Communications

Financial Fair Play

Media information – 25 January 2012

Index

Introduction

UEFA's Executive Committee unanimously approved a financial fair play concept for the game's well-being in September 2009 and on 27 May 2010 approved the UEFA Club Licensing and Financial Fair Play Regulations Edition 2010, in the presence and with the full support of the European Club Association chairman, Karl-Heinz Rummenigge.

The concept, which has been supported by the entire football family, looks at the long as well as short-term health of club football and individual clubs. In particular, the objectives (see p.5) aim to introduce more discipline within club finances and encourage responsible spending and investment.

Financial fair play is a key point in the 11 values of the UEFA president presented at the UEFA Congress in Copenhagen in March 2009.

Despite a background of huge and increasing public and commercial interest in European club football over the last decade, many clubs across Europe are in poor financial health, struggling to meet their financial obligations and commitments, and reporting repeated financial losses on a worrying and escalating scale. UEFA has a duty to consider the systemic environment of European club football in which individual clubs compete, in particular, the wider inflationary impact of clubs' spending on salaries and player transfer fees and increasing levels of indebtedness across European club football, as the *Club Licensing Benchmarking Report* shows.

Therefore, as requested by and in consultation with the football family, UEFA has aimed to develop sensible and achievable club monitoring requirements to supplement the existing club licensing criteria, in order to safeguard the sustainability of European club football.

To supplement and complement the former *UEFA Club Licensing Regulations*, the *UEFA Club Licensing and Financial Fair Play Regulations*, comprising both club licensing criteria and club monitoring requirements derived from the financial fair play concept, entered into force on 1 June 2010, with the various financial fair play requirements being phased in over a number of seasons (see p.7).

The consistent application of the club licensing criteria by licensors and the monitoring of clubs is overseen by the independent Club Financial Control Panel, which was created in 2009 (see p.8).

If a criterion or requirement of the regulations is not fulfilled, appropriate measures will be taken against the club by UEFA's independent disciplinary bodies. Potential disciplinary sanctions are the remit of the competent disciplinary bodies who have a palette of sanctions at their disposal including ultimately the exclusion from future UEFA club competitions.

Since its creation, the Club Financial Control Panel has referred numerous clubs to UEFA's disciplinary bodies for both club licensing and club monitoring breaches.

History of Club Licensing and Financial Fair Play

For UEFA, the club licensing system represents a key means to enhance the credibility of the football industry. It was introduced at the start of the 2004/05 season with the goal of encouraging European club football to look beyond the short term and consider underlying longer-term objectives essential for the game's continued good health. It is based on a series of defined quality standards, which each club must fulfil to gain entry to UEFA's club competitions, and on the key principles of transparency, integrity, credibility and capability.

The 36 specific criteria of the licensing system can be broken down into five main categories: sporting, infrastructure, personnel, legal and financial. These criteria – developed in cooperation with the national associations – have helped to improve the credibility of club operations and led to better transparency and governance by clubs and national associations.

A licence granted to a club by its national association proves that it has achieved a certain quality level. Further checks, coordinated by UEFA in cooperation with independent partners, monitor the proper application of the system by each association, thereby reinforcing the Europe-wide nature of the system.

Since its introduction more than 4’500 top-division clubs in Europe have applied for a UEFA licence. For the 2011/12 season, 591 of the 730 top-division clubs (81%) in Europe underwent the licensing procedure. There were 490 clubs licensed and 101 applications rejected. Four clubs that had qualified for UEFA's club competitions were not able to compete due to lack of licence, taking the total number of clubs excluded from UEFA club competitions on licensing grounds to 58 (31 in the flagship UEFA Champions League and UEFA Europa League competitions).

One of the chief objectives of club licensing is to add transparency to club football, and a thorough analysis of club licensing decisions, as well as the comparative sporting and financial positions of football clubs across Europe, is set out in the annual benchmarking report *The European Club Footballing Landscape*, issued to key stakeholders in January.

The fact that more than 100 clubs were refused licences in 2011/12 shows both the continuing need to improve standards and that the system is actively enforced. The system's credibility depends on consistent application of the regulations, and an independent auditing company annually checks the licensing department of all 53 member associations. In addition, UEFA, in cooperation with independent auditors, also conducts compliance visits to check that licences have been correctly granted.

To help the system take root across Europe, UEFA provides the national associations with the technical and financial support required to adequately implement the system. Associations had received a total of EUR 100 million from UEFA's solidarity fund by the end of the 2011/12 season.

A major step in increasing and improving the transparency and integrity of the system has been the creation of the independent Club Financial Control Panel, which ensures that the UEFA club licensing system is applied correctly across all 53 UEFA member associations and that clubs have fulfilled the criteria defined in the *UEFA Club Licensing and Financial Fair Play Regulations* (see p.8).

Financial Fair Play Objectives and Requirements

The full regulations have been available online at uefa.com since they were approved (May 2010). Some of the key articles are summarised below:

Objectives (Art. 2.2)

The regulations aim, among other things, to achieve financial fair play in UEFA club competitions and in particular:

- to improve the economic and financial capability of the clubs, increasing their transparency and credibility;
- to place the necessary importance on the protection of creditors by ensuring that clubs settle their liabilities with players, social/tax authorities and other clubs punctually;
- to introduce more discipline and rationality in club football finances;
- to encourage clubs to operate on the basis of their own revenues;
- to encourage responsible spending for the long-term benefit of football;
- to protect the long-term viability and sustainability of European club football.

Break-even requirements

Monitoring period (Art. 59)

Clubs are assessed against the break-even requirements over three reporting periods: the reporting period ending in the calendar year that the UEFA club competitions commence (T), the reporting period ending in the calendar year before commencement of the UEFA club competitions (T-1) and the preceding reporting period (T-2).

As an example, the monitoring period assessed in the season 2015/16 covers the reporting periods ending in 2015 (T), 2014 (T-1) and 2013 (T-2).

By way of exception, the very first monitoring period assessed in the season 2013/14 covers only two reporting periods (ending in 2013 and 2012).

Notion of break-even (Art. 60)

All clubs with relevant annual income or expenses (as defined in Art.58 and Annex X) over €5m must prove that the aggregated break-even result of the three reporting periods is positive.

The maximum aggregate deficit possible for a club is EUR 5 million. However it can exceed this level up to the following amounts only if such excess is entirely covered by contributions from equity participants and/or related parties:

- EUR 45 million for the monitoring periods assessed in the seasons 2013/14 and 2014/15;
- EUR 30 million for the monitoring periods assessed in the seasons 2015/16, 2016/17 and 2017/18;
- A lower amount as decided in due course by the UEFA Executive Committee for the monitoring periods assessed in the following years.

This is summarised in the table below:

Acceptable Deviation Levels						
Monitoring Period	Number of Years	Financial Statements yrs			Acceptable Deviation (€m)	
		T-2	T-1	T	Covered	Not covered
2013/14	2	N/A	2012	2013	45	5
2014/15	3	2012	2013	2014	45	5
2015/16	3	2013	2014	2015	30	5
2016/17	3	2014	2015	2016	30	5
2017/18	3	2015	2016	2017	30	5
2018/19	3	2016	2017	2018	<30	5

In assessing the break-even requirement the Club Financial Control Panel will also take into account a number of other factors including the size and trend of breach and the projected result and also break-even surpluses made in previous years.

Transitional period (Annex XI)

For the purpose of the first two break-even monitoring periods in seasons' 2013/14 and 2014/15, the following will be taken into account by the Club Financial Control Panel:

Clubs that report an aggregate break-even deficit that exceeds the acceptable deviation but satisfy both the conditions below should in principle not be sanctioned:

- The club reports a positive trend in the annual break-even results;
- It proves that the aggregate break-even deficit is only due to the annual break-even deficit of the reporting period ending in 2012, which itself is due to contracts with players undertaken prior to 1 June 2010.

Breach of indicator (Art. 62)

To reduce the administrative burden on clubs that operate with respect for financial fair play, clubs are risk assessed against four indicators to determine whether they have to provide additional detailed information and undergo further monitoring. If a club breaches one or more indicators then they have to provide current financial information (T) and updated budgeted future financial information including a plan for compliance with the break-even requirements in T+1.

The four indicators are:

Indicator 1: Going concern – The auditor's report on annual financial statements includes an emphasis of matter or a qualified opinion/conclusion in respect of going concern.

Indicator 2: Negative equity – The annual or interim financial statements disclose a net liabilities position that has deteriorated relative to the comparative figures contained in the previous year's financial statements.

Indicator 3: Break-even result – The licensee reports a break-even deficit in either of the reporting periods T-1 or T-2.

Indicator 4: Overdue payables – The licensee has overdue payables as of 30 June of the year that the UEFA club competitions commence.

In addition, the Club Financial Control Panel may ask a club to provide additional information, in particular if the annual financial statements reflect that:

- employee benefits expenses exceed 70% of total revenue;
- net debt exceeds 100% of total revenue.

Other requirements

In the summer of 2011 the following requirements came into force. All the 237 clubs competing in the UEFA champions or Europa League were therefore required to submit data to UEFA:

Future financial information (Art.64)

If a club has breached one of the risk indicators then it must provide the UEFA administration with enhanced future financial information covering the 12-month period immediately after the statutory closing date of the reporting period T, including budgeted cash flow, profit and loss account, balance sheet and a plan for future compliance.

Enhanced overdue payables on transfers and employee payments (Art.65 & 66)

In addition to the 31 December club licensing assessment performed before the licence is granted, each licensee must prove that, as at 30 June of the year in which the UEFA club competitions commence, it has no overdue payables towards other clubs, employees and social/tax authorities. For clubs which do not meet this requirement a further assessment after the summer transfer window (as at 30 September) is performed.

Club Licensing and Financial Fair Play Implementation and Sanctions

Implementation time frame

For the avoidance of doubt, the club monitoring elements of the *UEFA Club Licensing and Financial Fair Play Regulations* are currently being implemented gradually over three years as follows:

- The increased club licensing criteria (Edition 2010) entered into force on **1 June 2010** (and was effective for participation in the 2011/12 UEFA club competitions);

- The enhanced "no overdue payables on transfers", enhanced "no overdue payables on employee payments" and "future financial information" requirements, among others, have entered into force on **1 June 2011** and assessed during the sporting season 2011/12;

- The "break-even requirement" will enter into force for the financial statements of the reporting period ending in **2012** (and will be assessed together with the reporting period ending in 2013 during **2013/14**);

Application of sanctions

If a club licensing or monitoring requirement is not fulfilled, then the independent Club Financial Control Panel may refer the case to UEFA's independent disciplinary bodies, which takes the appropriate measures without delay in accordance with the procedure defined in the *UEFA Disciplinary Regulations*. Fines or exclusion from future competitions are two of the potential disciplinary sanctions applied.

- Sanctions for non-fulfilment of club licensing criteria have already been applied including a total of **31 clubs excluded from the UEFA Champions League or Europa League**. This includes a number of clubs directly excluded by UEFA for one or more competition seasons as a result of additional compliance procedures;

- Sanctions for the non-fulfilment of club monitoring procedures, regarding overdue payables, have also been given, with a **number of cases** currently at different stages of disciplinary proceedings;

- The first sanctions for clubs not fulfilling the break-even requirement can be taken during the **2013/14** season and the first possible exclusions relating to break-even breaches would be for the UEFA competition season **2014/15**.

Club Financial Control Panel

The tasks of the independent Club Financial Control Panel are to ensure that the UEFA club licensing system is applied correctly across all 53 UEFA member associations and that clubs have fulfilled the criteria defined in the *UEFA Club Licensing and Financial Fair Play Regulations*. As well as conducting and deciding on licensing compliance audits to check the awarding of licences by the national decision-making bodies and checking that club competition integrity rules have been observed, the Club Financial Control Panel governs the ongoing club monitoring process (financial fair play) after the awarding of licences. The Club Financial Control Panel therefore has an important role in helping to improve financial fairness in European competitions and the long-term stability of club football across Europe, combined with the aim of promoting long-term investment (youth development and upgrading of sporting facilities) over short-term speculative spending.

Following the decision of the UEFA Executive Committee in March 2009 to create a Club Financial Control Panel, and further to the appointment of Jean-Luc Dehaene, former prime minister of Belgium and current member of the European Parliament, as its first chairman, the composition of the Club Financial Control Panel was established in Nyon on 10 November 2009 with eight independent experts appointed by the UEFA president, Michel Platini, and Jean-Luc Dehaene.

The newly composed Club Financial Control Panel held several meetings in order to establish a work programme, discuss the challenges it will face in the coming seasons and assess the compliance audits performed and **up to January 2012 has held 12 separate meetings to assess club licensing and club monitoring cases.**

On the establishment of the panel, Michel Platini stated, "This marks the start of a new era in European football. Financial fair play is a top priority for UEFA in order to achieve more transparency and guarantee equality in our competitions. I am confident that the Club Financial Control Panel will enhance the credibility of the club licensing system, and with the introduction of financial fair play, the work of the Club Financial Control Panel will be vital if we are to help preserve the stability and health of European club football in the medium to long term."

"Throughout my career I have been confronted with challenges, and bringing a degree of financial order to European football is certainly a challenge," said Jean-Luc Dehaene. "However, together with my newly appointed colleagues, I am confident that we will be able to monitor and oversee the financial fair play system that will ultimately lead to a more stable financial regulation of European football."

Chairman:	Jean-Luc Dehaene	(Belgium)
Members:	Jacobo Beltrán	(Spain)
	Egon Franck	(Germany)
	Umberto Lago	(Italy)
	Johan Lokhorst	(Netherlands)
	Brian Lomax	(England)
	Petros Mavroidis	(Greece)
	Brian Quinn	(Scotland)
	Yves Wehrli	(France)
	Constantin Sonin	(Russia)

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