Agenda

• **Benchmarking**
• **Financial Fair Play (FFP)**
  – Enhanced “No Overdue Payables” requirement
  – Break-even requirement
  – FFP Processes & Key Dates
• **Club Financial Control Body (CFCB)**
Size of top divisions across Europe

- Top divisions range from 8 to 20 teams with 12 and 16 team divisions being the most frequent;
- A quarter of leagues have changed their number of clubs in just the last three seasons.
Top division attendance trend between 2010/11 and 2011/12

- Attendance figures increased in 2011/12 in 31 of the 51 top-divisions (61%) with comparable data, while 20 (39%) decreased.

Top division revenues – FY2011

- In FY2011 broadcasting revenue accounted for 37% of revenues with gate receipts slightly dropping to 19% compared to 21% in FY2010;
How to revenues vary across Europe – FY2011

- Average club revenue varied from €134m in ENG to €100,000 in SMR;
- Revenues of the 38 ENG and GER clubs exceeded the combined revenues of all 636 clubs from outside the largest five leagues.;

Top division revenues – five year trend

- Club revenue grew in 40 of the 53 top divisions over the past five years;
- Revenues have increased approx. 5.6% per year and 24% over the whole period;
Change in club revenues between 2007 and 2011

- Wages have increased **38%** from **€6.2bn** to nearly **€8.6bn**;
- Combining net costs of wages and transfers the increase is **43%**;
Top division net losses – five year trend FY2007 – FY2011

- The net loss margin increased from **5.8%** to **12.7%** of revenues, which, in simple terms, means that European clubs on aggregate spent roughly €9 for every €8 of revenue in 2010 and 2011.

How much did clubs spend on players’ wages – FY2011

- The share of revenue spent on wages and social costs remained consistent at **65%**;
- Number of divisions with a ratio of more than **70%** decreased from 18 in FY2010 to **15** in FY2011, and the number of divisions with a ratio above **80%** increased from 7 in FY2010 to **8** in FY2011.
- In total, at least **257** individual clubs (254 in FY2010) reported a personnel cost to income ratio above **70%**;
What proportion of clubs are loss-making?

- The net loss margin increased from **5.8%** to **12.7%** of revenues, which, in simple terms, means that European clubs on aggregate spent roughly **€9** for every **€8** of revenue in 2010 and 2011.;

The impact of transfer activity on FY2011 results

- Transfers improved the bottom-line profit margin by over **10%** for **126** clubs and **13** leagues in FY2011;
- Overall net transfer costs were **€817m** in FY2011 compared to **€933** in FY2010.
How many clubs reported net equity in FY2011?

- **255** or **38%** of clubs reported negative equity;

Did club balance sheets strengthen or weaken in FY2011?

- **50%** of clubs still had their balance sheet position deteriorate during FY2011 by an aggregate of **€1,485m**;
First division Croatian clubs

Croatian first division clubs – club revenue versus division average

Club total revenue relative to division average
Croatian first division clubs – revenue breakdown FY2011 (%)

Croatian first division clubs – wage to revenue ratio FY2011
Background – financial losses

- Financial losses setting records every season;
- 55 to 60% of clubs were recording losses;
- Longer term investment in football has not matched spending – Less than 1 in 4 clubs own stadium and less than 1 in 3 own training facilities;
- Increasingly difficult for clubs with sustainable business plans to compete with those living beyond their means.
**Background - overdues**

- Worrying trend of clubs not paying their debts on time;
- Clubs delaying and deferring payments to players and other staff;
- Complaints received about non-payment of transfer and related fees;
- Evidence of non-payment to social and tax authorities.

**Financial Fair Play concept**

- Financial Fair Play rules implemented on top of club licensing criteria
Financial Fair Play rules

- Financial Fair Play rules implemented over a staged approach;
- Enhanced **overdue payable rule and future financial information** monitored as from June 2011;
  - 1st cycle: June & September 2011
  - 2nd cycle: June & September 2012
- Implementation of **the break even rule** as from 2012 with first assessment that will be done during the 2013/14 season.

Break-even rule

- The cornerstone of the Financial Fair Play concept;
- A club must not repeatedly spend more than its revenues;
- Stabilize and rationalize club’s spending in Europe;
- Club to « break-even » on a yearly basis, means that football relevant expenses < football relevant income.
Enhanced Overdue Payables

- **In seasons 2011/12 and 2012/13** licensees were assessed against the first monitoring requirements that form part of the financial fair play concept.
- **Overdue payables:**
  - towards clubs
  - towards employees
  - towards social/tax authorities
- **Info submitted:**
  - in July (for **June 30th** deadline)
  - in October (for **September 30th** deadline)
- **Submission platform:**
  - **CL/FFP IT Solution**
- **All clubs were reviewed by CFCB at meetings** in Aug/Sept & Nov.
The following sanctions and combination of sanctions were applied to the clubs referred by the CFCB Investigatory Chamber:

- **Straight exclusion** from participation in the next UEFA club competition in the next three/four seasons
- **Suspended exclusion** from participation in the next UEFA club competition **on condition** that existing overdue payables in Sept are paid and no overdue payables in March
- **Fines**
Enhanced Overdue Payables 2012/13

- Declared ODP as at 30 June: €66m
- Paid post assessment date (before 15 July): €36m
- Total adjusted ODP June 2012: €30m
- Deferred Balances: €225m
- Disputed Balances: €28m
- Year-on-year improvement over 2011: €27m (47%)

Enhanced Overdue Payables 2012/13

- Declared ODP as at 30 September: €30m
- Paid post assessment date (before 15 October): €12m
- Total adjusted ODP June 2012: €18m
- Deferred Balances: €120m
- Disputed Balances: €15m
- Year-on-year improvement over 2011: €13m (41%)
Overdue Payables – Completeness of Submission

Transfer payables

**“Closed” transfers**
- All payments are done in accordance with an agreement (including contingent fees the payment condition of which is matured)
- Free agents
- Free of charge transfers/loans

**“Open” transfers**
- All payments not already done in accordance with an agreement:
  - *Existing payables as at assessment date*
  - *Deferred payables*
  - *Payables in dispute*
Overdue Payables – Completeness of Submission

Employee and Social/ Tax Payables

- **Monitoring requirements**
  - **Total payables** as at assessment date (including Payables not overdue as at assessment date)
  - **Balance overdue** as at assessment date, including due date for each unpaid element in respect of each employee / social tax authority
  - **Deferred payables** as at assessment date, including due date for each unpaid element in respect of each employee / social tax authority
  - **Payables in dispute** as at assessment date, including due date for each unpaid element in respect of each employee / social tax authority

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<table>
<thead>
<tr>
<th>Employee</th>
<th>Social/ Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>all professional players</td>
<td>taxes on salaries (Personal income tax withheld by the employer (club) and paid to the tax authorities on behalf of an employee)</td>
</tr>
<tr>
<td>As a minimum, administrative, technical, medical and security staff (Art. 28-33,35-39 CL&amp;FFP Reg)</td>
<td>social contributions (Pension Fund, Social insurance, Health insurance etc)</td>
</tr>
</tbody>
</table>
Overdue Payables – Disputes

• Payables might not be considered as overdue if a claim or proceedings have been opened with a competent authority (Art. 2 c) and d) of Annex VIII of CL&FFP Regulations (2012).

• Payables in dispute must be disclosed even if a licence applicant/licensee has not booked them in the accounting system.

Overdue Payables – Disputes

In the following cases the relevant amounts will still be considered as overdue:

- If a claim made or proceedings opened with an authority that is not competent to deal with the case
- If a claim has been made or proceedings have been opened by a club for the sole purpose of avoiding the applicable deadlines set out in CL&FFP Regulations (i.e. in order to buy time).
- If the club did not contest the claim brought by a creditor and/or did not provide a competent authority with founded reasons for contesting,
Overdue Payables – Contingent liabilities

The transfer payables table must contain **conditional amounts** (contingent liabilities) in accordance with agreement, e.g.:

- contingency payments arising from transfer agreements (e.g. an amount to be paid should a club qualify for a subsequent UEFA club competition);
- bonuses payable to employees (e.g. an amount to be paid at the end of the season).

**Disclosure requirements:**

**Monitoring:**

- **Realised contingent liabilities** as at the assessment date

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Overdue Payables – Due date

- Relevant contracts (either transfer or employment) should explicitly stipulate the exact due date of all payables.
- Written agreement by involved parties must be signed, if a due date is postponed.
- Employee or social/tax payables relating to the month of June (or September), but by contract or national law not payable until July (or October), are not considered as overdue at the 30 June (or 30 September) assessment date.
**Overdue Payables – Supporting documentation**

- Licensor stipulates the list of documents that are mandatory for submission to licensor:
  - Within licensing procedure in order to assess the existence of overdue payables;
  - Within club monitoring procedure in order to validate the financial data submitting to the UEFA administration and CFCB.
- A licensee must provide the necessary documentary evidence upon the request of the UEFA administration and/or the CFCB.

### Payments
- Payment transaction confirmation
- Cash payment voucher (if paid in voucher cash)
- Confirmations from tax authorities

### Deferrals
- Written agreement signed by involved parties confirming the new payment date (transfers, employees)
- Written agreement signed by involved parties OR resolution of tax authorities

### Disputes
- Official positions of both parties, including letters sent to the competent authorities contesting the merits of claim and supporting documents
- All other relevant correspondence with tax authorities
Overdue payables and Reporting perimeter

- Compensation paid to employees arising from contractual or legal obligations
- Cost/proceeds of acquiring/selling a player’s registration

Reporting perimeter

The FFP requirements
The Break-even rule
Break-even requirement – key principles

- A club must not **repeatedly spend** more than the income it generates
- Encourages clubs to **operate with their revenues**, not owner/related party contributions and not debt
- Encourages spending on facilities and other activities for the **long term benefit of the club**, rather than short-term speculative spending
- No obligation for clubs to be profitable
- A **multi-year assessment**
- The break-even calculation is primarily based on a club’s P&L
- Break-even requirement enters into force for the financial statements for the reporting period **ending in 2012**

Break-even information

- Licensees will continue to prepare their annual financial statements in accordance with their national accounting practice or IFRS

- The break-even information will be drawn from, and reconcile to, the **audited annual financial statements** (as already submitted to the licensor for club licensing)
Financial Fair Play requirements – break-even

- The *aggregate* break-even result is assessed over **three** reporting periods (T, T-1, T-2);
- But for the first assessment, it will be for only **two** reporting periods;

<table>
<thead>
<tr>
<th>Monitoring PERIOD</th>
<th>T</th>
<th>T-1</th>
<th>T-2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013/14</td>
<td>2013</td>
<td>2012</td>
<td>n/a</td>
</tr>
<tr>
<td>2015/16</td>
<td>2015</td>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>2016/17</td>
<td>2016</td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>2017/18</td>
<td>2017</td>
<td>2016</td>
<td>2015</td>
</tr>
</tbody>
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Financial Fair Play requirements – acceptable deviation

- **Acceptable deviation** of €5m (maximum aggregate break-even deficit allowed for compliance of requirement);
- Acceptable deviation is over all **three monitoring periods**;
- Clubs may exceed this level up to the amounts listed in table below if the excess is covered by contributions from equity participants and/or related parties:

<table>
<thead>
<tr>
<th>As assessed in licence season:</th>
<th>Acceptable deviation</th>
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<tbody>
<tr>
<td></td>
<td>If no contributions, aggregate break-even deficit up to:</td>
</tr>
<tr>
<td>2013/14</td>
<td>€5 million</td>
</tr>
<tr>
<td>2014/15</td>
<td>€5 million</td>
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<tr>
<td>2015/16</td>
<td>€5 million</td>
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<tr>
<td>2016/17</td>
<td>€5 million</td>
</tr>
<tr>
<td>2017/18</td>
<td>€5 million</td>
</tr>
</tbody>
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High Level Review Process

Club Submissions → SAP BOFC
- Indicator, KPI
- Heat Map Analysis

CFCB (AC)
- Final Decision

UEFA
- Financial Analysis
- Risk Matrix

CFCB (IC)
- Review of findings
- Archive or Prosecute?

Audit Partner(s)
- Audit Inspections

CFCB (IC)
- Archive
- Information/Meeting
- Audit Inspection
Implementation of FFP – Season 2013/14

- Submission deadline for break-even information for T-1 (FY2012)
- Submission deadline for overdue payable information as of 30 June 2013
- Submission deadline for break-even info for T if requested (FY2013)
- Submission deadline for overdue payable information as of 30 Sept 2013
- Submission deadline for future financial information for T+1
- Submission deadline for final break-even info for T if requested (FY2013)
- Submission deadline for overdue payable information as of 30 Sept 2013
- CFCB-IC Meeting assessing overdue payable and break-even information submitted July 2013
- CFCB-IC Meeting assessing overdue payable and break-even information submitted October 2013
- CFCB-AC decisions assessing overdue payable information and break-even

Key FFP Documents

- UEFA Club Licensing and Financial Fair Play Regulations
  Edition 2013
- UEFA Club Financial Control Body
  Edition 2012
- Financial rules governing the UEFA Club Financial Control Body
  Edition 2010
Club Financial Control Body

- **XXXVI UEFA Ordinary Congress decisions**

  A number of changes to the UEFA statutes including:

  - establishing the **Club Financial Control Body (CFCB)** as a UEFA Organ for the Administration of Justice, thus allowing it to take disciplinary measures;

  - Decisions of the CFCB will be final at UEFA level and appealable directly to the CAS;
Composition and Organisation of the CFCB

Two clearly separated chambers: the Investigatory Chamber and the Adjudicatory Chamber

**Investigatory Chamber:**
- led by the CFCB Chief Investigator;
- 8 members;
- in charge of establishing the facts and collecting evidence

**Adjudicatory Chamber:**
- led by the CFCB Chairman;
- 5 members;
- in charge of deciding, in case of breach of the UEFA CL&FFP Regs, on the disciplinary measure(s)

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Club Financial Control Body (CFCB) Composition

- Investigatory chamber

<table>
<thead>
<tr>
<th>Members</th>
<th>Position</th>
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<tbody>
<tr>
<td>Jean-Luc Dehaene (BEL)</td>
<td>Former Prime Minister of Belgium</td>
</tr>
<tr>
<td>Egon Franck (GER)</td>
<td>Professor of Economics &amp; Vice Rector New Economic School Moscow</td>
</tr>
<tr>
<td>Konstantin Sonin (RUS)</td>
<td>Professor and Chair of Business Management Università degli Studi di Firenze</td>
</tr>
<tr>
<td>Umberto Lago (ITA)</td>
<td>Professor of Business Administration Università degli Studi di Firenze</td>
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<tr>
<td>Petros Mavroidis (GRE)</td>
<td>Professor of Law at the European University Institute Florence</td>
</tr>
<tr>
<td>Brian Quinn (SCO)</td>
<td>Professor of Economics University of Bologna</td>
</tr>
<tr>
<td>Yves Wehrli (FRA)</td>
<td>Lawyer and Managing Partner of Clifford Chance</td>
</tr>
<tr>
<td>Jacobo Beltrán (ESP)</td>
<td>Member of Madrid Assembly</td>
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<tr>
<td></td>
<td>Former Executive Director and Deputy Governor of the Bank of England</td>
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