations, dual offices, dual accounts, dual payroll plus having to pay taxes in the UK for the UK branch.

The investor expressed an interest to scale up investments in the Isle of Man provided an EIS scheme was in place. Over its period of existence, the Bridge Angel Network hosted a number of companies from off-island at the Bridge pitching events. According to the angel investor the startups exposed to at those events were seriously considering moving to the Island because at the time there used to be an angel investor scene. However, after the closure of the Bridge network startups never returned to the Island so the local investors turned their interest to the UK.

“I would certainly consider doing more investments in the Isle of Man if there was EIS and an angel network to find co-investors.”

Entrepreneur

A further interviewee who originally set up a business in the Isle of Man Business Incubation Centre (BIC) explained how the business faltered during the early stages. With the closure of the Isle of Man Business Incubation Centre, the loss of the support provided forced a decision to move away from the Island. “When the BIC closed, I not only lost the support from the centre but this also destroyed a blossoming startup community on the Island. Many people were left disgruntled, to say the least, and moved away.”

The interviewee, who is an original Manx person, now runs a successful business in London and only returns the Island for family visits.

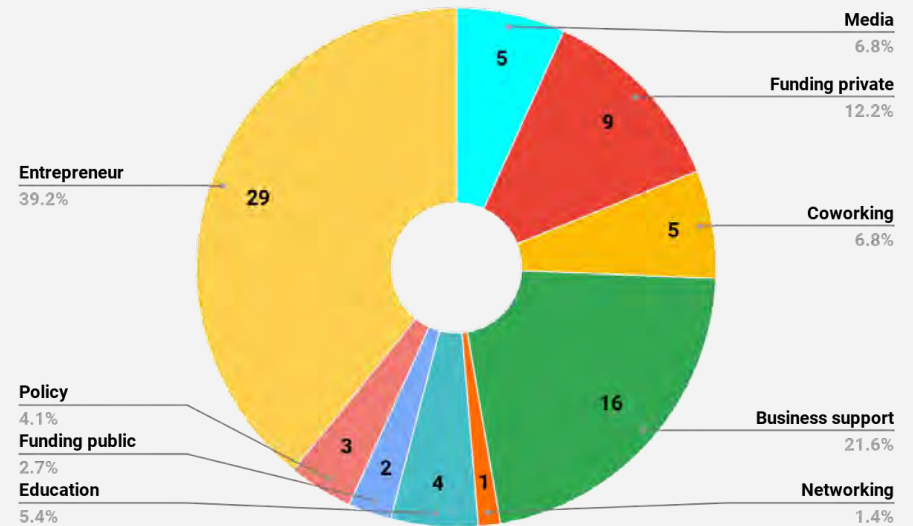
“One big lesson learned here is that people stopped trusting Government when it comes to entrepreneurship building activities because in the same way they are able to build something very valuable to the community they can shut it down on a whim.”

6. The Isle of Man Entrepreneurship Ecosystem

The entrepreneurship ecosystem on the Island comprises hundreds of different stakeholders. This includes entrepreneurs, private sector and public sector finance providers and organisations, coworking & networking spaces, education providers, policy makers, business support services, and media. Many individuals have multiple roles and are associated with more than one organisation and sector.

In many cases people are entrepreneurs and investors at the same time. Or they are investors and policy makers. Some people even operate across more than two sectors. This phenomenon is emblematic of the tight knit community on the Isle of Man.

We identified about 92 stakeholders representing the core of the entrepreneurship ecosystem of the Isle of Man. We categorised them in nine different categories as depicted in the pie chart opposite.





I Ease of Doing Business

Entrepreneurship is reliant on accommodative policies and entrepreneurship-friendly regulations. These can range from passive support such as certain policies, visa regulations, tax breaks for entrepreneurs and investors, as well as regulatory frameworks. Public policy must be conducive to entrepreneurship and startups need to be enabled rather than hindered by the regulatory environment. In order to measure how easy it is to conduct business in a country the *World Bank Doing Business Report 2019*⁴ measures regulations that enhance business activity and those that constrain it including:

- Starting a business
- Dealing with construction permits
- Getting electricity
- Registering property
- Getting credit
- Protecting minority investors
- Paying taxes
- Trading across borders
- Enforcing contracts
- Resolving insolvency

⁴ "DOING BUSINESS 2019." Accessed October 11, 2019. https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report_web-version.pdf.

Due to the small size of the ecosystem we were not able to review all 11 factors, however, by looking at the "Starting a business" factor alone, can reveal a lot about the Isle of Man business formation process. In its current state, the Isle of Man company registry process is designed with corporate firms as the customer in mind. Navigating the registration process is challenging, bureaucratic and involves a lot of paperwork. It more likely seems that the process is designed to encourage registrants to commission a corporate service provider (CSP) and pay exorbitant fees for the service. For an early stage startup, or individual founder, this process is expensive and lengthy, and to offshore interests, it is frankly off-putting. CSPs make a significant revenue from these services, of which the government receives tax revenues through the income tax and NI of employees.

The process is not designed for an early stage startup, or individual founder, and needs to be improved with a customer centric design focus. Since the company registry is the first port of call for enquiries about registering a business on the Isle of Man, it is important that it is an effective point of contact in the user journey that offers clear and concise information, guidance and calls to action.

II Banking

A number of respondents complained about the banking experience on the island, in particular opening bank accounts for startups and SMEs. The length of time taken to complete the bank opening process in order to receive payments and begin trading ranges from 3 weeks to 8 months in some cases. A number of respondents also commented that



in terms of access to finance, such as lines of credit, they believe bank managers or banks in general on the island are risk averse and do not want to lend to small businesses. It is well noted that the risk appetite towards lending from high street banks are set as part of their centralised risk function, risk appetite, policy, regulatory compliance obligations and therefore align with the enterprises risk management. There are however a number of neo-banks and fintech companies (financial technology platforms) that offer competitive and relevant solutions for small business owners, startups and SMEs. TransferWise for example, TransferWise is a fintech company that is able to open business accounts for IOM residents, allowing for payments and other transactions. Whilst this does not solve for the full suite of banking needs, it does however provide an opportunity for startups to quickly open an alternative solution for payments and transactions. There is an opportunity for market engagement with neo-banks and fintech firms. It is important to note, that the FSA is interested in assisting the market engagements to answer any regulatory questions operators may have.

III Human Capital availability and Education

Since 1950, the population of the Isle of Man has grown from around 53,000 to 83,314 (2016)⁵ which represents 0.0011% of the global population. Despite the growth over the past decades Government projections show a population decline to 77,875 if net migration summed to zero by 2036. If net migration adds a net total of 500 or 1,000

⁵ "Isle of Man in Numbers 2018 - Isle of Man Government." 7 May. 2018, <https://www.gov.im/media/1361698/isle-of-man-in-numbers-2018-report-v2.pdf>. Accessed 11 Oct. 2019.

persons by 2036 the population is expected to grow to 89,872 or 101,051 respectively.⁶ An ageing and shrinking population at the same represents a major challenge for the Island's economic future as this will push the dependency ratio (the proportion of non-working to working people) up as a result. The dependency ratio currently stands at 63% (2015). However, with more emigration of the young and no net migration this is very likely to rise. As of December 2017, the number of people in employment stood at 35,082 in 51,493 jobs. Unemployment as of August 2019 stood at 0.8% of the economically active population, or 335 people, of which 230 were men and 105 were women. There were also 7,581 people who were self-employed. The "Isle of Man in Numbers 2018" report issued by the Isle of Man Government does not specify whether these self-employed are entrepreneurs or simply freelancers. The total school population for the Isle of Man in 2017 was 11,725, of which 2,727 were infants, 3,789 were Junior school age, 4,265 of Secondary school age and 944 in Further Education.

Entrepreneurship education

University College Isle of Man (UCM) is the major provider of vocational skills education and training, in both further and higher-level curricula on the Isle of Man. The curriculum is varied, and covers 14 of the 15 sector subject areas (Ofqual UK Government) from entry level to level 7. Only level 8 (Doctoral Degrees) are not catered for. Some of the programmes are the 14 - 16 Programme, Prison Education, and further education courses. Degree level courses are offered in conjunction with the

⁶ "Meeting our Population Challenges - Gov.im." 28 Feb. 2018, <https://www.gov.im/media/1360674/addressing-our-population-challenges.pdf>. Accessed 24 Oct. 2019.



University of Chester. Together with local employers UCM provides apprenticeship schemes that cover almost all the sectors on-Island. In regards to local businesses and entrepreneurs UCM offers a wide range of courses named Services to Business which was launched in April 2019 across many subject areas targeted at local businesses. These services are:⁷

- business training courses;
- business enterprise;
- compliance and legislation;
- health, care and wellbeing;
- technical, and experienced;
- construction contractor courses;
- bespoke training;
- access to grants and funding information.

UCM also provides a MA/MSc Business Entrepreneurship a full-time action learning programme that combines advanced business practice and business theory development, with periods of work-based consultancy projects.⁸ In November 2018 the College has been awarded a training contract for the Micro Business Grant Scheme (MBGS) by the Department for Enterprise.⁹ The scheme has been designed for new startups or businesses trading for less than 18 months, with a turnover

⁷ "About UCM - University College Isle of Man." <https://www.ucm.ac.im/about/about-ucm/>. Accessed 11 Oct. 2019.

⁸ "INVEST IN." <https://www.ucm.ac.im/media/2291/f8-msc-business-entrepreneurship-ft-wbis.pdf>. Accessed 12 Oct. 2019.

⁹ "Department for Enterprise awards ... - Isle of Man Government." <https://www.gov.im/news/2018/nov/26/department-for-enterprise-awards-training-contract-to-university-college-isle-of-man/>. Accessed 11 Oct. 2019.

between £5,000 and £100,000. The scheme is also suitable for individuals looking to take their first steps into self-employment.¹⁰

The Micro Business Grant Scheme, Training and Capacity Building

Responses in relation to the Micro Business Grant Scheme was mixed, some positive feedback included one respondent scoring their experience as an 8/10 and another stating that it was an "integral part" of their business startup experience.

Positive feedback:

- Serves as a 'bridging the gap' service from employment to self-employed;
- Relevant information for sole traders and the self-employed
- Professional and helpful prices;
- The people involved are helpful;
- Have some great success stories such as Rock Food Concepts and Noa Bakehouse.

Negative feedback:

- Funding is only available to businesses that are already operational. This isn't clear from the onset;
- The process and administration offline and clunky;

¹⁰ "Micro Business Grant Scheme - Department for Enterprise." <https://www.iomdfenterprise.im/financial-support/funding/micro-business/>. Accessed 11 Oct. 2019.



- The process took longer than to receive the funds/ Takes long to receive an affirmative answer;
- The DfE opening hours are too restrictive;
- Retrospective payment is also not ideal for early stage startups and first-time founders;
- System is too judgemental, bureaucratic and nit-picking by people who have never run a company;
- The course is more focused on writing a business plan and does not have enough strategic or technical training, for example how to create a marketing strategy, etc;
- Focuses on traditional business models that employ full time staff, doesn't cater for lean businesses that can only employ part time staff.

Suggestions for improvement are made in the “Recommendations section”

Expatriates, Economic Migrants, Spouses, Partners, Families, and Integration

Whilst it was felt that Locate Isle of Man is good at attracting people to the island, a number of respondents commented that services for integration of the family unit once on the island was often ignored or underserved by employers' as part of relocation services. Given that the island is a close-knit community that some feel is hard to break into, compared to larger expatriates (expats) communities such as London, Paris, etc, respondents felt that integration is a very critical requirement to be able to retain relocators. A quarter of the respondents from the in-depth interviews had to find services themselves which could

sometimes take up to a year to get to know the right people. Service providers such as B-Local was mentioned as really useful especially for spouses moving with their partners to the island.

Another important factor to consider is that children and siblings have difficulties integrating into schools when they are coming from a different school system, especially from another country. This particularly affects the 15 to 16-year-olds, who are sometimes forced to retake exams in order to continue with further education.

Employers and therefore their onboarding process need to understand the impact for the whole family to move, and efforts made to provide clear information on processes, opportunities, etc, in order to inform expats and their families to prepare them for living on the Isle of Man.

IV Public Support and Core Networks

Accelerators, Incubators, Co-working

In 2008 the Isle of Man Business Incubator (BIC) was established by Coventry University Enterprises to provide support to startups and a soft-landing programme for startups from abroad looking to settle on the Island. The then Department of Economic Development and Capital Select Limited entered into a public-private sector partnership in 2010. The scheme received annual public funding of £100,000. After receiving



accreditation by UK Business Incubation (UKBI) in 2012,¹¹ the incubator stopped receiving funding from the Government.¹² This was partly due to the revision of the Customs revenue sharing arrangement by the UK twice in two years, in 2009 and 2011 respectively, which led to a loss of more than £200m in VAT revenue for the Isle of Man Government.¹³ The closure of the BIC left a significant gap in the ecosystem. In the following years, attempts to mitigate this have been made through the launch of several public sector backed grant and financial support measures.

Currently, there is no privately owned, venture capital-backed startup accelerator in the Isle of Man similar to the likes of TechStars, Startupbootcamp or Y Combinator. There are some initiatives branded as such for instance the Food Matters Business Accelerator Programme¹⁴ but they fail to qualify as an accelerator as they lack an institutional approach including a privately backed venture capital capacity. Dotted around the Island are a handful of coworking spaces and serviced offices such as Barclays Eagle Lab, The Engine Room in Castletown, Babbage's in Ramsey, Dixcart Business Centres in Douglas. Also The Nunnery Douglas, Mountain View Innovation Centre near Ramsey and Manninvest in Douglas, which provides flexible office space to

¹¹ "Isle of Man Business Incubator Celebrates ... - Manx Voice."
<https://manxvoice.com/2012/01/isle-of-man-business-incubator-celebrates-accreditation-success/>. Accessed 12 Oct. 2019.

¹² "Government expects business incubator scheme to move on ..."
<http://www.isleofman.com/News/details/15880/government-expects-business-incubator-scheme-to-move-on-to-self-funding-tyrwald-told>. Accessed 12 Oct. 2019.

¹³ "Trouble in Paradise for our VAT deal? | News | - IOM Today." 14 Nov. 2017,
<http://www.iomtoday.co.im/article.cfm?id=36954&headline=Trouble%20in%20Paradise%20for%20our%20VAT%20deal%3F§ionls=news&searchyear=2017>. Accessed 12 Oct. 2019.

¹⁴ "Accelerator Programme plays to win | News | - IOMtoday." 24 May. 2019,
<http://www.iomtoday.co.im/article.cfm?id=48680&headline=Accelerator%20Programme%20plays%20to%20win§ionls=news&searchyear=2019>. Accessed 12 Oct. 2019.

early-stage business founders plus investment match making.¹⁵ The Hubb in Douglas provides co-working space and business support specifically for blockchain and cryptocurrency technology based startups setting up in the Island. In addition to that, the facility also houses the Government's Blockchain Office including a blockchain regulatory sandbox where blockchain and cryptocurrency-based companies can pilot their business model with temporary granted licenses.¹⁶ This set-up resembles the Regulatory Sandbox run by the FCA in the UK. Vannin Ventures in Douglas brands itself as a Telecoms and IoT focused Innovation Incubator. Backed by Manx Telecom, this appears to be the only corporate accelerator on the Island at the moment.

Angel Networks and Support

The Bridge Angel Network, which ran for about three years from 2016 - 2019, pioneered the angel network concept on the Island. With over 37 events, over 220 entrepreneurs, 95 registered angel investors, and hundreds of startups, Bridge turned into a focal point for the local entrepreneurship community. When the network was discontinued it left a gap in the market.¹⁷

¹⁵ "Shared and Co-Work Spaces in the Isle of Man - Locate.im."
<https://www.locate.im/articles/shared-and-co-work-spaces-in-the-isle-of-man>. Accessed 12 Oct. 2019.

¹⁶ "Becky's Affiliated: How Hubb is nurturing the Isle of Man ..." 29 Aug. 2019,
<https://calvinayre.com/2019/08/29/bitcoin/beckys-affiliated-how-hubb-is-nurturing-the-isle-of-man-blockchain-boom-video/>. Accessed 12 Oct. 2019.

¹⁷ "Governor's tribute as Bridge Angel Network faces ... - IOMtoday."
<http://www.iomtoday.co.im/article.cfm?id=48724&headline=Governor%E2%80%99s%20tribute%20as%20Bridge%20Angel%20Network%20faces%20closure§ionls=news&searchyear=2019>. Accessed 12 Oct. 2019.



The Isle of Man Chamber of Commerce is an independent membership-based business support and networking organisation based at Eagle Labs. The organisation has been around since 1956 and has over 350 members organisations. They provide a wide range of services such as business networking events, workshops, access to Business Connex, business directories, business information, and meeting rooms for hire. The eight committees are covering a range of topics such as digital, education, employment and skills, etc.¹⁸

On the Island is a large Corporate Service Provider industry. The Association of Corporate Service Providers of the Isle of Man (ACSP) has over one hundred full member firms who provide a comprehensive range of highly professional corporate and fiduciary services.¹⁹ However, the services of those firms are geared towards corporates. Due to the relatively high fees this sector is less attractive to startups and early-stage entrepreneurs.

Events and Mentoring

One of the largest entrepreneurship event series that took place in recent years was the ISLEXPO series which ran from 2016 - 2018. Created in 2016 to launch the £50m EDS, ISLEXPO was initially built around three core concepts in line with the full spectrum of business support offered by the DfE – start, grow, and locate. The 2018 event played host to more than 1,500 attendees who took in a host of content

¹⁸ "IOM Chamber of Commerce." <https://www.iomchamber.org.im/>. Accessed 13 Oct. 2019.

¹⁹ "The Association of Corporate Service Providers Isle of Man" <http://www.acsp.co.im/>. Accessed 13 Oct. 2019.

and networking events at the Villa Marina.²⁰ The event series has been discontinued.

During its existence, the Bridge Angel Network hosted over 37 events which resulted in £2m of angel investment but as mentioned above, the network and its pitching events have been discontinued. The former manager of the Bridge Angel Network has secured the exclusive rights to host Startup Grind events on the Island and will be launching the first Startup Grind in 2019.²¹ As Startup Grind is a globally recognised brand, the event series will raise the Island's profile in the global entrepreneurship community and provide opportunities to put IOM startups in the global Startup Grind community spotlight.

Over the past 10 years the KPMG eGaming Summit has become one of the most forefront events for eGaming globally. The 2019 edition was the 10th anniversary of the summit and attracted global industry leaders and experts across the industry to the Island.²² The Isle of Man Chamber of Commerce hosts regular events such as the Monday Meetups for the IOM startup community and similar geared towards the entrepreneurship community. Earlier in 2019 they launched Knowledge Connex. The initiative includes 'speed mentoring' sessions where some of the Island's most experienced business leaders provide ad-hoc mentoring to business starters. The latest event in August 2019 had 35 entrepreneurs

²⁰ "ISLEXPO 2018 a 'resounding success' | Insider Media." 29 May. 2018, <https://www.insidermedia.com/news/north-west/islexpo-2018-a-resounding-success>. Accessed 13 Oct. 2019.

²¹ "Startup Grind Isle of Man | Global Community for Entrepreneurs." <https://www.startupgrind.com/isle-of-man/>. Accessed 13 Oct. 2019.

²² "Isle of Man eGaming Summit - KPMG Isle of Man." <https://home.kpmg/im/en/home/events/2018/09/isle-of-man-egaming-summit.html>. Accessed 13 Oct. 2019.



and business startups attending which also included networking opportunities.²³ In the cyber security space, the DfE has launched CYBERISLE, the Isle of Man government's flagship cyber security event. Hosted by the Office of Cyber Security & Information Assurance (OCSIA), CYBERISLE 2019 features world-class speakers, solutions and opportunities for interaction between the public and private sectors. The 2019 edition is scheduled for October 2019.²⁴

Ecosystem culture

The Isle of Man is very welcoming and open. People tend to be very open-minded and friendly. However, as much as tight knit communities provide a certain sense of protection, they can also exert a certain level of social control. Tolerance to failure might be lower than in urban environments like London or New York. The stigma of failure is more prevalent in smaller communities mainly because of the high level of social transparency. Having said that, the Island has a strong support network and it appears that the Island in itself resembles a large incubator with lots of social support available. Over the course of our research we received the impression that the ecosystem is momentarily in decline to the dismay of its stakeholders and that a change of course is much desired.

²³ "Chamber hosts Knowledge Connex 'speed mentoring' workshop."
<https://www.iomchamber.org.im/news/news-chamber-hosts-knowledge-connex-speed-mentoring-workshop-august-2019/>. Accessed 13 Oct. 2019.

²⁴ "CYBERISLE 2019 - Department for Enterprise."
<https://www.iomdfenterprise.im/events/cyberisle-2019/>. Accessed 13 Oct. 2019.

The core of the ecosystem stakeholders are popular community figures and the networking events emanate an almost cliquey feel as most people appear to know each other quite well. Quite a few people are fixtures of the ecosystem with a long-standing reputation who also serve as role models. Business is the most common conversational topic and the Islanders socialise regularly in the many cafes and restaurants to keep abreast with the latest ecosystem news. There is an environment of open collaboration which has at times undertones of friendly competition. Due to the constant exchange with the UK and Ireland people bring in fresh ideas and views.

In 2018, the number of new start-ups in the UK fell by 12.8 per cent, or almost 42,000, compared with the year before, according to the FT.²⁵ To what extent the startup ecosystem of Isle of Man will be affected by Brexit remains to be seen. Due to its stable environment and access to the global off-shore industry the level of stability is relatively high, though.

IV Funding sources

Access to funding or finance is an important factor for development and growth. Many jurisdictions have access to public funding schemes to underwrite the risk capital needed by early stage and high-growth firms.

Funding from the public sector

²⁵ "Brexit blamed for sharp fall in number of new start-ups" 7 Sep. 2019,
<https://www.ft.com/content/94af0024-d004-11e9-99a4-b5ded7a7fe3f>. Accessed 13 Oct. 2019.



In October 2015, Tynwald approved a £50million Enterprise Development Scheme (EDS) to provide grants, loans and equity investments to eligible businesses to enhance job creation on the Island. In April 2016 Liverpool-based investment company SPARK Impact was awarded an exclusive five-year contract to act as fund manager of the loan and equity elements of the scheme.²⁶ Following a revision by the Department for Enterprise (DfE) the EDS was changed in 2019 because it did not meet its annual investment targets of £10m. Instead, only £3m had been invested which created fewer jobs than expected.²⁷ The EDS is now operated within the Department for Enterprise with its own internal scheme manager and Committee who approve each investment. According to the National Income Report the Isle of Man GDP increased by 7.4% during the 2016/17 financial year which also contributed to the decision to transfer management of the EDS.²⁸

Continuing the theme of public funding, the DfE offers a range of support schemes to support starting, growing and developing businesses on the Isle of Man. In total there are nine schemes available providing financial support, skills, and advice. The schemes available are:

1. Micro Business Grant Scheme (MBGS)

²⁶ "SPARK Impact appointed to manage £50m enterprise" 11 Mar. 2016, <https://www.liverpoolsciencepark.co.uk/spark-impact-appointed-manager-of-isle-of-man-50million-enterprise-development-scheme/>. Accessed 12 Oct. 2019.

²⁷ "Government's £50m flop scheme to attract more ... - IOM Today," 28 Sep. 2018, <http://www.iomtoday.co.im/article.cfm?id=43052&headline=Government%27s%20C2%A350m%20of%20scheme%20to%20attract%20more%20business%20to%20the%20Isle%20of%20Man%20is%20scrapped§ionIs=news&searchyear=2018>. Accessed 12 Oct. 2019.

²⁸ "Manx £50m business scheme scrapped due to ... - BBC." 24 Sep. 2018, <https://www.bbc.co.uk/news/world-europe-isle-of-man-45627830>. Accessed 12 Oct. 2019.

2. Business Improvement Scheme (BIS)
3. Vocational Training Assistance Scheme (VTAS)
4. Isle of Man Town and Village Regeneration Scheme
5. Investors in People (IIP)
6. Business Energy Saving Scheme (BESS)
7. STEP Programme
8. Financial Assistance Scheme (FAS)
9. Enterprise Development Scheme (EDS) - sector specific funding

Between 2016 and 2018 the Micro Business Grant Scheme (MBGS) has helped create over 150 small businesses on the Island. Because of the increasing number of contracts signed the scheme is constantly being developed and adjusted to market needs.²⁹ This approach shows the flexibility of the DfE to keep up with the changing needs of the market. The scheme also includes business mentoring from the initial startup phase to growth stage over a period of 12 to 24 months, which can be tailored to the scheme's recipient needs and progress. According to the DfE the business mentoring aspect has been the most valuable aspect of the scheme.³⁰ On 18 January 2019 the revised Enterprise Development Scheme (EDS) came into operation focussing on:

- New start-up businesses
- Isle of Man businesses looking to expand
- Businesses relocating to the Isle of Man

²⁹ "Further Support for Local Small Businesses - Isle of Man" <https://www.gov.im/news/2018/nov/06/further-support-for-local-small-businesses/>. Accessed 12 Oct. 2019.

³⁰ "Micro Business Grant Scheme - Department for Enterprise." <https://www.iomdfenterprise.im/financial-support/funding/micro-business/>. Accessed 12 Oct. 2019.



The scheme, operated by the DfE, provides a range of financing options, including:

- loans
- equity
- convertible instruments

Investments will have a minimum value of £100,000 and a maximum value of £1m. The total Government investment can be up to 40% of the required funds for each investment round. The scheme will run from 18 January 2019 to 31 December 2024.³¹ Since the scheme is less than one year old at this point, it remains to be seen what impact the scheme will have on the entrepreneurship ecosystem on the Island in the long run.

Funding from the private sector

In addition to public finance there are also a range of private financing providers available on the Isle of Man. Due to cultural idiosyncrasies on the Island many private investors and HNWI prefer to avoid the public eye. Below is a selection of key investment organisations located on the Isle of Man ranging from Venture Capital to Private Equity.

Organisation	Description
Argosy	Private Equity and Venture Capital

³¹ "Enterprise Development Scheme - Isle of Man Government."
<https://www.gov.im/categories/business-and-industries/business-support-and-assistance/enterprise-development-scheme/>. Accessed 12 Oct. 2019.

Bramden Investments	Venture Capital
Manninvest	Venture Capital
The International Stock Exchange (TISE)	Securities exchange
Sancus	Marketplace lender matching and SME funding
Capital International	Investments, treasury, forex
Atami Capital	Venture fund
DBAY Advisors Limited	Asset management

Currently, there is no crowdfunding platform located in the Isle of Man. Although several concepts have been developed in the past by local entrepreneurs, no concept came to fruition due to the lack of funds.

V Policy and investment landscape

A number of respondents commented on the lack of clarity they perceive in relation to the strategic objectives of the government, policies and initiatives that are occurring and “disjointed” approach.

Respondents also commented on the numerous factors they perceive to be contributing to the challenges of access to finance, particularly fundraising from island-based investors. Specifically, in relation to angel



investment, syndicate investments, and Enterprise Investment Scheme (EIS), as well as other tax efficient investment scheme). For example, there is a perception that the current FSA rules do not permit syndicate investments, another notion is that EIS should be allowed on the island in order to incentivise overseas investors to invest inwards into Isle of Man based startups and SMEs. These factors or perceived factors are addressed by first establishing the existing, legislation and regulations, secondly, by treating each point accordingly, thirdly, by determining the opportunities given the framework. EIS is discussed under the section “Tax and tax efficient investments”, whilst angel investing, syndicate investing and crowdfunding are discussed in the section “Financial Services Regulation”.

Strategic Objectives, Advocacy, Working Groups

More than 80% of all respondents from the qualitative research surveys, (phone interviews, in-person interviews, workshop attendees), remarked that there is a “disjointed” approach to policy making and information silos in both the private and public sector and between the two sectors. Some respondents believe that the current economic policies are very short sighted and often lack a strategic outlook and are “unclear” about which outcomes they want to achieve. For example, trying to promote more startup and entrepreneurship activities on the island whilst maintaining an “outdated” measure of economic success based on job creation/substance, given that the future of work is changing the employment landscape, and that startups are usually unable to employ full-time staff for their first few years of trading. Therefore, there is a disconnect between what policies and other factors create an enabling

environment for entrepreneurs. Respondents also commented that they viewed some initiatives as reactive to those of other islands as opposed to being deliberate and measured strategic initiatives. For example, trying to be a “startup island” or “digital island” is not an “authentic claim” whilst simultaneously having difficulties in company set-up and digital infrastructure such as internet connectivity.

It was suggested that there is a need to establish champions from the government with a political role and private sector champions that can influence strategy, change and transformation, and policy in the agencies, cutting bureaucracy and middlemen.

Tax and tax efficient investments

The Isle of Man as with the other crown dependencies, operate a low-tax jurisdiction as part of their economic and competitive advantage. Given the benefits of the Isle of Man tax system, 0% tax to all companies except banks, property companies and larger retailers (zero/ten tax system), no capital gains tax, inheritance tax or stamp duty for individuals (residents), investing in offshore businesses as a resident is already tax efficient.

Venture capital schemes offer tax relief to UK individuals (investors) who buy and hold new shares, bonds or assets for a specific period of time, and is therefore an attractive designation for UK registered startups and SMEs to raise risk capital. The Enterprise Investment Scheme (EIS), the Seed Enterprise Investment Scheme (SEIS), Social Investment Tax Relief



(SITR) and Venture Capital Trust (VCT) are the schemes made available by HM Revenue & Customs (HMRC) in the UK.

The maximum amount that can be raised in the lifetime of a company for SEIS investments is £150,000, SITR investments is £1.5 million, EIS and VCT investments is £12 million respectively. These schemes work well in the UK given the tax system, giving incentives in the form of tax relief to investors. This is however not the case when the Isle of Man based businesses wish to attract investment from UK taxpayers. There is however a workaround that allows Manx businesses to attract investment from UK taxpayers. By setting up a dual structure with an Isle of Man company with a UK branch which can then be registered for EIS relief. This however can be onerous on the startup/SME given the burden of managing dual administrations (registration, offices, payroll, accounts, tax regimes, transfer pricing arrangements etc.) Below is a table listing different venture capital schemes for illustrative purposes.



Scheme	Maximum annual investment you can claim relief on	Percentage of investment on which you can claim	Tax relief on income from dividends	Personal Capital Gains Tax relief available on your initial investment	Type of Capital Gains Tax relief on initial investment	Gains exempt from Capital Gains Tax when you sell shares	Relief available for capital losses against income
EIS	£1 million £2 million if at least £1 million of that is invested in knowledge-intensive companies	30%	No	Yes, on 100% of investment	Deferral	Yes, if you received Income Tax relief	Yes,
SEIS	£100,000	50%	No	Yes,, on 50% of investment, capped at £50,000	Exempt from tax	Yes if you received Income Tax relief	Yes
SITR	£1 million	30%	No	Yes, on 100% of investment	Deferral	Yes, if you received Income Tax relief	Yes - but not on loans
VCT	£200,000	30%	Yes	N/A	N/A	Yes	No

(Source: GOV.UK. HMRC Venture Capital Schemes. London, UK 2019) ³²

³² "Use a venture capital scheme to raise money for your ... - Gov.uk." 5 Sep. 2018, <https://www.gov.uk/guidance/venture-capital-schemes-raise-money-by-offering-tax-reliefs-to-investors>. Accessed 25 Oct. 2019.



Financial Services Regulation

On 1 November 2015 the Isle of Man Financial Supervision Commission and the Isle of Man Insurance and Pensions Authority merged to create the Isle of Man Financial Services Authority (the FSA). The financial services regulatory framework in the Isle of Man (FSA) is similar to the regime in the UK (FCA). The regulatory objectives of the FSA are:

- a. securing an appropriate degree of protection for policyholders, members of retirement benefits schemes and the customers of persons carrying on a **regulated activity**;
- b. the reduction of financial crime; and
- c. the maintenance of confidence in the Island's financial services, insurance and pensions industries through effective regulation, thereby supporting the Island's economy and its development as an international financial centre.

In particular, in reference to the investment environment, the FSA's main function is to regulate and supervise persons undertaking **regulated activities** in respect of deposit taking, investment business, services to collective investment schemes, fiduciary services and money transmission services, in or from the Isle of Man³³ (amongst other functions).

³³ "About the Isle of Man Financial Services Authority." <https://www.iomfsa.im/about/about-us/>.

Regulated Activities:

1. An activity is a regulated activity if:
 - a. it is a financial services activity of a specified kind; and
 - b. it is undertaken by way of business.
2. "Financial services activity" includes:
 - a. deposit taking;
 - b. investment business;
 - c. any service to a collective investment scheme;
 - d. corporate services;
 - e. trust services;
 - f. any service or activity involving money transmission;
 - g. any other financial service or financial activity of a specified kind
 - h. that is carried on by a person of a specified description.

The general prohibition

- (1) A person must not carry on, nor hold themselves out as carrying on, in or from the Island, a regulated activity:
 - a. in respect of which no licence is in force; or
 - b. if such a licence is in force, other than in accordance with the conditions, if any, of the licence

In summary, the rules states that regulated activities and therefore, any person or legal entity that engages in such activities must be licenced to



carry out those activities. It is prohibited to carry out a regulated activity without holding a licence.

Angel investing (individual investors)

Angel investors play a vital role in the investment ecosystem as they typically fund businesses that are not yet economically sizable and attractive for venture capital funding. An angel investor typically invests in the range of £5,000-£150,000 in a single business venture, depending on the subjective needs of that venture. Angel investors are private individuals and therefore engage in the due diligence process and are signatories on the legal documentation, which is public information.

There is reluctance to invest as an angel investor on the Isle of Man by individuals for privacy reasons, because they wish to retain their privacy/anonymity as a high net worth individual (HNWI). As this is a response to a cultural/social function, this particular issue is therefore beyond the control or influence of the FSA.

Syndicate investments and co-investing (including angel investment syndicates)

Investing alongside other individual angel investors or groups/clubs of angel investors, i.e. forming a syndicate, is a means for spreading the risk amongst the syndicate group and is effective for pooling funds together. Angel investor networks allow investors to interact and form groups according to their interests in particular investment opportunities.

Angel networks can therefore create numerous opportunities for investors to form syndicates. Syndicates allow investors the opportunity to build capacity of the investors on a deal by deal basis and pool more money collectively. This can be effective in attracting investors with certain sector/industry expertise and can create bargaining power for future fundraising activities (i.e. larger fundraising rounds seeking venture capital investments).

Individuals can invest in a deal-by-deal basis through an angel investment syndicate and co-investing with angel clubs i.e. on an ad-hoc basis or regularly. There are a number of common structures and possibilities, too many to list in this report. Some common structures are limited partnerships, unit trusts, open ended investment company (OEIC) or similar structure, and so forth. Unit trusts and OIECs can either be regulated or unregulated, regulated firms must be authorised by the FSA.

Members of a syndicate must determine the right organizational structure for their community and group members and thus understand the rules on regulated activity, and seek the appropriate steps where authorisation is required.

Discussions with respondents confirm that there is a need and an appetite to create syndicate investment associations, there is however a perception that it is “not permitted” by the FSA. It is in fact “permitted by the FSA. There is an opportunity for individuals and groups of individuals on the island to fill the funding gap by creating an angel network and therefore the investment opportunities for investors to invest in, whether



as individual investors, ad-hoc syndicates, co-investment, or authorised syndicate investment structure (a licensed entity).

Crowdfunding

Crowdfunding allows businesses including startups to raise money from the public to fund their business, projects, campaigns or individual causes. Loan-based crowdfunding platforms allows businesses to borrow money from consumers (peer-peer lending) with repayment of interest and capital over time, whilst investment-based crowdfunding allows businesses to raise equity-based investment directly from consumers. Some loan-based crowdfunding platforms provide opportunities for investors to cash in their investments on a secondary market. Investment-based crowdfunding in particular are high risk as there is a greater risk of losing all the capital, plus additional risks such as the risks of failure of startups, defaults, in addition to the risks of failure of the crowdfunding platform itself.

Crowdfunding platforms are internet-based platforms that allow businesses to promote their campaigns to potential investors, including retail customers (consumers), as well as attracting experienced investors such as high net worth individuals, sophisticated investors and venture capital trusts.

Crowdfunding platform services are permitted by the FSA, including secondary markets and uses IOSCO principles, (protecting investors; ensuring that markets are fair, efficient and transparent; reducing systemic risk). The legislation governing crowdfunding platforms in or

from the Isle of Man is the Financial Services Act 2008, amendments were made under the Regulated Activities Order 2011 (as amended 2013, 2016, 2018 and 2019) bring this into effect.

Operating loan-based crowdfunding services, crowdfunding electronic platforms, (facilitating debt between lenders and borrowers, administration of lending, transfer of repayments between borrower and lender and debt collection are regulated activities. This was introduced as a Class 6 regulated activity in 2016.

The Regulated Activities Order was amended in 2019 to include equity-based crowdfunding. Operating investment-based crowdfunding services, crowdfunding electronic platforms, arranging deals in investments facilitates for issuers of investments or direct investors, and operating secondary trading facilities within the platform solely in relation to investments originally facilitated on electronic platform, are regulated activities.

In order to operate a crowdfunding electronic platform, (debt and/or equity-based), the platform operator has to submit an application for a licence to carry on those regulated activities. The operator would need to meet certain requirements, such as being sufficiently experienced, passing the integrity test and having substance on the island if the operator establishes operations on the island, (amongst other requirements. Crowdfunding platforms which are not investment or loan based (for example those seeking charitable contributions for good causes) do not require a Financial Services Licence.



The FSA have confirmed that they have received no enquiries from firms regarding applying for a crowdfunding licence. There are currently no crowdfunding platform licence holders on the FSA register.

Client type

The FSA has categorised client types in order to offer investor protection to investors on the island, investing in crowdfunding platforms operating on the island (as licence-holders), there are specific caps for investment according to client type:

1. Retail investors, “Restricted Client Certification”;
 - d. Cap of £1,500 in any one crowdfunded investment or loan, or £5,000 in total in crowdfunded investments or loans, including via secondary trading.
2. High Net Worth Client Certification
 - a. Must certify that they are an experienced investor and have £100,000 net worth available for investment/lending, excluding their home/second charge, rights under an insurance contract, benefits including pensions payable on termination of service, death which they or their dependants are entitled to;
 - b. Cap of £10,000 in any single crowdfunded investment or loan, or £50,000 in total in crowdfunded investments or loans, including via secondary trading.
3. Sophisticated investors, “Unlimited Client Certification”:
 - a. Must certify that they are an experienced investor and have £500,000 net worth available for

investment/lending, excluding their home/second charge, rights under an insurance contract, benefits including pensions payable on termination of service, death which they or their dependants are entitled to.

A number of respondents commented on their dissatisfaction on the restrictive amounts for crowdfunding as they believe that this is too inhibiting for retail investors and HNWI. The FSA responded that the restrictions were decided by the board due to the statutory obligations to protect investors. These specific nominal amounts were decided as opposed to the method used by the FCA (UK), (the FCA rules are that ordinary investors must confirm that they will not invest more than 10% of their net investable assets in investments sold via investment-based crowdfunding platforms). By using nominal amounts, the FSA believe this is more measurable and enforceable.

A number of respondents have commented that the investment limits for retail clients are too restrictive. The FSA maintains its statutory obligation to protect investors. The FSA has stated that should an established crowdfunding business with demonstrable experience apply for a licence they would consider amending those limits and provisions to the Rule Book, as long as they satisfy the following conditions:

- a) Providing a well-considered argument of the reasons and justifications why the investment limits are inappropriate;
- b) Substantiated with evidence of a good track record of their operations in other jurisdictions with alternative investment limits;
- c) A demonstrated ability to ensure consumers are adequately protected;



- d) Meet the standard licence application conditions, i.e. fit and proper, integrity, competence, financial standing, structure and organisation of the applicant;
- e) An application from an established crowdfunding platform operator would allow the FSA to assess the effectiveness and appropriateness of the investment limits and to also test the parameters of secondary trading facilities within the platform.

As yet, the FSA has not received any meaningful enquiries of prospective license applications for crowdfunding platform services on the Isle of Man.

There is an opportunity for a market engagement exercise with established crowdfunding platform service providers to establish a branch on the island (or other suitable arrangement) as this is permissible under the FSA licencing policies. The FSA is interested in assisting in engagements to answer any regulatory questions operators may have.

Technology, Innovation, and Regulatory Agility

A number of respondents commented that they felt that the island has a good reputation in a number of areas aside from being known as a low tax jurisdiction and financial services. Namely, its reputation as a strong base for e-gaming companies attracting global talent and speed of legislation to enable the environment on the island for this growing sector.

The newly established Blockchain Office and Sandbox and the ease of implementing legislation, in particular, financial regulations. The Blockchain Office objectives are to facilitate, advise, provide insight on the sector and access to solutions using blockchain technology as well as act as a conduit between, government, regulators and the private sector. The Blockchain Sandbox provides testing of products and services in a controlled environment, steering and regulatory analysis. The FSA has had no licence applications as yet as the Blockchain Sandbox was opened only 6 months ago.

The FSA has been remarked by a number of respondents as a financial services regulatory sandbox. Although there are not enough numbers on the island to justify having a standalone financial services regulatory sandbox in the same style as the UK FCA, the speed in which the FSA responds to new regulatory case studies is an opportunity to be leveraged. The FSA is able to work on case-by-case basis to help applicants. If a business is particularly innovative, there is an environment to beta test solutions, helping to meet the standard licence application conditions and amend the Rule Book if there is a well-considered argument to do so.

In addition to the innovative approach of the FSA and Digital IOM, the Isle of Man has demonstrated its ability to bring in legislation very quickly. This presents an opportunity for the Island to introduce legislation which counteracts unfriendly business legislation in the UK, EU and other international locations. The Isle of Man could become a sandbox for legislations that are hindering certain sectors. Creating regulatory environment for businesses to test their solutions, have access to government support (could be non-financial support) and an



ecosystem that supports these sectors could enable the Isle of Man to become a designated location for industry and sector legislative innovation.

VI Diversification

There is a high concentration of certain industry sectors in the ecosystem, making up 55.5% of the local economy. There is also a tendency to focus on a few towns as the main centres of interest or attraction, particularly Douglas.

Diversified Industries/verticals

The verticals that are strong on the Isle of Man include banking, financial and professional services, and gaming. Many respondents commented on the need to diversify as there is a shortage of diverse employment opportunities as a result of this. Sectors that have been mentioned as diversification opportunities include renewables, AgriTech, GreenTech, MarineTech (including tidal energy). Especially given the natural assets of the island, its previous MarineTech facility and the UNESCO Biosphere designation.

Currently there aren't any designated sites to conduct trials, pilot or test technology, but it is noted that the government currently has deployed a climate mitigation initiative where it is working with experts to find feasible and viable solutions. As an island, there has been consistent investment in engineering companies, therefore, there is existing

intellectual and human resources to quickly deploy into these additional industry verticals. The island could become a testbed for innovation and creation of IP. Once nurtured, these innovations can be exported to other markets. This proposition could be targeted at early stage startups, providing financial support, plug in to centres of excellence (universities for example), knowledge and innovation ecosystems to enable them to build and grow their innovation-based ventures.

Research-facilities-as-a-service

A further opportunity for exploration, would be setting up a state-of-the-art research facility including laboratories and accommodation on the Island and renting them out to industry researchers, scientific researchers, or naval researchers on a temporary basis. Industries of interest could be AgriTech, GreenTech, MarineTech or the Navy.

The unique value proposition of such a turnkey solution in the Irish Sea would attract international research teams and open the door to a wide range of collaborations with universities and industry players globally to build upon. The facility could be developed on the basis of a private-public-sector partnership with external sponsors who contribute financially to the project. Such a facility could also generate opportunities for students of the University College Isle of Man in the form of internships and job opportunities which in turn adds to the value proposition of the UCM.



By way of example, the German maritime industry is one of the most important sectors of the German economy with an annual turnover of €50b. Given the global competition in the industry, there is a high demand for innovation as set out in the Maritime Agenda 2025 by the German Federal Ministry of Economics and Technology.³⁴ The federal government maritime industry policy objectives include setting up end-to-end chains from scientific research, to industrial R&D all the way through to market launch, strengthening research cooperation at European level, with a focus on SMEs in particular. We believe there is an opportunity here for the Isle of Man to tap into this policy objective and collaborate with the German maritime industry on innovation by providing research facilities and its maritime environment as a test bed resulting in sustainable industry diversification benefits for the Island.

Diversifying the island: Towns, centres of attraction

A number of respondents noted that there is a concentration on Douglas all the time, respondents outside of the Isle of Man also commented that aside from being known as a tax efficient jurisdiction, there was little else they were cognisant about the island. For example, none of the off-island respondents knew the founder of Pilates, Joseph Pilates, had developed, Contrology (which later became known as Pilates) during his internment on the island. Or that Sir Charles Forte and Tiny Rowland,

³⁴ "Maritime Agenda 2025. The future of Germany as a ... - BMWi." <https://www.bmwi.de/Redaktion/EN/Publikationen/maritime-agenda-2025.pdf> Accessed 23 Oct. 2019.

were also held on the island during the second world war. Bearing in mind that such historical contexts deserve to be treated with sensitivity and balance. Neither did respondents know that the Isle of Man was the birthplace of the Bee Gees, or famous cyclist Mark Cavendish, nor that there is The IOM Copiers Round the Island Race.³⁵ Currently, the island is known as location for low taxes, seaside holidays and retirement, or the TT Races³⁶. A number of offshore respondents even mistook the Isle of Man for the Isle of Wight!

As part of the Town Regeneration on the Island, a number of village Trade Associations, entrepreneurs and interest groups have collectively pooled their resources to campaign for rebranding, particularly after Port Erin set a precedent. The town branding exercise will combine building new adverts and signage and developing business cases intended to increase footfall in the towns. There is a method for the village Traders Association to communicate their town plans to government. The initiative is being led by entrepreneurs that are living in locations and not necessarily retail owners that have businesses in those locations.

Given that this initiative is already in motion and that there is already buy-in from the towns, there is an opportunity to tie branding scheme for the towns with a wider strategic and targeted approach to serve a purpose related to economic impact. Specifically, by surveying each town, conducting an ecosystem mapping exercise will be very useful to find determine the attributes, capabilities and capacities (assets) of each

³⁵ "Round the Island 2019 - Manx Sailing & Cruising Club." https://www.msandcc.org/?page_id=17. Accessed 24 Oct. 2019.

³⁶ "Isle of Man offers tax breaks to attract workers | Financial Times." Accessed October 15, 2019. <https://www.ft.com/content/3f182766-3690-11e9-bb0c-42459962a812>.



town. These assets could be built on to develop specialties in certain entrepreneurial or business verticals for example food and agriculture, tourism, natural and geological wonders, etc, that can attract domestic and international tourists, inward and outward investments.



VII IOM Entrepreneurship Ecosystem SWOT

Top 5 STRENGTHS

1. A low tax jurisdiction which is perfect for gaming and other industries.
2. 1-hour commute to London, the North of England and therefore international connections beyond, which is seen as attractive to digital nomads.
3. There is a high density of professional services firms and talents and subject matter experts in e-gaming, insurance, financial and business services and ICT.
4. It is a green and tranquil destination with an abundance of natural and geological assets that can be exploited for tourism and industry.
5. There is a close-knit community, low crime rates and a good place to bring up children. The community is culturally very business savvy and entrepreneurial

Top 5 WEAKNESSES

1. It is hard to start a business; the registration process is challenging.
2. There is a distinct lack of access to finance: risk capital, investors and growth capital.
3. The government is seen as being too involved, sometimes in areas it is not experienced in, such as starting an accelerator without understanding the nature or needs of early stage startups and then shutting it down. The over involvement also results in an over-reliance or expectation from the general public and the private sector on the government.
4. The ecosystem is not self-sustainable and does not warrant being so because of constant intervention from the government;
5. Due to the 5-year political term, there is a suggestion that current strategic economic policy objectives are too short term in their outlook as sustainable economic growth takes longer to achieve.



Top 5 OPPORTUNITIES

1. The island itself is an incubator for regulatory and legislative agility due to an accessible and approachable government and legislators. Natural and geological assets make it attractive as a sandbox or “testbed” for innovations in technology, verticals like MarineTech, GreenTech, AgriTech, etc. for example, like Iceland has established itself as.
2. Opportunities for market engagement for challenger banks and crowdfunding platforms, business angel networks to change and transform the banking experience, access to finance and investment landscape.
3. Opportunity to form a reciprocal relationship with the Channel Islands for a shared crowdfunding platform service or a single market for crowdfunding, and expand investment opportunities in similar jurisdictions and geographically. Eventually can open the opportunities up to global international tax community.
4. Diversification of verticals, more towns offering additional centres of attractions/capacity, services to cater for spouses and partners can contribute to further economic development. This can attract and retain a younger workforce (in light of the aging population) by developing a clear narrative and value proposition that can be marketed, communicated and promoted internally and internationally.
5. The suitable environment to raise a family needs to be supported with more childcare services, kindergartens/nurseries, free education from primary through to further education, vocational courses specifically aligned to the demands of employers on the island.

Top 5 THREATS

1. The lack of tax relief deters UK investors from investing in Isle of Man startups.
2. The lack of risk capital available forces high-growth businesses to leave the island.
3. Short sighted policies and key performance indicators (KPIs), a lack of strategic outlook, long-term economic plans/strategy inhibits growth of the economic opportunities that take a medium to long-term timescale to be nurtured.
4. Dependency on the common purse makes it difficult to diversify, could alienate and instigate a risk of the agreement being cut.
5. Lack of diversification into other verticals, sectors and startup activity.



VIII Jurisdictional comparison

We conducted a brief jurisdictional comparison to see what other jurisdictions are doing and where the Isle of Man ranks against those comparatives in terms of their current ecosystem. The purpose is to provide good practice case studies of entrepreneurship support in other ecosystems.

The jurisdictions selected include England (London, Yorkshire & The Humber (Leeds)) and Wales, Scotland, Northern Ireland, Guernsey, and Jersey, as we felt it is important to highlight some of nearshore comparables. In addition, Iceland, Malta and Portugal were selected due to their notable entrepreneurship ecosystem activities in Europe. Noting that England and Wales is the same jurisdiction, each respective jurisdiction is represented with its own “Country Profile”. Ease of Doing Business refers to the *World Bank Doing Business Report 2019*³⁷. The EODB score/rank is given to the UK as a whole, and therefore there is no further breakdown for the individual jurisdictions within the UK. The Global Entrepreneurship Index³⁸ refers to the Global Entrepreneurship and Development Institute annual index that measures the health of the entrepreneurship ecosystems in 137 countries. When available, this information is provided in each “Country Profile”. The Global Talent Competitiveness Index³⁹ and The Global City Talent Competitiveness

Index refers to annual report addresses the topic of entrepreneurial talent and global competitiveness and is compiled by INSEAD, the Adecco Group and Tata Communications.

Appendix 1. provides more details of the quantitative and qualitative information for the jurisdictional comparison and the sources of reference.

³⁷ "DOING BUSINESS 2019." Accessed October 11, 2019.

https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report_web-version.pdf.

³⁸ "Global Entrepreneurship Index | Global Entrepreneurship" Accessed October 14, 2019.

<https://thegeedi.org/global-entrepreneurship-and-development-index/>.

³⁹ "GTCL Report 2019 - Entrepreneurial Talent and Global" Accessed October 14, 2019.

<https://gtcistudy.com/>.



England (London, Yorkshire & The Humber (Leeds))

The entrepreneurship ecosystem in the UK is well developed, with London alone having 136,939 new businesses and 548,222 registered startups created in 2019 alone. At the other end of the startup ecosystem maturity stage is Yorkshire & The Humber which is emerging as a booming startup location for early stage startups, particularly in property tech and travel tech, with £3.7bn in turnover and 53,000 people employed in 2017. Infrastructure improvements such as coworking spaces and commercial office space, transport links and internet stability which are contributing to the growth of startup ecosystem in this region.

Ease of Doing Business (United Kingdom)

- Ease of doing business rank 9 out of 190
- Starting a business (rank) 19
- Score for starting a business (0–100) 94.58
- Procedures (number) 4
- Time (days) 4.5
- Cost (% of income per capita) 0.0
- Minimum capital (% of income per capita) 0.0
- Getting credit (rank) 32
- Global Entrepreneurship Index rank of 4

[Companies House](#) offers an online service costing for all types of formations. Prices start at £12 for a limited company, turnaround is typically 4 business days. With clear guidance and calls to action.

Banking

Opening a business bank account is relatively easy, there are a number of choices between high street banks and a plethora of neo-banks such as Metro Bank and fintech companies such as Monese, Revolut, Starling, Transferwise.

Funding and Access to Finance

The £2.5bn Patient Capital Fund was launched to support UK companies with "high growth potential". The Start Up Loans scheme offers loans of up to £25,000 at a fixed interest rate of 6%. There is Innovate UK competition funding, Research and Development tax credits, and the EU's Horizon 2020 funding, and the British Business Bank. In addition to the active VCs, Angels and PE, there is the London Co-Investment Fund, EIS, SEIS, SITR and VCT tax relief related fundraising schemes to attract investors, and crowdfunding. Department for Business, Energy & Industrial Strategy database of funding schemes and programmes across England as well as Business is Great.

Human Capital Availability

The UK ranks 9 in The Global Talent Competitiveness Index, (with London ranking 14) out of 114 cities in the Global City Talent, Competitiveness Index rankings and overall scores. Innovator visa, Startup Visa for, the Tier 1 Exceptional Talent visa entrepreneurs to attract global talent.

Support and Networks

There are over 170 coworking spaces in London and over 120 incubators and accelerators. There are 5 coworking spaces and 19 incubators and accelerators in Yorkshire & The Humber (Leeds) and over. Tech Nation, Digital Business Academy, StartUp Britain, Enterprise Nation, London & Partners, Department for International Trade's (DIT) Global Entrepreneur Programme (GEP). Knowledge Transfer Network, UKRI, Local Enterprise Partnerships, events and conferences.

Communication, Marketing and PR

London in particular is both passive and active in promoting itself, with organisations like London & Partners, The DIT and Business is Great amongst others. Leeds Digital Festival and TechStars' Startup Weekend amongst others is putting Leeds, Sheffield and Bradford on the map as startup cities.



Wales

Wales has a booming tech industry, with the National Assembly actively involved in supporting Wales' creative business sector and significant inward investment and infrastructure development. Wales is recognised as one of the leading global centres for Cyber security. In July 2018 launching the world's first compound semiconductor cluster in Newport South Wales, bringing together technology firms and academics. Cardiff and Swansea stand out as leaders in the startup ecosystem. Wales has robust infrastructure, excellent universities, competitive costs and is only two hours from London.

Ease of Doing Business (United Kingdom)

- Ease of doing business rank 9 out of 190
- Starting a business (rank) 19
- Score for starting a business (0–100) 94.58
- Procedures (number) 4
- Time (days) 4.5
- Cost (% of income per capita) 0.0
- Minimum capital (% of income per capita) 0.0
- Getting credit (rank) 32
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[Companies House](#) offers an online service costing for all types of formations. Prices start at £12 for a limited company, turnaround is typically 4 business days.

Banking

Opening a business bank account is relatively easy, there are a number of choices between high street banks and a plethora of fintech companies such as Monese, Revolut, Starling, Transferwise.

Funding and Access to Finance

The Development Bank of Wales is providing more than £1 billion of investment support. Welsh Government-funded Technology Seed Fund and startup business grant. The Swansea Bay City Region's £500 million deal aims to transform the region into a digital super-hub building on the strengths of the local University, Tidal Lagoon and to unlock economic growth. Wales enjoys much of the spill over from the active VCs, angels and PE firms in London, and EIS, SEIS, SITR and VCT tax relief related fundraising schemes to attract investors, and crowdfunding, as well as the wider UK funding streams such as Innovate UK, H2020, the British Business Bank etc.

Human Capital Availability

Wales is attractive to tech start-ups due to its proximity to London, notable universities include Cardiff University, University Of South Wales, Swansea University and Cardiff Metropolitan University. Cardiff School of Technologies specialises in digital media, data science and design technologies, The National Software Academy produces work-ready software engineering graduates and the Alacrity Foundation nurtures the next generation of entrepreneurs.

Support and Networks

Wales participated in the MIT Regional Entrepreneurship Acceleration Programme (REAP) which engages and aligns government, corporate, academia, risk capital, and the entrepreneurial community, and has since launched Be The Spark. Investment from Finance Wales, funding from the Welsh Government, backing by NatWest's accelerator Entrepreneurial Spark, Amazon Academy, DIT, DevOpsGroup Academy, Pitch@Palace On Tour, Tech Nation, all form the support infrastructure. Innovation Point helps to drive growth and Cardiff Start, Wales's largest startup community, connects entrepreneurs.

Communication, Marketing and PR

Wales is well known in the UK and EU; however, it needs to increase its global profile in the post-Brexit world. The appointment of its first dedicated Minister for International Relations is tasked with this new international strategy.



Scotland

Scotland CAN DO Framework is a vision that was set out by the Scottish Government – with the ambition of becoming a world leading entrepreneurial and innovative nation – a CAN DO place for business. The framework combines the public, private and third sector to provide the best, coordinated and amplified support to existing and potential entrepreneurs and hosts an annual festival of celebration. Fintech, Biotech, Digital Health, and Medicine, innovation in Oil & Gas, Marine Tech, Construction.

Ease of Doing Business (United Kingdom)

- Ease of doing business rank 9 out of 190
- Starting a business (rank) 19
- Score for starting a business (0–100) 94.58
- Procedures (number) 4
- Time (days) 4.5
- Cost (% of income per capita) 0.0
- Minimum capital (% of income per capita) 0.0
- Getting credit (rank) 32
- Global Entrepreneurship Index rank of 4

[MyGov.Scot](#) is a one stop shop for information, guidance and calls to action such as registering a business through [Companies House](#).

Banking

Opening a business bank account is relatively easy, there are a number of choices between high street banks and a plethora of fintech companies such as Monese, Revolut, Starling, Transferwise.

Funding and Access to Finance

The By Design grant offers £2000-£5000 to build or improve a product or service. The Scottish Microfinance Fund offers small (£500-£25,000) low-interest loans to

new and established companies. SMART: Scotland offers grants up to £100,000 to SMEs to scale up their activities. Scottish Edge is a funding competition up to £150,000 and ongoing support for innovative entrepreneurs. Scottish Enterprise offers Scottish Co-Investment Fund, Scottish Venture Fund, Energy Investment Fund (EIF), Scottish-European Growth Co-investment Programme, Scottish Loan Scheme, Maven UK Regional Buyout Fund access to finance schemes. There is a strong VC and business angels network that have emerged as structured groups/syndicates in recent years, such as LINC. EIS, SEIS, SITR and VCT tax relief related fundraising schemes to attract investors and crowdfunding. Patent Box tax relief scheme, (SME) R&D Relief, R&D Expenditure Credit and Creative Industries Tax Relief. There is also access to wider UK funding streams such as Innovate UK, H2020, the British Business Bank etc.

Human Capital Availability

Staff costs are up to 40% lower than in London. Scotland has the highest educational attainment of any part of the UK and the highest concentration of universities in Europe. Innovator visa, Startup Visa for, the Tier 1 Exceptional Talent visa entrepreneurs to attract global talent.

Support and Networks

Scottish Enterprise and Entrepreneurial Scotland provide mentoring services, and access to finance. There are 21 incubators, 19 accelerators, 33 co-working spaces, 8 innovation centres, 52 entrepreneurial support organisations and 32 networking organisations in Scotland. PwC recently launched the SCALE: Edinburgh initiative in an effort to strengthen Edinburgh's status as a thriving hub for scale-ups.

Communication, Marketing and PR

[CAN DO](#) provides a joined-up approach of over 100 organisations with the vision for Scotland to become a world-leading entrepreneurial and innovative society.



Northern Ireland

The Department for Economy launched the Invest NI Entrepreneurship Action Plan, appointing an Entrepreneurship Ambassador and introducing the Entrepreneurship Forum for Northern Ireland. The Global Entrepreneurship Monitor, revealed Northern Ireland is lagging behind other parts of the UK but is following an upwards trend. The tech startup scene is growing especially in fintech, cyber security and health-tech to name a few, supporting more than 9,000 jobs and representing 17% of the UK's high-growth firms. The Enterprise Research Centre (ERC) 2018 figures show NI had the highest rate of businesses reaching their first £1m turnover within three years of any UK region, nearly 3%, compared to 1.9% nationally.

Ease of Doing Business (United Kingdom)

- Ease of doing business rank 9 out of 190
- Starting a business (rank) 19
- Score for starting a business (0–100) 94.58
- Procedures (number) 4
- Time (days) 4.5
- Cost (% of income per capita) 0.0
- Minimum capital (% of income per capita) 0.0
- Getting credit (rank) 32
- Global Entrepreneurship Index rank of 4

[My New Business](#) is a one stop shop for information, guidance and calls to action such as registering a business through [Companies House](#).

Banking

Opening a business bank account is relatively easy, there are a number of choices between high street banks and a plethora of and fintech companies such as Monese, Revolut, Starling, Transferwise.

Funding and Access to Finance

Invest NI provides support to early-stage startups. Local angel networks and funds such as HALO, techstartN1 and the Invest Growth Fund, have improved access to finance. The EU's small business funding in NI will continue until 2023. EIS, SEIS, SITR and VCT tax relief related fundraising schemes to attract investors, and crowdfunding. Patent Box tax relief scheme, (SME) R&D Relief, R&D Expenditure Credit and Creative Industries Tax Relief, POC grants, the NISPO university spinout fund, The Co-Fund, Innovation Ulster etc. There is access to wider UK funding streams Innovate UK, H2020, the British Business Bank etc.

Human Capital Availability

NI has a highly educated workforce, two leading universities, Queen's University Belfast and Ulster University well reputed for programmes in STEM subjects such as electrical engineering, computer science and cyber security. Collaborating with government and industry to develop skills programmes such as The Bring IT On programme, which created career pathways into the IT industry. Queen's University's Centre for Secure Information Technologies produced 1,200 jobs in cyber security in Belfast in the time period 2009-2017. Innovation Voucher, Interim Manager give access to subject matter experts.

Support and Networks

The Innovation Accreditation Programme increases engagement in innovation activity. Invest NI supports local businesses to create jobs, innovate and grow their exports; and to attract new inward investors. According to GrowthBusiness.co.uk, €113m will be invested in R&D in NI between 2020 and 2023, aiming to double the number of high growth SMEs to 1,300 in 2023, and to assist 200 local companies in engaging in R&D activity for the first time. With 50 coworking spaces and a network of Local Enterprise Agencies.

Communication, Marketing and PR

Invest Northern Ireland promotes inward investment.



Guernsey and Jersey

Entrepreneurship is emerging in Guernsey but is not yet mature, there was participation in Global Entrepreneurship Week in 2017. Jersey on the other hand, has a very clear value proposition, targeting innovative, scalable and tech-driven businesses, unrivalled connectivity, world-leading broadband speeds, a digitally-focused economy, vibrant culture and stunning natural surroundings. Many of the attributes the Isle of Man can offer.

Ease of Doing Business (Information not available)

[Startup Guernsey](#) is the main source of information on the ecosystem and signposts the process for starting up and getting funding. [Jersey Business](#) is a one stop shop for information, guidance and calls to action such as registering a business.

Banking

Monese, Revolut and Starling are all not available in the Channel Islands. The Channel Islands are not covered by EEA banking licences much like the Isle of Man. As such, many challenger banks are also not available here, however there is a greater number of high street banks there compared to the Isle of Man.

Funding and Access to Finance

There is an active angel investor community, PE and VCs in Jersey due to the large number of high net worth individuals and existing expertise in finance. Some matchmaking activity required to create more visibility of investment opportunities between investors and founders. Jersey Private Funds invests in tech startups, Jersey government and JSFC created initiatives like the Softbank Vision fund, worth \$93 billion for co-investment.

Human Capital Availability

There are approximately 2,050 people in digital occupations, 19,984 working in Construction, Retail, Leisure, Travel & Tourism, plus professional and financial services talents. Some lack of access to digital talent.

Support and Networks

Jersey has an approachable government and regulators, cross-cutting government stakeholders, champions to promote and disseminate information, regulatory and legislative change. Sandbox Jersey (Fintech, IoT and Digital Health Sandboxes), positions itself as a “testbed” for proof of concepts, products and services prior to launch, in a representative and safe environment, lowers costs, with a supportive legal, governmental and regulatory frameworks. Jersey is a member of Global Financial Innovation Network, an initiative designed to create a ‘global sandbox’ “passporting” within member countries. JT Group, owned by the Government, installed fibre optic broadband improving connectivity and invested in state-of-the-art data centres, creating new business opportunities for companies to store data in a secure and well-regulated jurisdiction. The close-knit community of collaborators, customers, potential investors and mentors means less investment and reliance on wider marketing or outreach campaigns. Jersey leverages connection opportunities to scale in the UK and internationally. Digital Jersey, Jersey Finance, JFSC, Jersey Business, Chamber of Commerce, TEKEX, Tech Tribes, Channel Islands Alteryx User Group provide networking and advocacy.

Communication, Marketing and PR

Visit Jersey, Jersey Finance and Digital Jersey are active promoters of the jersey ecosystem. Jersey Finance in particular has a strong track record.



Iceland

Iceland has made a remarkable recovery since the 2008 financial crisis, standing out as centres of clusters of industry in health cluster, health tourism, seafood, creative and film industries. The growth in tourism has helped Iceland achieve an exceptional export-led economic recovery since its 2008 financial crisis. A number of factors triggered the surge, including a volcanic eruption, film and TV, the rise of social media and successful marketing campaigns.

Ease of Doing Business

- Ease of doing business rank 21 out of 190
- Starting a business (rank) 59
- Score for starting a business (0–100) 90.72
- Procedures (number) 5
- Time (days) 11.5
- Cost (% of income per capita) 1.7
- Minimum capital (% of income per capita) 6.7
- Getting credit (rank) 73
- Global Entrepreneurship Index rank of 7

[Invest in Iceland](#) has resource links to register a business, however there are no English versions of the registration websites.

Banking

Opening a business bank account is relatively easy, there are a number of choices between high street banks and a plethora of fintech companies such as Monese, Revolut, Starling, Transferwise.

Funding and Access to Finance

Innovation Grants, Karolina Fund, State owned New Venture Fund, growth stage fund Frumtak, Brunnur Ventures, Eyrir sprotar and Frumtak II, Crowberry Capital. There are Tax incentives / reimbursement of R&D cost; Tax incentives for private

investors that invest in startups. Stock options for founders are taxed at exit, not at issue date. There is increased government funding to the Technology Development Fund.

Human Capital Availability

Iceland ranks 13 out of 125 in The Global Talent Competitiveness Index, with a score of 71.03, ranking out of 114 cities in the Global City Talent, Competitiveness Index rankings and overall scores. It has a well-educated and highly skilled workforce. University of Iceland added a master's education in Entrepreneurship, Reykjavik University requires ALL students, regardless of their education, to take a course in entrepreneurship and university is free of charge.

Support and Networks

Mentoring service provided by Venture Studio, Icelandic Startups and others. Reykjavik University and University of Iceland are part-owners of Icelandic Startups, Startup Reykjavik, Startup Iceland, startup Tourism, investment and business accelerator opportunities, and a strong IT startup scene. Startup Weekend Reykjavik, Innovation Center Iceland. The current key sectors are gaming, web hosting, data storage and seafood related services, Icelandic Ocean Cluster, creating several world class technology companies serving the seafood sector which have diversified into other areas such as ocean related biotechnology. Iceland is an attractive place to use as a sandbox for cluster focuses allowing companies to incubate their ideas, build and test new technology, expand their knowledge and capabilities, before moving into larger market. Iceland is a strong player in the global geothermal market, enjoying the benefits of a powerful geothermal cluster. The Ministry of Commerce and Innovation formed a working group to develop Iceland's strategy towards innovation, its members come from politics, the private sector and government officials.

Communication, Marketing and PR

[Startup Iceland](#), Startup Reykjavik, Icelandic Startups, Tinc, Nordic Scalars and other Nordic joint ventures have contributed to more frequent visits to other ecosystems.



Malta

Malta is emerging as a startup ecosystem gaining visibility after it was recognised by the Global Startup Ecosystem Report 2017 published by Startup Genome. With over 250 startups, and a handful of coworking spaces, incubators and accelerators, all existing alongside traditional industries such as tourism, Manufacturing and trade.

Ease of Doing Business

- Ease of doing business rank (1–190) 84
- Starting a business (rank) 103
- Score for starting a business (0–100) 84.86
- Procedures (number) 8
- Time (days) 16
- Cost (% of income per capita) 7.1
- Minimum capital (% of income per capita) 1.0
- Getting credit (rank) 134

[Welcome Centre Malta](#) and [Business 1st](#) has guidelines on how to register a company, with some calls to action through [Malta Business Registry](#) however, the application process is unclear and it is often recommended for it to be completed by a corporate service provider.

Banking

Opening a business bank account is relatively easy, there are a number of choices between high street banks and a plethora of fintech companies such as Monese, Revolut, Starling, Transferwise.

Funding and Access to Finance

There are a number of government schemes aimed at helping certain industries and startups especially, such as the citizenship for foreign investors moving to Malta. TAKEOFF Seed Fund Award (TOSFA), B.Start seed fund, Micro Invest Scheme, Micro

Guarantee Scheme to name some active schemes. Go Beyond offers early stage business angel investment to startups, BOV JAIME financing package, National Enterprise Support Awards (NESAs), offers cash prizes of up to €10,000, Malta Microfinance Ltd provides business loans. With limited sources of finance from angels and venture capital investors on the island, businesses are turning to crowdfunding sources such as Zaar or off-island platforms instead.

Human Capital Availability

Malta has a mix of tech and highly educated talent in professional and financial services, tourism, manufacturing and trade with multilingual skills providing a minimum language barrier. Malta ranks 26 in the The Global Talent Competitiveness Index.

Support and Networks

Facilitated by the newly established Malta Digital Innovation Authority, the Island is transforming into a preferred location for tech startups. Key sectors include FinTech, Blockchain, Cryptocurrencies, Big data & Analytics, and Gaming. Silicon Valletta is an association set up by Malta based tech entrepreneurs that connects startups, investors and facilitates partnerships. In the context of Brexit, Malta is well positioned as a relocation destination for UK startups and companies searching for stability and a suitable point of entry into the EU market. The location combines good weather, low operating costs and increasing government support. Startup Malta, MCAST Entrepreneurship Centre and Malta Enterprise help businesses to nurture, grow and launch their business ideas. MITA Innovation Hub, The Take-off program, based at the University of Malta, Microsoft Innovation Centre, Junior Chamber International Malta, Business First, Business Advisory Scheme, Dun Manwel Attard Resource Centre, help start-ups and innovators to transform their ideas into products or services and take it to market.

Communication, Marketing and PR

Malta Communications Authority and a number of conferences promote Malta.



Portugal

Startups represent 1.1% of Portuguese GDP.⁴⁰ In 2016 the Government launched the National Strategy for Entrepreneurship launching [Startup Portugal](#) with key objectives to create and support the national ecosystem, to attract national and foreign investors and to accelerate the growth of Portuguese startups in foreign markets.

Ease of Doing Business

- Ease of doing business rank 34 out of 190
- Starting a business (rank) 57
- Score for starting a business 90.89 out of (0–100)
- Procedures (number) 6
- Time (days) 6.5
- Cost (% of income per capita) 2.0
- Minimum capital (% of income per capita) 0.0
- Getting credit (rank) 112
- Global Entrepreneurship Index rank of 48.8

[EPortugal.gov.pt](#), Empresa na Hora is an online one stop shop for registrations, company registration can be completed end to end online. Company IN (public) is a physical one-stop-shops for foreigners to set up a company in Portugal with [step-by-step guidelines](#). and [GrowIN](#) (private) is an online one stop shop. Costs for any choice of service range from €180 - €999.

Banking

Opening a business account with street banks is relatively easy if already in Portugal, TransferWise and Revolut offer digital business bank accounts as an alternative and competitive solution.

⁴⁰ "Startups represent 1.1% of Portuguese GDP – ECO News." Accessed October 12, 2019. <https://econews.pt/2019/07/26/startups-represent-1-1-of-the-portuguese-gdp/>.

Funding and Access to Finance

Government-led Portugal Ventures has a 450 million funds focusing on innovative tech companies and startups. Co-investment available through 200M fund for both Portuguese and foreign investors investing in Portuguese startups, incubators, accelerators, business angels and venture capital, crowdfunding is available.

Human Capital Availability

Portugal ranks 18 for Access to Talent according to [The Global Talent Competitiveness Index 2019](#), benefiting from highly educated founders, high ranked higher education institutions and entrepreneurship education starting at school level. Startup Portugal provides tax initiatives to hire key talent, a tech visa and a Startup Visa for foreign startup founders (first of its kind in the EU).

Support and Networks

Startup Portugal provides over 25 measures, including; Startup Voucher, a programme for young entrepreneurs; Startup Hub, a database of the incubators and hubs, support and initiatives available in Portugal; Missions abroad; Startup Portugal Ambassadors Mission; opportunities for startups to pitch to large companies, funding technology startups in the energy field. Lisbon is the main hub for the entrepreneurship ecosystem, Braga, Coimbra and Aveiro, with conditions being created to enable startup activity in other parts of the country. There is a strong concentration of startups in the digital industry and innovation areas including Cleantech, Agritech, MarineTech, Startup Portugal has designed measures for digital innovation in the food, tourism, trade, commerce, and the public sector. Universities and technology parks offer support for startups through their facilities, technology and knowledge transfer. Since 2016 Lisbon has hosted Web Summit, an important technology summit, attracting over 70,000 visitors in 2018.

Communication, Marketing and PR

Startup Portugal and Portugal In and AICEP have dedicated resources for promoting Portugal and its many attributes for foreign direct investment, business and leisure.



7. Recommendations

I Summary of prioritised issues

Prioritised Issue 1

Administration and information:

Company registration;

No consolidated source of information on doing business and setting up in IOM.

Recommendation:

One stop shop;

Consolidated Working Group.

Prioritised issue 2

Opening bank accounts:

Takes 3 weeks - 8 months;

Cannot trade without!

Recommendations:

Fintech solutions such as TransferWise accept IoM accounts;

Market engagement to promote services on island and other Neo Banks.

Prioritised issue 3

Investment environment:

Difficult to access to seed and growth capital through investors;

Lack of syndicates, crowdfunding;

No EIS.

Recommendations:

Replace the Bride Angel Network;

Market engagement with crowdfunding platform providers.

Prioritised Issue 4

Diversification:

Too much concentration on financial & professional services and

e-gaming;

Everything is centred in Douglas!

Recommendations:

Diversifying into other industries aside from financial services and

e-gaming;

Build capacity in towns, other centres of attraction.

Prioritised Issue 5

Narrative:

Poor internal communications between actors, information silos;

The island doesn't promote itself well;

No global entrepreneurship conference.

Recommendations:

Improve PR, marketing and communications about IOM, Douglas & other towns;

Launch a global entrepreneurship conference to promote IOM (fill the Web Summit gap with a model similar to Zest in Malta);

Establish an umbrella brand to represent the startup initiative on the isle of man, such as Portugal "Startup Portugal" or Scotland "Scottish Enterprise" etc - bring more startups to the island, stimulate the economy, convert to lifelong residents;



Simultaneously create value proposition “IOM as a sandbox” for Fintech, GreenTech and Marine tech - to attract players from other innovation ecosystems.

II Operational capabilities and model for execution

Public-Private Partnerships (PPP)

During the primary research the attendees repeatedly suggested the benefits of Public-Private Partnerships (PPP) between the Isle of Man Government and private sector organisations providing support on the design, planning, and the execution of entrepreneurship ecosystem development projects. These partnerships are typically long-term and involve expertise on the private side. A key element is that the private party shoulders a significant portion of the risk. This in turn alleviates the risk for the public party and allows them to take a long-term view and increase citizen satisfaction.

After having analysed past entrepreneurship ecosystem development initiatives launched by the Isle of Man Government such as the Isle of Man Business Incubation Centre (BIC) or the £50mn EDS fund one significant pattern emerged which had a detrimental impact on the longevity of the initiatives: Taking a short-term view on the results and performance metrics led to an overly cautious risk assessment resulting in these activities being closed down before they could have a long-term impact. An economic development fund, such as EDS, and a business incubator require at least five years to produce tangible economic

results. Businesses need to grow over a certain period of time. Business incubation is not a purely administrative activity that can be measured using pre-defined KPIs. Businesses are exposed to the market forces of demand and supply. By taking a long-term view and working with experts from the private sector the risks for the public party can be reduced and the viability of the joint projects be ensured.

As a consequence, we suggest entering public-private sector partnerships with a view to jointly develop the entrepreneurship ecosystem of the Isle of Man.

- PPPs return on investment (ROI) might be greater than projects with traditional, all-government fulfilment;
- PPPs bring a mix of fresh and innovative ideas and create knowledge transfer between all parties involved;
- PPPs break silos and require a cross-communication approach
- PPPs appraise risks for all parties involved early on to determine project feasibility. This way, the private partner serves as a benchmark against unrealistic government expectations and promises;
- PPPs shift the operational and project execution risks from the government to the private participant, which in turn mitigates risk through experience;
- PPPs may include incentives such as early completion bonus which increase efficiency, unlike in the public sector where these incentives do not exist;
- PPPs increase the efficiency of the investment of public funds as they are allocated with a view of efficiency in the first place;



- PPPs reduce friction during private sector project execution as the private partners are private sector market participants themselves;
- PPPs provide more opportunities for the public partner to acquire more expertise and industry insights;
- PPPs serve as a buffer between the ecosystem and the public sector which could potentially bear reputational benefits for the public partner.

Innovation of work processes in Government

In order to maximise the innovative potential through a PPP we suggest a reciprocating model where Government takes a proactive approach to enhance its internal innovation capacity. This could be achieved by applying a rotational approach to organising work across multiple departments. The temporary project teams can comprise individuals from different departments including external private sector partners. The mix between core members and rotating members from different departments plus externals will provide the right balance between expertise and injecting new ideas.

By way of an example, for a project to plan and organise an entrepreneurship conference in the Isle of Man a project team can include members of the DfE, Visit Isle of Man, Business Isle of Man, The Department of Education, Sport and Culture plus an external private sector agency as a coordinator. As empirical evidence for temporary teams has shown,⁴¹ the best teams might be temporary, with members

⁴¹ "Why The Best Teams Might Be Temporary." 17 Sep. 2013, <https://hbr.org/2013/09/why-the-best-teams-might-be-temporary>. Accessed 15 Oct. 2019.

forming around a given project and then going their separate ways to work on new projects.

III Ease of Doing Business

In 2017 the DfE was reformed with a clear and single purpose – “Creating the environment, through innovation and collaboration, for the economy to thrive.” As laid out in the Digital Strategy Review 2018 the Isle of Man Government's digital vision is to improve the access to and quality of public services in a way that provides better value to everyone in the Isle of Man.⁴²

Companies Registry

According to the Digital Strategy Review 2018 the Company Registry is currently undergoing a strategic review with the goal to implement further online services and improve new and existing customer journeys to simplify the ‘Start a Business’ journey across the whole of Government linking into the Smart Service Framework.

After having reviewed the company formation process for a Companies Act 1931 company (both for a PLC and a Private Company) the process still involves a physical presence of the entrepreneur, two directors of which one has to be resident in the Island plus printing off documents, filling them in manually, wet signatures, and an in-person submission at the Companies Registry in the Isle of Man. Since the 1931 Act companies

⁴² "Digital Strategy November 2018 - Gov.im." 5 Nov. 2018, https://www.gov.im/media/1365720/digital-strategy-update_final-10.pdf. Accessed 14 Oct. 2019.



are the most suited for early-stage entrepreneurs we focussed on these companies for this study.

A typical user journey of an entrepreneur (user) looking to form the UK equivalent of a UK Limited by Shares company in the Isle of Man, which is essentially a Companies Act 1931 company, is set out below. Most people begin their search for information about company formation in the Isle of Man by using a search engine such as Google or Bing. As this is the beginning of the conversion funnel, this is where the Corporate Service Providers (CSP) start casting their nets. They are running paid ads to get on the top of the Google search results page. By applying search engine optimisation (SEO) techniques the CSPs also rank high in the organic (non-paid) search results. Websites can be modified to rank high on search result pages and come in amongst the top five search results on Google for certain search queries.

There is a change needed as the current situation deters people not only from finding relevant information in order to make an informed decision but also to reduce the misrepresentation of choices in favour of the CSPs. Below is a step-by-step representation of a typical user journey.

Current user journey 1931 Companies Act Registration

Step	Action	Medium
1	The user searches for relevant information using search phrases such as “Company formation Isle of Man”, “Isle of Man company incorporation for startups”, “How to incorporate a Limited company in the Isle of Man”, etc.	Website



2	The search engine results page (SERP) returns mainly the websites of Corporate Service Providers (CSP) advertising their services to incorporate a Companies Act 2006 company. This is obfuscating the fact that there are more companies available than a 2006 Act Company. Depending on the search query combination, the search returns also Government hosted websites. These have limited informational value, however, but invite to further research about the topic.	Website
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3	After further research across various websites (CSP and Government) the user learns that there are multiple types of companies (1931 Act and	Website
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2006 Act) and that the 1931 Act company structure resembles the UK Limited by Shares the most.
The user decides to go for a 1931 Act company.



4 After finding the required information across various Government websites the user downloads the Form 1 as a pdf file. However, there are no model Articles of Association for a 1931 Companies Act readily available apart from a description of what needs to be included such as tables, declarations, director's information, etc.

Website



5 After printing off the Form 1 and creating the Memorandum and Articles of Association including tables A-E the user fills in the forms manually.
At this step, there is no template Memorandum and Articles of Association (MAA) template readily available. As this is part of the Act itself it should be made available online. Having to create them bears the risk of errors and the application to be rejected. The user creates the MAA manually based on further Internet research and prints them off as well.

Pen, Paper, Printer



6 With the print outs at hand, alongside the associated fee in cash, the user now has to submit the documents either in person or through a legal representative to the Isle of Man Companies Registry office. A wet signature is also required.
This is time consuming and costly and probably deters many early-stage startups from incorporating in the Isle of Man.

Paper, Cash, In Person



7 Depending on the turnaround time horizon chosen the user or the legal representative receives the certificate of incorporation in person. Having to pick up the documents in person is time consuming and costly and deters many people from incorporating in the Isle of Man.
The user is now a rightful owner of a 1931 Act company in the Isle of Man.

Paper/In Person

We tested the search query “company formation in the Isle of Man” and several variations of the same with two leading search engines (Google and Yahoo). However, the IOM Government websites hardly came up in the search results. In addition to that, they do not provide sufficient information about the range of options including its legal consequences.



The information is spread across multiple websites in a piecemeal fashion. This requires skilful research in order to acquire all the information required to make an informed decision about the process of incorporating a 1931 Act company.

The CSPs capitalise on the fact that the Government websites are not search-engine-optimised plus do not carry the required information in a comprehensive and coherent manner. The idea is not to reduce the presence of the 2006 Act company model but enhancing the awareness for the 1931 Act companies so that more entrepreneurs and startups have the chance to operate more cost efficient.

It is highly recommended for the Isle of Man Registry to create landing pages including the following:

- Comprehensive information about all possible legal entities that can be incorporated in the Isle of Man
- Including all forms and Articles of Association
- Explainer videos about the process and about the legal responsibilities
- The option to incorporate a company completely online
- 2006 Act company to 1931 Act company conversion

Further suggestions are:

- Single directors for 1931 companies (and same person being secretary and nominated officer similar to the UK model)
- Automatic annual returns
- Non-residency for 1931 Act company directors

Below is a suggested as-it-should-be user journey in line with 21st century standards of an online company formation user experience similar to the UK Companies House website.

Proposed user journey 1931 Companies Act Registration

Step	Action	Medium
1	The user searches on Google for relevant information using search phrases such as “Company formation Isle of Man”, “Isle of Man company incorporation for startups”, “How to incorporate a Limited company in the Isle of Man”, etc.	Website



2	<p>The search engine result page (SERP) returns search results which include an official government website holding comprehensive information about the following so the user can make an informed decision:</p> <ol style="list-style-type: none"> 1. The different legal company forms (2006 Act and both 1931 Act) including legal implications. 2. Form 1 as an online form to be filled in online and submitted through the 	Website
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	<p>website.</p> <ol style="list-style-type: none"> The Memorandum and Articles of Association for ALL company types. Available as online forms to be filled in online, electronically signed and submitted through the website. AND: downloadable and editable Memorandum and Articles of Associations templates for ALL company types which can be electronically signed, uploaded, and submitted through the website alternatively. 	
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3	<p>The user verifies his identity online by:</p> <ol style="list-style-type: none"> uploading a photograph/scan of his passport/driving license through the website. Taking a selfie with the full face visible with his phone or webcam which is then also submitted through the website. 	Website
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4	<p>The user puts his credit/debit card details into an online form on the website and pays the fee for</p>	Website
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	<p>the incorporation online before receiving a confirmation email.</p>	
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5	<p>After the application has been processed by the Companies Registry, the user receives relevant documents via a confirmation email. The user is now a rightful owner of a 1931 Act company in the Isle of Man.</p>	Email
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Startup Wizard and One Stop Shop

It is currently uncertain how to setup and find information, the processes are bureaucratic and involve manual paperwork. Some quick wins could be actions like creating a customer journey online that is simple and transparent by having tools like videos, signposting information, user friendly guides. Anything that is more than 5 clicks disheartens customer, therefore, the online solution should be clear, helpful, and in different formats to cater for different learning styles. For example, both paper offline options, digital, online, video, and visuals (i.e. infographics) etc. and guides that walks through the process.

There should be a forum within the Isle of Man the ecosystem which can have both face-to-face meetings, especially for full-time business owners, and an online forum for founders who have other commitments



(e.g. a full-time job) and generally as an online tool that is accessible 24-hours a day 7-days

The one stop shop should be a joint public private sector initiative with some input from and advocacy to the government but should remain privately owned. A number of successful case studies exist in other jurisdictions such as CAN DO Scotland, MyGov.scot, Startup Portugal, etc.

Implementation: Startup Wizard and One Stop Shop

Running a wizard where the URL is owned by the government will provide greater authenticity measures. The minimum requirements should include three different application types:

- a) Step 1 - A dummy application which can guide through and provides experiential learning of the startup process. This also gains some commitment from users who will be more likely to follow through to
- b) Step 2 - Complete the application
- c) Step 3 - (With advanced capabilities) The Startup Wizard would allow users to complete numerous steps and processes and be able to jump in and out of the application process in order to complete other activities that may be outside of the online process. For example, setting up a bank account, registering for VAT etc. The Startup Wizard would prompt them to complete each step and remember the order or work in the work flow., This can also map the user journeys and use tools like Google Analytics for more insights, such as tracking when customers drop off, understanding user journeys, etc.

As there is currently a digitisation and digitalisation process as part of the Digital Strategy 2015, it is a good time and opportunity to integrate some essential improvements to the company registration process and customer journey in the entrepreneurship ecosystem.

Minimum viable product (MVP)

This is the most feasible solution that provides the minimum requirements and minimum costs. Create a separate website for the umbrella brand to representing the startup initiative on the isle of man, such as Portugal “StartupPortugal.com” or Scotland “ScottishEnterprise.com” etc. In addition to DfE Isle of Man website as it is not clear on the DfE website what the call to actions are. A separate website can be built to make it look like it is a seamless process integrated with company registry, can generate a satisfactory email relevant data, which then goes to the company registry. The estimated cost for this is £15,000 to £20,000.

Prototype

An improved version of the MVP Startup Wizard, which will be designed as an intelligent assistant that can be integrated with the company registry, DfE etc and prompt actions like applying for the grant scheme, the Manx tax process etc. This advanced tool will have workflows that are able to pause the sequences in order to complete other activities, such as bank opening externally, and then return to the application to verify the bank account details.



It is estimated that this will cost £50,000 to £100,000 pounds. This depends on the timing for example, if it is done simultaneously with the other digital transformations, it would be more cost-effective and easier to integrate.

if built ahead of the digital transformation projects, it could be hosted on the Microsoft Dynamics platform. This could be possible as there are other transformation projects currently using Microsoft Dynamics, for example, it is being used to authenticate logins for the education grant scheme. The user interface for the scheme can give decisions very quickly, as there are models already built in the background, the advanced Startup Wizard could utilise this.

Obtaining buy-in from stakeholders

Company registry is the first port of call in the user journey; therefore, it is not just a repository. The functionality of the registry and registration process has an impact on businesses, and an economic impact as the cumbersome processes are not conducive to modern standards and requirements for both domestic and off-island businesses. Enhancing internal processes are easier to change than legislative processes (such as formation type) and therefore this internal process should be prioritised.

IV Banking

As previously noted with regards to the difficulties of bank account openings, there are a number of neo-banks and fintech companies that offer competitive and relevant solutions for small business owners, startups and SMEs. TransferWise for example, allows account opening for businesses and individuals domiciled on the Isle of Man. There is an opportunity for market engagement with neo-banks and fintech firms. It is important to note, that the FSA is interested in assisting the market engagements to answer any regulatory questions operators may have.

V Policy and investment environment

Strategic Objectives, Advocacy, Working Groups

In order to prevent implementing “disjointed approaches” and to prioritise making important strategic decisions, respondents felt that creating working groups that can be headed by the Chamber of Commerce, industry champions, young entrepreneurs (currently young entrepreneurs have no representation). Some examples of best practice are: Iceland, where the Ministry of Commerce and Innovation formed a working group to develop Iceland’s strategy towards innovation, its members come from politics, the private sector and government officials, the policy recommendation were delivered in 2019. Another example is the private-public partnership Tech Nation in the UK, which has built a strong value proposition and capacity of the UK-wide tech industries and



clusters. There is remarkable talent in both the private and public sector on the Isle of Man that can contribute to this working group, external subject matter experts can be brought in as and when there is a democratic notion to do so.

It is also important to keep the momentum of the “town hall” events, similar to the event Startup Manufactory had on the 10th October 2019 in Eagle Labs. This can serve as a conduit between government, the public sector and the private sector in co-designing solutions, providing feedback and establishing priorities paramount in creating the enabling environment for entrepreneurship ecosystems. It is recommended that these events are owned and run by the business community, with attendance and representation from the public sector.

There are currently a number of meetup groups and social media groups that have crossovers but operate in silos. So, in addition to the strategic policy groups, it is suggested that the entrepreneurship and business ecosystem needs a working group that could act as a federation with representatives of all ecosystem players, fields and backgrounds who are members of the working group. The working group could be a point of contact, a body or committee of nominated individuals and representatives who meet and represent the interests of the diversified entrepreneurship ecosystem. Providing feedback loops are in place to ensure that the working group is serving its members’ needs, and that issues are escalated upstream to government. Recommended representatives in the group for escalating to government and policy makers are Chamber of Commerce - Business Connex and the Department for Enterprise.

In terms of macro-level investment opportunities such as real estate, land, foreign direct investment etc, a permanent strategic investment

board and representative organisation is important for promoting and securing lucrative investment opportunities. It is understood that DfE informally acts as an intermediary, and that there is currently preliminary work, legal and operational requirements being gathered in order to set up a dedicated development agency. With the intention that it will enable the DfE to act as an aggregator of economic growth opportunities.

EIS, Syndication and crowdfunding

Access to finance is a major issue for growing and scaling a business. Whilst currently there is a lack of visibility between investors and investable businesses on the island, there is an opportunity for individuals and groups of individuals on the island to fill the funding gap by creating an angel network. This can therefore give visibility to the investment opportunities for investors to invest in. Syndicate groups have to consider the FSA rules and decides whether to act as ad-hoc syndicates or formalised syndicate investment groups (a licensed entity). Training and capacity building workshops on the topic of angel investing, how to become an angel investor, how to form a syndicate, FSA rules on ad-hoc syndicates and regular angel investing (formalised syndicate investment business). Investment readiness workshops for startups seeking investments. Giving startups the opportunity to present their businesses in front of the angel investing workshop attendees as real-life case studies for evaluation and discussion. This could help significantly in stimulate business angel activity and encourage pursuit of informal angel clubs and potentially formalised syndicate angel investment clubs.



Whilst there are no crowdfunding platforms on the island, there is an opportunity for a market engagement exercise with established crowdfunding platform service providers to establish a branch on the island (or other suitable arrangement) as this is permissible under the FSA licencing policies. The FSA is interested in assisting in engagements to answer any regulatory questions operators may have.

There is an opportunity to form a reciprocal relationship with the Channel Islands for a shared crowdfunding platform service or a single market for crowdfunding, and expand investment opportunities in similar jurisdictions and geographically. With the view to eventually open investment opportunities up to global international tax community.

UK investors currently do not receive any tax incentives through HMRC if they were to invest in Isle of Man registered startups. Whilst in the UK, Venture capital schemes like EIS, SEIS and SITR offer tax relief as an incentive for investors to provide risk capital to startups and SMEs. In absence of these schemes, the Isle of Man could allow investors to claim losses for failed investments as coverage for downside risks. In essence, a tax relief for losses made in an investment. There is a provision in the UK Income and Corporation Taxes Act 1988, specifically:

574Relief for individuals⁴³

- 1) Where an individual who has subscribed for shares in a qualifying trading company incurs an allowable loss (for capital

gains tax purposes) on the disposal of the shares in any year of assessment, he may, by notice given within two years after that year, make a claim for relief from income tax on an amount of his income equal to the amount of the loss; and where such relief is given in respect of the amount of a loss no deduction shall be made in respect of that amount under the 1979 Act.

- 2) The following provisions shall have effect as respects relief under this section—
 - a) relief may, by notice given within two years after a year of assessment, be claimed for that year in respect of a loss incurred in the preceding year of assessment so far as relief under this section in respect of that loss has not already been given in that year, and relief claimed by virtue of this paragraph shall be given in priority to any relief in respect of a loss incurred in the year for which the relief is claimed;
 - b) a claim for relief may require it to be given only by reference to the income of the individual without extending to the income of his spouse;
 - c) subject to paragraph (b) above, relief shall be given by treating the loss as reducing first the earned income of the individual, then his other income, then the earned income of his spouse and then his spouse's other income;
 - d) the relief shall be given in priority to relief under section 380 or 381.
 - e) For the purposes of this section—

⁴³ "Income and Corporation Taxes Act 1988 - Legislation.gov.uk." Accessed October 15, 2019. <http://www.legislation.gov.uk/ukpga/1988/1/section/574/enacted>.



- f) an individual subscribes for shares if they are issued to him by the company in consideration of money or money's worth; and
- g) an individual shall be treated as having subscribed for shares if his spouse did so and transferred them to him by a transaction inter vivos.

This needs further investigation for feasibility and viability.

Alternatively, the Isle of Man government could consider providing some form of match funding as an incentive to UK investors to attract them to invest in Isle of Man registered businesses. This needs further investigation for feasibility and viability.

VI Human Capital availability and Education

Investing in policies that both attracts international talent and encourages the development of a dynamic homegrown workforce is essential for the sustainability of the Island's ecosystem.

Entrepreneurship Education

Junior Achievement on the Isle of Man has an excellent track record. Junior Achievement offers startup programmes for school age pupils in years 9, 10 11+ and is delivered through all schools. There is good exposure to business and work which can encourage more young people to startup businesses and also explore the world of work. A

number of alumni who originally started their businesses through the Junior Achievement scheme in school have continued their lives as entrepreneurs, some even still owning the businesses they originally founded whilst taking part in the programme. There is a competition that takes the winners of the IOM Junior Achievement competition to the European level competition, providing exposure and networking.

It is therefore important to keep entrepreneurship education as an additional and/or alternative provision in the school curriculum, even extending it into further education, as is the case in Iceland. More courses, workshops, events, for the young, scale entrepreneurship courses at UCM university college and developing an ecosystem that includes young entrepreneurs and designated champions to represent their collective interests at working groups, town hall meetings and other ecosystem events. Such as school, college and university startup business challenges, competitions and events. This can also serve to attract younger people to the island, such as graduates.

Continue to offer entrepreneurship courses and capacity building workshops for adults and career changers, life stage entrepreneurs such as mums.



The Micro Business Grant Scheme, Training and Capacity Building

Suggestions for improvement:

- Current offering, including the criteria and requirements, needs to be more clearly promoted;
- Digitise the application process and;
- Re-configure the application process to provide results of the application within a 3-5-day period and access to funds;
- Provide an honest answer, if no then give direction on how to overcome the issue/Manage expectations of realistic timescales;
- Provide flexible working hours (Live Chat?) and therefore opening hours that are more accessible to business owners / provide more drop-in clinics;
- Need to tailor an offering for young entrepreneurs;
- Consider a partial upfront payment for participants;
- Continue to co-design the courses with experienced entrepreneurs and recruit subject matter experts to deliver training on specific topics such as marketing, financial management, accreditations, applying for accelerator programmes, etc;
- Need to create a stream that can support early stage innovative ideas that have the potential for scale and growth, with material

on access to finance (not only the grant scheme) and access to markets;

- Consider other measures of success other than job creation, such as potential to scale the business or quality of an innovative idea;

Expatriates, Economic Migrants, Spouses and Partners

There is an opportunity in terms of attracting and retaining more families to relocate to the island if there were more services and investment initiatives to support spouses, partners and the family unit of expats relocating to the island. The onboarding process of expats needs to go further than just the employee, the whole family unit needs to be considered. Respondents have proposed lobbying at the employer level through a representative group formed of Chamber of Commerce, Business Connex and Locate Isle of Man.

50 % of respondents commented that “the government does not have a joined-up approach” with its initiatives and efforts, and that there should be a more coordinated effort to improve services on the island and retain delivery partners in order to do so. There is an appetite for a joined-up approach, integration of the family unit to settle on the island will be a positive addition to the services that are offered as part of and in addition to Locate IoM. The Chamber of Commerce, Business Connex and Locate IoM could provide a joint effort on both advocacy and also on the ground joint support for relocators and service providers on the island to offer a holistic approach to settling and integrating. the logistics



of moving to the island need to be considered much better as part of the new location services to expect it should be a holistic process.

The Chamber of Commerce and Business Connex is good at signposting the services that relocators need, Locate IoM has a long track record of attracting interest on the island. These three organisations can join up with service providers/delivery partners such as B-Local who can do the physical work to deliver settlement and integration services. Delivery partners can offer services such as working with corporates to offer a look and see service that allows potential expats and their families to understand and experience what it's like to live on the island, coffee mornings, socials, playdates for families with children etc.

A third of the respondents from the in-depth interviews commented on the poor level of opportunities for spouses, partners and integration of the whole family when expatriates relocate to the island. Many spouses and partners felt that moving to the island was “isolating” specifically because it was difficult to integrate into such a close-knit community, finding it difficult to source the right information quickly if one does not know the right people and is not originally from the island. It was also mentioned that a number of spouses/partners, after having difficulties to integrate had consequently left with their lead partner (expat).

It is important to bear in mind that the spouse or partner of an expat is often a professional in their own right with experience and expertise they can add to the local economy. Many that have stayed have gone on to start their own businesses or to secure gainful employment. Whilst there are good training opportunities offered on the island, many have had to travel to the UK to seek professional courses and further education, this could be an inconvenience particularly for families with young children.

Spouses and partners relocating to the island are an additional talent, an underutilized resource and an underserved group, their skills could be tapped into to serve the needs of the island and the individual's aspirations. There is a critical time period between the time when the decision or preparation is being made to relocate to the island and when they arrive. Suggestions include offering tax incentives or other incentives for spouses/partners to start a business, in-kind contributions such as free co-working spaces and rental agreements could encourage spouses of expats into starting their own business, childcare vouchers and targeted campaigns to help Mum-preneurs, mums, spouses and partners of expats. The rebate on national insurance contributions is also an incentive that needs to be promoted to this target market as an incentive when considering the benefits of moving to the island for employment.

Respondents working specifically in the areas of recruitment, relocation, and relocators themselves, felt that there is an opportunity to create a more targeted recruitment and targeted promotion of the island to specific groups, demographics, education and skills, socio-economic status, nationalities etc. For example, many employers themselves need to be educated about relocation, beyond the topic of retention when actively recruiting to an audience off the island. It was suggested that employers have to look to the markets and locations where there is evidence of people who are specifically interested in the Isle of Man, based on immigration data. Employers also need to target skills specific recruitment drives to the island.

For example ,there are a number of expats from South Africa, China, other parts of Asia, and Eastern Europe, various agencies and organisations on the island need to understand their motivations for



wanting to move to the island. This is important in terms of positioning and messaging of the marketing, communications and promotions about the island, so that they can better attract interest to the island. These are important factors to attract people to the island because it helps to manage their expectations and to provide relevant services and offerings. For example, many Chinese and Asian relocators express an interest in live in close proximity to each other and appreciate the fresh air; whilst South Africans have expressed the safety and quietness; and Eastern Europeans who have STEM talents but want to steer away from large urban areas like London or Paris. This would help employers to devise more targeted approaches to recruiting people who are statistically already represented on the island and are therefore more likely to move to and be retained in a location where there is already a community of like-minded people or an affinity. It was also suggested that more data needs to be collected around this in order to inform public policy and the employers' internal HR policies.

Other retained groups are business owners and who can run their businesses anywhere in the world but also want to have access to London and other parts of the UK and Europe, willing to commute, digital nomads. They are often entrepreneurs, workaholics who enjoy the easy commute and easy access to explore the natural beauties of the island in their leisure.

It was also remarked that employers also need to educate and be educated more around immigration, as there are some fears around the policy in the Isle of Man, and it is important to demystify that in their recruitment campaigns.

VII Diversification

Digital Nomads

Digital nomads are people who exploit the advantages of the internet by working remotely, travelling to different places, and spending money in places without working in those places. These people are usually self-employed and often work in tech fields such as web design, programming, online trading, consulting or online marketing. Many digital nomads unite a popular narrative: from corporate job to digital freedom. Over the past years, the rapid growth of self-employment has not gone unnoticed in the UK labour market. The number of self-employed increased from 3.3m people (12.0% of the labour force) in 2001 to 4.8m (15.1% of the labour force) in 2017. There are differences in wealth between employees and the self-employed. In particular, the share of those with no net property wealth tends to be higher among employees compared to self-employed both in the 35 - 54 and 55+ age groups. A larger proportion of the self-employed also have net property wealth in excess of £250,000. Trends indicate that the self-employed tend to have more property wealth on average compared to their employed counterparts.⁴⁴

For the Isle of Man, we suggest tapping into this new crowd of the self-employed digital nomads. Especially, with London being only one hour away by plane there are ample opportunities for people to live in

⁴⁴ "Trends in self-employment in the UK - Office for National" 7 Feb. 2018, <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/trendsinselfemploymentintheuk/2018-02-07>. Accessed 15 Oct. 2019.



the Isle of Man and work in the UK, the EU or globally. Digital nomads and remote workers usually seek developed, calm, and natural environments combined with hyper-connectivity and quick access links to urban areas such as London, Liverpool or Dublin. The Isle of Man is perfectly suited for the self-employed digital nomad.

The favourable tax environment adds another unique selling proposition to the package. At this point, the Island is not taking advantage of this growing market, thus, it is highly recommended to develop communication and PR targeted at this growing demographic in order to reach out to the increasing number of cosmopolitan digital workers looking for a better lifestyle.

Diversifying Industry Verticals

The island could become a testbed for innovation and creation of IP. Once nurtured, these innovations can be exported to other markets. This proposition could be targeted at early stage startups, providing financial support, plug in to centres of excellence (universities for example), knowledge and innovation ecosystems to enable them to build and grow their innovation-based ventures. This can also include offering specialist courses at UCM to attract the best-in class talent and networks. There does, however, need to be an alignment with economic policy and economic reality of early stage startups. For example, that they are less likely to meet the substance requirements for “an adequate number of qualified employees in the Island”, as many early stage startups do not usually have the financial means to hire employees in their first few years of trading. Usually, their human resources are pulled from part-time or pro-bono contributions and often from teams dispersed

internationally. As early stage startups mature, they do, however, evolve into the position to provide employment. These factors are important for policy to take into account, especially for measuring impact, KPIs.

There also needs to be an investment infrastructure and environment that can provide the risk capital, and underwrite the growth capital for these types of startups. This is an opportunity to build on the demand for green investments, particularly as more investors are demanding more environmental, social, and governance initiatives (ESG). The green element in particular is more urgent and many discretionary investment funds already have a mandate to invest in such initiatives as part of investors’ ESG policies.

In addition to these recommended verticals, the government needs to investigate other potential verticals that could be pursued based on the attributes on the island and also the medium to long-term return on investments. The government needs to validate its proposition in a number of ways, for example checking against competitors that the proposition is actually viable. The proposition would need to make strategic commercial sense, and ties in to economic policy objectives, medium-long term goals, patient capital and return on investment.

Diversifying the island: Towns, centres of attraction

Given that the Town Regeneration initiative is already in motion and the existing buy-in from the towns’ stakeholders, there is an opportunity to tie branding scheme for the towns with a wider strategic and targeted approach to serve a purpose related to economic impact. Specifically, by surveying each town, conducting an ecosystem mapping exercise will be very useful to determine the attributes, capabilities, and capacities



(assets) of each town. These assets could be built on to develop specialties in certain entrepreneurial or business verticals for example food and agriculture, tourism, natural and geological wonders, etc, that can attract domestic and international tourists, inward and outward investments.

Data is an important element of understanding the trends and customer needs, as ultimately, each town, business within the towns, capacities required to be built in the towns should be informed by customer insights. Insights can be extracted from data points such as migration, tourism, consumer data from data providers such as Dunhumby which provides loyalty cards to Flannels, etc. The data points will reveal insights such as socio-economic status, demographics, shopping habits, tastes, life stage, etc which can inform decisions on the customer need, i.e. justifications to build a value proposition centred around the customer need (the why).

Once mapped, documented and substantiated with data insights, a business case can be put forward to government, public and private stakeholders can make strategic decisions about capacity building and investments into those assets or business cases.

[Llandrindod Wells](#) in Powys Wales is a perfect example of how they were able to transform their town Landscape it was a declining town but they have capitalised on their assets and now actively promote more visitors and activities to their town. Other case studies include the Lake District where visitors flock to follow Beatrix Potter or Llandudno to follow the “[Alice in Wonderland](#)” trail and to buy souvenirs and memorabilia. Another good example is of Scotland and how it has built Entrepreneurial Scotland and Enterprise Scotland this is a good model of

how to breakdown the capabilities and assets in each town and utilise that to represent a good ecosystem of a particular town or country. A local example is of Laxey, where the [The Great Laxey Brass Band Festival](#) 2018 brought in an additional 300 visitors to the town, both domestic and international tourists.

Not only would the strategic town ecosystem mapping and building put the spotlight on each and every town’s attributes, other than just Douglas, but it can also contribute to resolving economic and structural issues like diversifying markets, employment, and population growth (by attracting and retaining more talent), addressing the lack of childcare services in towns in order to enable mums to get back to work or start their own business. Representation and involvement of the agencies can push priorities to government, the agencies can act as a conduit between the townspeople and government.

Another strategic outcome is that the strategic town ecosystem mapping and building can contribute to Planning Policy and in understanding the value propositions that the Isle of Man can offer to the world. This is particularly important as these value propositions can be rolled up into the narrative, marketing, communication and public relations activities about the Isle of Man as a destination for business, finance, and leisure.

VIII Marketing, Communication & PR

During our research we came to the realisation that there are many social events happening in relation to entrepreneurship on the Island and yet there is no centralised point where things are being



disseminated in a coordinated fashion. There appears to be a gap in the market for more broader ecosystem communication across the various stakeholders on the Island. One solution could be a platform similar to CAN DO Scotland which is a crossover of an entrepreneurship ecosystem resources search engine and a promotional platform. The platform allows for searching entrepreneurial activities, resources, and events taking place in Scotland.⁴⁵

National ecosystem champions

One organisation to take this place is Startup Isle of Man, an initiative brought about by a local entrepreneur, aspiring to become the TechCrunch of the Isle of Man. Alongside putting up news and maintaining a social media presence, it is recommended to host regular meetups and also feed the local media such as IOM Today and Manx Telecom TV on a regular basis. For incoming entrepreneurs, a centralised platform would serve as a point of call how to navigate the ecosystem, how to set up a business including a comprehensive introduction into the concepts of the 2006 Act and the 1931 Act companies. By being a privately-owned initiative, this could still be publicly funded similar to a private-public partnership. One popular example is the online portal and national startup platform champion named Startup Portugal,⁴⁶ a public-private sector partnerships in collaboration with the Portuguese Government, the European Union, and a couple of local entrepreneurship initiatives. The portal runs regular events across Portugal and markets Portugal internationally as a startup

and entrepreneurship destination. Startup Portugal has formed several partnerships for instance with Web Summit, the annual technology conference held in Lisbon, Portugal, considered to be the largest tech event in the world. In addition to that Startup Portugal also actively promotes governmental initiatives such as the Startup Voucher, a Governmental programme for young entrepreneurs at idea stage, the Startup Hub, a national database providing a centralised point for all things startup and entrepreneurship in Portugal, the StartUp Visa, and many more private-public sector initiatives geared towards building out the Portuguese entrepreneurship ecosystem.

Similar examples of national ecosystem champions are Start:up Slovenia or the German Startup Association. The latter has developed into a national advocacy group for the startup industry in Germany which also engages in lobbying activities, policy advice, and runs large-scale events.

Creating a narrative

We suggest for the Isle of Man to develop a revised narrative targeted at the global entrepreneurship community. By promoting the advantages and benefits of being located in the Isle of Man it can diversify its perception in the world without compromising its cultural identity. The narrative should include a balanced mix between the Island's unique culture, the modern and healthy Manx life-style, the close proximity to a global business hub, and cover the existing industries such as finance and e-gaming. This will attract the appetite of the global entrepreneurship community. A good example is Barcelona which transformed from a beachy seaside city into a globally renowned startup

⁴⁵ "Home - CANDO.SCOT." <https://cando.scot/>. Accessed 15 Oct. 2019.

⁴⁶ "STARTUP PORTUGAL." <https://startupportugal.com/>. Accessed 15 Oct. 2019.



hub through smart self-promotion and thereby attracting a large number of young people and life-style entrepreneurs. Barcelona ranks #1 in Spain for entrepreneurship and has become a highly sought after destination for entrepreneurs. It is suggested to undertake further market research into the target audience and develop a comprehensive branding and marketing campaign including an analytics framework to address this topic.

Entrepreneurship conference

We further strongly recommend the launch of a large-scale entrepreneurship conference to raise the profile of the Island as a startup destination. A large event similar to the ISLEXPO to deliver the message that the Isle of Man is open for business. International conferences attract a large number of people in key positions from across the world. Popular speakers draw a crowd. Continuity is key when it comes to building a brand and this goes for events as well.

A great example for continuity is Startup OLÉ in Salamanca, Spain's largest entrepreneurship conference. Originally started by a Professor out of the local startup hub not even ten years ago, the conference has transformed from a local startup event into Spain's most high-profile event of its kind with HRH Felipe VI of Spain and the Marcelo Rebelo de Sousa, the President of Portugal in attendance.⁴⁷

Another example of successful continuity is PODIM,⁴⁸ the largest entrepreneurship conference of the Alpe-Adria region wedged between Italy, Austria, Slovenia, and Croatia. The conference will celebrate its

40th anniversary in 2020 and is headed up by Start:up Slovenia, the Slovenian ecosystem champion.

Originally started in 2009 in Ireland, Web Summit has grown into one of the largest technology conferences globally. In 2016, the conference moved to Lisbon permanently leaving a gap in the region between Ireland, Scotland and Northern England. This represents the perfect opportunity for the Isle of Man to fill this gap by launching an annual conference to promote its many benefits to the global entrepreneurship community.

ZEST is Malta's flagship conference and networking event focused on digital disruption, innovation, emerging tech and technology business.⁴⁹ Launched in 2016, the annual conference attracts thousands of international guests bringing together a cosmopolitan crowd comprising locals, expats, and fly-ins. In 2019 the conference was included in the DELTA SUMMIT which is the Island's leading digital innovation summit.⁵⁰ Both events are organised by the newly launched organisation Tech.MT which sits between the Government of Malta and the Malta Chamber of Commerce. The conferences will serve as a marketing arm for a technology driven economy and "deliver the message of what makes Malta the Powerhouse of Economic Innovation".

⁴⁷ "Startup Ole 2019." <https://startupole.eu/>. Accessed 15 Oct. 2019.

⁴⁸ "PODIM." <https://www.podim.org/>. Accessed 15 Oct. 2019.

⁴⁹ "ZEST." <https://www.zest.org.mt/>. Accessed 25 Oct. 2019.

⁵⁰ "DELTA Summit." <https://delta-summit.com/>. Accessed 25 Oct. 2019.



to maritime interests across the world.⁵³ These ideas need to be further explored and researched separately.

MarineTech Accelerator

Due to its unique location in the Irish Sea, the Isle of Man has an abundance of free natural resources in particular wind, the tide, and a large maritime environment. By launching a MarineTech Accelerator targeting this particular industry the Island could attract not only a wide range of startups and investors but also large corporates and national industry players. International shipping is the life blood of the global economy responsible for the carriage of around 90% of world trade.⁵¹ By establishing itself as a forerunner for the development of marine technology and marine renewables, the Isle of Man would place itself at the heart of the vibrant and fast-growing global marine sector. The low-tax environment combined with a unique natural environment provides the best conditions for the exploration of this industry especially on the basis of global public-private-partnerships.

Best practice examples are the Marine Hub Cornwall that creates value in four areas: Funding, Research, Infrastructure, and Capability.⁵² Another example is the New York Maritime Innovation Center (NYMIC). Founded only in 2018 and backed by the SUNY Research Foundation, the NYMIC has a strong entrepreneurial focus and bridges the divide between the tech, logistics, finance, and maritime communities and connect startups

⁵¹ "Shipping and World Trade - ICS." <https://www.ics-shipping.org/shipping-facts/shipping-and-world-trade>. Accessed 24 Oct. 2019.

⁵² "Marine Hub Cornwall: A world class region for marine" <https://marinehubcornwall.co.uk/>. Accessed 24 Oct. 2019.

8. Conclusion

The Isle of Man has an abundance of natural, tangible and intangible resources, which could, if fully utilised, transform the Island into an international innovation powerhouse attracting global industry players. The natural environment, its geography combined with its business friendly tax environment, and the very supportive community provide very competitive conditions. The Isle of Man is in a perfect place to engage in global topics such as innovation, climate change, marine technology, and regenerative energies. This would not only improve the Island's positioning in the global community, but also contribute to the industry diversification. This in turn could attract more human capital to the island, as many of the potential target industries are heavily reliant on human capital in the form of innovators, entrepreneurs, investors, engineers, and workers, and an enabling environment. In the short term, the Island needs to create an enabling environment by removing the structural, regulatory, and administrative roadblocks to pave the way for an entrepreneurship ecosystem to flourish. Successful projects in the past have proven that an entrepreneurship ecosystem on the Island is possible. However, too many dependencies pose a risk to the ecosystem. A healthy and mature entrepreneurship ecosystem is characterised by self-sustainability, self regulation, and independence. Going forward, the risk and the opportunities need to be reevaluated in

⁵³ "NAMIC - Home." <https://www.namic.org/>. Accessed 24 Oct. 2019.



the light of the findings of this report and distributed across public-private-sector partnerships, public-industry partnerships, and the local business community.

In addition to this, the stakeholders and enablers must consider immediate and near term opportunities to increase the capacity of the island, some of which can have a much longer term impact. By boosting existing initiatives such as the town regeneration plans with the addition of a strategic ecosystem mapping exercise to identify the assets and attributes of those towns, build capacity to enable economic development, and consequently create new centres of attraction that can contribute to a new narrative about the island. Tapping into the underserved human capital of spouses and partners of expatriates through targeted schemes and programmes to fully integrate them into ecosystem is also an immediate and near term opportunity. The other immediate and near term opportunities include resolving the banking issues, this may be facilitated by a market engagement with neo-banks and fintech firms that have existing capabilities to serve Isle of Man registered businesses. The Island's accessibility to the UK and Europe is an attractive attribute for digital nomads, cosmopolitan workers, and entrepreneurs. But without the minimum viable conditions such as being able to open a business bank account easily, dynamic entrepreneurs' ecosystem events, or a diverse business angel community, to name but a few, it is difficult to build a compelling proposition for this target market (or segment).

Opportunities to develop medium to long-term impact lies in the natural and geological attributes of the island, and its regulatory and legislative agility due to an accessible and approachable government and legislators. The island itself could become an incubator, its natural and

geological assets make it attractive as a Sandbox or “testbed” for innovations in technology, verticals like MarineTech, GreenTech, AgriTech, etc. for example, like the country Iceland has established itself as. Such initiatives must be designed as part of the medium to long term strategic economic policy objectives, to which the sustained outcomes and economic growth take longer to achieve.



References and Appendices



Appendix I: Jurisdictional Comparison Table

Jurisdiction	Start-up Ecosystem Comparison							
	Funding				Networking			Regulatory environment (EODB ranking)
	Taxation	VC/Angels	Grants	Crowdfunding	Co-working spaces	Mentorship	University Partnerships	
Isle of Man	- 0% Corporation tax except banks, property companies and large retailers - No CGT or IHT - 20% VAT	Bridge Angel Network closed in June 2019 (but Argosy and Manninvest remain)	Up to £6,000 available to start-ups through the Micro Business Grant Scheme, FAS funding based on exchequer benefit, when dovetailing withEDS, the overall support is capped at £1mn	Regulatory regime in place but no providers	4	Mentors available on MBGS, whilst education provided in all schools through JA	None	Often cited to be pro-business however feedback suggest difficulties to register a company, grants can be slow and difficult to obtain (9th)
Jersey	- 0% Corporation tax except FS companies, utility and property companies, - 0-5% sales tax and - 0% CGT	Cambridge Capital Group is based in Jersey, focussing on venture capital for tech startups	None	Investor CI based in Jersey, accepting crowdfunding applications from across the World	5	Business Academy competition offers mentorship to all applicants, whilst Digital Jersey Start-up Scheme offers support to relocating start-ups	None	9th



Guernsey	- 0% Corporation tax, - 0-5% sales tax and 0% CGT	Talk about setting up an angel network but not done yet	None	None	1	Startup Guernsey offers advice on accessing funding etc	None	9th
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Start-up Ecosystem Comparison								
Jurisdiction	Funding				Networking			Regulatory environment (EODB ranking)
	Taxation	VC/Angels	Grants	Crowdfunding	Co-working spaces	Mentorship	University Partnerships	
Malta	Effective 5% Corporation tax	Venture Capital Malta set up by the Maltese Government as a platform to facilitate venture funding for Maltese startups	Up to €300,000 available as 50% of total expenditure	Zaar crowdfunding platform based in Malta	5	Predominantly available in schools through JA	University of Malta has a Centre for Entrepreneurship and Business Incubation (CEBI) where TAKEOFF incubator is based.	(84th)
Scotland	19% Corporation tax, 10/20% CGT	EIS provides tax relief up to £150,000 (seed) or £12m for HNWIs	70% funding for a small business for feasibility studies, up to £100,000. Make it to Market grants to develop products to be exported of 70% up to £5000 Innovate UK grants EU grants (Uses UK-wide crowdfunding platforms such as Crowdfunder and Kickstarter	30+	Scottish Enterprise and Entrepreneurial Scotland provide mentoring services	Prevalent in incubators/accelerators, particularly in Biomed/Health sciences sector	9th



			Might change after Brexit)					
Wales	19% Corporation tax, 10/20% CGT	EIS provides tax relief up to £150,000 (seed) or £12m for HNWI	Start-up business grant, figure varies by region but generally ranging from £250-£1000 as 50% matched funding	Uses UK-wide crowdfunding platforms such as Crowdfunder and Kickstarter	10+	Mentoring services offered by Business Wales and through BeTheSpark	BeTheSpark aims to link academia to entrepreneurs in Wales to assist in R&D and knowledge sharing	(9th)

Jurisdiction	Start-up Ecosystem Comparison							
	Funding				Networking			Regulatory environment (EODB ranking)
	Taxation	VC/Angels	Grants	Crowdfunding	Co-working spaces	Mentorship	University Partnerships	
Northern Ireland	19% Corporation tax, 10/20% CGT, 20% sales tax	EIS provides tax relief up to £150,000 (seed) or £12m for HNWI	Dependent on region and sector	Uses UK-wide crowdfunding platforms such as Crowdfunder and Kickstarter	50	Around 30 Local Enterprise Agencies to provide advice and support to those starting a business	Invest NI Innovation Vouchers provides funding to SMEs to work with an expert from an educational/research institution	(9th)
Portugal	21% Corporation tax, 28% CGT on shares, bonds etc	Co-investment available through 200M fund for both Portuguese and foreign	Startup DNA line' offers a minimum of 15% equity funding up to €50,000	PPL has raised over €4.25m, pushing the quick and easy route to funding	150+	Courses provided to entrepreneurs at 90% discount cost, improves attractiveness of incubators/accelerators	Sines Technopolo is a specialist scientific incubator with close links to	The Portuguese government has recently announced 26 measures to improve its offering to startups,



		investors investing in Portuguese startups. Co-investment also available with incubators and accelerators				and is aiming for 1200 trainees	nearby universities, whilst many others offer close relationships for R&D/knowledge sharing purposes	include an entrepreneur visa, accelerators, and co-investment (34th)
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Start-up Ecosystem Comparison								
Jurisdiction	Funding				Networking			Regulatory environment (EODB ranking)
	Taxation	VC/Angels	Grants	Crowdfunding	Co-working spaces	Mentorship	University Partnerships	
Iceland	20% for LLCs & LLPs, all others inc. partnerships is 37.6%, 24% Sales tax	Venture Studio brings angels and Venture Capitalists to help build a 'developers ecosystem'	Innovation Grants available to startups from 200,000-500,000 ISK (£1300-£3275)	Karolina Fund has raised over €3m and funded nearly 500 projects	5	Mentoring service provided by Venture Studio, Icelandic Startups and others	Reykjavik University and University of Iceland are part-owners of Icelandic Startups, which is located at the University of Iceland	(21st)
London	19% Corporation tax, 10/20% CGT, 20% sales tax	EIS provides tax relief up to £150,000 (seed) or £12m for HNWIs	Dependent on sector	Uses UK-wide crowdfunding platforms such as Crowdfunder and Kickstarter	170	Countless specialised business networks providing networking and mentoring opportunities	40 universities in London allowing easy access to R&D facilities and skilled workers	(9th)



Yorkshire & The Humber (Leeds)	19% Corporation tax, 10/20% CGT, 20% sales tax	EIS provides tax relief up to £150,000 (seed) or £12m for HNWI	Dependent on sector	Uses UK-wide crowdfunding platforms such as Crowdfunder and Kickstarter	5	Spark or Yorkshire Powerhouse provide mentoring services to young entrepreneurs	7 sources of funding available through LBU and University of Leeds innovation hub connects SMEs with investors, mentors and academics	(9th)
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Appendix II: Workshop keyword collection

Political negatives	Suggestions for improvement
<ul style="list-style-type: none"> • No risk appetite • Slow • Use the legislative pen more. Worked in e-gaming • Need prioritisation • Concerns to please all • Need prioritization • Who shouts loudest gets heard • Each department of its own. Opportunity to consolidate? • Single legal entity • In the long no time to get answers • Change the system of government • Short-term thinking • Pen pushers 	<ul style="list-style-type: none"> • Abolish pr reduce GTS and outsource government IT services • Party system? • Time to influence immediately after election • Change government policy • Public-private partnerships • Infrastructure • Access to finance
Government negatives	Suggestions for improvement
<ul style="list-style-type: none"> • Too involved 	<ul style="list-style-type: none"> • Prioritise clearly: IOM based young entrepreneurs + attracting non-



<ul style="list-style-type: none"> ● Over reliance on government ● Focus on employment not value creation ● Vale for who? What's the benefit? ● Slow decision making ● Unclear policies ● Not bold enough ● Designed for stability not change ● Cash constrained ● Reliance on government too much ● Too easy access to politicians ● Understaffed ● Narrow focus ● Gap to available for government funding for high turnover low profit ● A need for very practical support eg how to complete ITR 	<p>IOM [entrepreneurs]</p> <ul style="list-style-type: none"> ● Increase grant staffing + funding + better IT + Digitisation ● Election
<p>Legal & Regulatory negatives</p>	<p>Suggestions for improvement</p>
<ul style="list-style-type: none"> ● AGs understaffed ● Difficult for small businesses opening a business bank account ● No angel network ● Regulatory uncertainty ● Opportunity: needs guidance ● DBA too encompassing ● Value laws ● Slow legislative process ● Under resources ● Slow lead time ● Digital agency opportunity - sandbox ● Why set up here when no regulatory difference/ incentive vs UK ● Need PR 	<ul style="list-style-type: none"> ● DfE websites 'how to set up a business' currently in draft but need to tap into knowledge ● [Government] Needs guidance ● Opportunity: Digital, Health, GreenTech, cost of regulation, time, time resource to resolve regulatory issues, sophisticated investors

- Not competitive regulations: crowdfunding, telecoms, opportunity to take advantage
- Telecoms add complications and cost
- Review and extend crowdfunding caps!
- Expansion of regulatory sandbox
- Too cautious regarding crowdfunding investments
- Slow gov processes not competitive to set up
- Over-regulation due to CRS & FATCA causes difficulty for micro-business owners

Economic negatives

- Banking, personal, business
- Air links
- Skills shortage
- Lack of quality commercial property
- Economy too reluctant on regulated sectors
- Unemployment too low
- Not enough workers
- Entrepreneurs relocating = Success. Yes? = More jobs. No? = More people
- Less economic incentives for startups
- Skills + talent
- High cost
- More people
- Economies of Scale
- Lack of intelligence and competition and no way people come and go
- No R&D partners
- No suppliers

Suggestions for improvement

- International presence
- Relaxation/elimination of work permits
- If you choose to live & work here you should be given equal chance
- Lift work permit requirements
- Expand grants to cover retail + health sector
- Diversity
- Video Game Design degree
- Get rid of work permit



<ul style="list-style-type: none"> ● No staff ● Too low unemployment -people aren't hungry ● Work permits preventing relocation/opportunities 	
Social negatives	Suggestions for improvement
<ul style="list-style-type: none"> ● Lack of travel opportunities to certain areas in the UK ● Lack of awareness of IOM ● Lack of people with similar interests ● Lack of networks targeting different demographics ● Fragile airlines can early pull from IOM ● IOM brand not associated with startups ● Lack of digital skills ● Entrepreneurs are seen as dog groomers. There is no understanding of high risk, scaling tech business ● Entitlement to receive funding (Gov) ● Lack of residential property ● No child care. Spouse of entrepreneurs are not allowed to work due to work permit restrictions ● Risk averse society. Stuck in old ways. ● Work permits ● Lack of people/skills in certain areas ● Only 1 university ● Not much on Island to bring back people after Uni ● Social attitudes to failure. Too risk averse 	<ul style="list-style-type: none"> ● Encourage airlines ● Better ferry crossings ● No dynamic pricing/old IT systems ● Last minute 'cheap seats' now gov own the steam packet ● Change of attitude for people who feel entitled through re-education ● Airlinks opportunity ● Private sector meetups, connect to bootcamps ● Better marketing and PR communication ● Support for entrepreneurs' spouses and family. ● Encourage entrepreneurs to move to the island and bring their family. Spouses and partners unable to access employment. Remove work permit for partners. Improve integration services. ● Regular low maintenance meetups for niche demographics ● Expand investments in new sea vessels ● Reduce prices for airline island ● Gov backed Manx airline ● More social activities & youth culture/opportunity ● Encourage young to come back and set up on Island ● Entrepreneurship bootcamp for graduates organised by DfE (MBGS + Locate), sponsored by larger corps on Island
Finance negatives	Suggestions for improvement
<ul style="list-style-type: none"> ● Is government too involved or not? 	<ul style="list-style-type: none"> ● Government to explore potential for new business bank



- Average funding except gov
- No pro-startup business bank account
- No SEIS/EIS + tax incentive
- Early grants should not just be tied to revenues
- Business bank accounts take too long.
- Lack of customer services f2f
- Payments off island too hard
- No innovation grants
- No EIS
- Paypal issues
- Revolut
- HSBC
- Ringfencing
- No VC
- Explore e-money regulations
- Gov funding asking for securities
- Uncompetitive tax regime
- Reliance on old industries
- Little innovation
- Gov funding requires co-investment but investors are too scarce
- No investors EDS/SEIS
- Gov encourages funda (but does not run) individuals to set up: crowdfunding platforms, local funding syndicates, angel networks, accelerator and/or incubator
- Inflexibility and support from banks regarding opening of business bank accounts
- Tax treaties
- Uncompetitive salaries
- Concentration of certain jobs like gaming, professional services
- Over reliance on government funding
- Lack of private equity

- Company articles online
- Restart Manx EIS
- Access to angel funding/networks
- Access to finance
- Grants, loans & equity (EDS) with online T&Cs and no securities
- EIS
- Utilise existing IOM companies i.e. PayScale + Retail Bank
- Tax treaties
- More pressure on local banks to open local business account. Point of contact/expert available to advise business eg FAQs
- Access to finance



<ul style="list-style-type: none"> • No angels anymore • Hard to link investors to startups • Access to finance transfers on island limited • Regulation onerous • Time phenomenal 	
Miscellaneous negatives	Suggestions for improvement
<ul style="list-style-type: none"> • No meetup network/events for returning grads/entrepreneurs • To be successful a business needs to be an export business. Then problems arise with tax • Nothing about registering or managing a business (through gov) is online • Lack of collaboration. Things are going on in silos • Lack of awareness in funding schemes • Chamber business network too many talking groups • Lack of link-up for small businesses unless attending training • Lack of EU funds in comparison to competitors (eg Scotland, Wales, etc) 	<ul style="list-style-type: none"> • University grad meetups + free coffee • Professional recognition + transferable skills, qualifications, alongside entrepreneurship as a safety net • Hackathon: tech, social, charity, education, health • Communicate that businesses can be registered online
Technology negatives	Suggestions for improvement
<ul style="list-style-type: none"> • High cost • Traditionally unreliable telecoms • Home office broadband barely fast enough for video call after 6 p 	<ul style="list-style-type: none"> • Faster home office broadband (Crosby) • National telecoms strategy • Speedier planning for more (telecom) masts • Power subsidies for computing and data centres • Gov establish an internet exchange
What works	Suggestions for improvement
<ul style="list-style-type: none"> • Helpful/supportive people 	



- Access to decision makers & quick
- Short decision-making process
- Testing in real world setting
- Good testing ground
- Tax and regulatory attractiveness
- Close knit community
- Govt is very accessible
- Quality of life
- Gov funding
- Professional services
- Potential for knowledge transfer
- Mentors
- Top down/bottom up
- Practical steps
- Junior achievement (Primary and Secondary)
- Microbusiness scheme
- Putting the right people in the room
- STEMFEST



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