



ECA
EUROPEAN CLUB ASSOCIATION



Financial Fair Play

General Introduction to FFP and Licensing Regulations

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Munich, 4 May 2012



Introduction



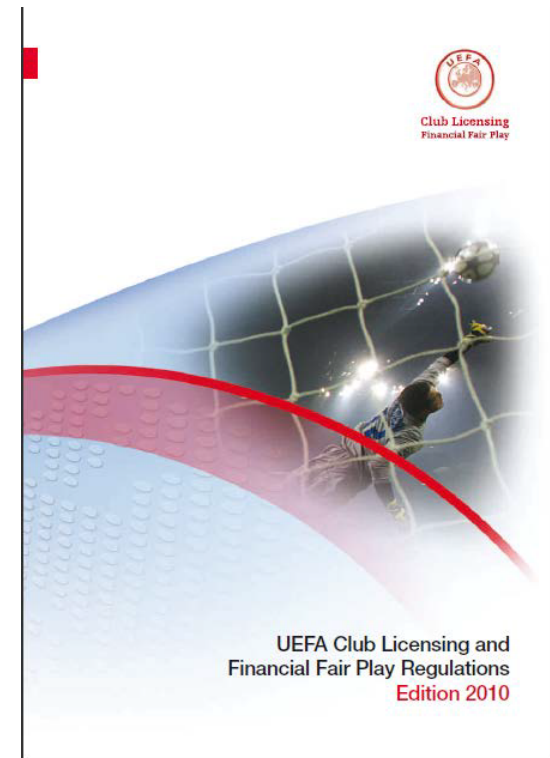
- ➔ club licensing system was introduced at the start of the **2004/05 season**
- ➔ The 36 specific criteria of the licensing system can be broken down into five main categories: sporting, infrastructure, personnel, legal and financial.
- ➔ UEFA's Executive Committee unanimously approved a financial fair play concept in **September 2009 and on 27 May 2010** approved the UEFA Club Licensing and Financial Fair Play Regulations Edition 2010.
- ➔ 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. The objectives aim to introduce more discipline within club finances and encourage responsible spending and investment.
- ➔ 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.
- ➔ 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.
- ➔ 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



Club licensing and FFP objectives (Art. 2.2)



- ➔ 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 rule



- ➔ Do not spend more than you earn or "live within your means";
 - ➔ The cornerstone of the Financial Fair Play concept;
 - ➔ Stabilize and rationalize club's spending in Europe in the long term;
 - ➔ A tailored approach with more relaxed requirements for clubs not exhibiting warning signs (risk-based and deterrent approach);
 - ➔ A club must not repeatedly spend more than its revenues;
 - ➔ Multi-year assessment.
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- ➔ **BREAK-EVEN – KEY FEATURES:**
 - Specific advantages in case of Investments in infrastructure;
 - Investments in youth development;
 - Investments in social and community projects.



Break Even Requirements (I)



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.

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.



Break Even Requirements (II)



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.



Break Even Requirements (III)



Breach of indicators (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 license 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.



FFP Soft-implementation



- ➔ Soft-implementation on break-even requirement started November 2011;
- ➔ Continuous cooperation with the clubs and ECA;
- ➔ The test exercise will concern the financial years 2009, 2010 and 2011;
- ➔ **18** countries and **39** clubs voluntarily taking part in this test exercise;



Club Financial Control (1st step)



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.

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, 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.



New UEFA Organ for the Administration of Justice (2nd step)



Club Financial Control Body

- Competence over Club Licensing and Financial Fair Play matters;
- **'Technical Chamber'** which would do the monitoring work and which would apply a consultative approach, whereby a solution with the club would be sought in order to avoid disciplinary sanctions. This Chamber would act as a first filter and would be composed by financial and legal experts.
- **'Judicial Chamber'** who would have the power to impose disciplinary sanctions. This Chamber would be composed by specialists with experience and capacity to judge.

One person from the "Technical Chamber" would report to the "Judicial Chamber" in case of a disciplinary procedure against a club

- Appeal against the decision of the CFCB will be made directly to the **CAS**.



Disciplinary measures (I)



Implementation time frame (over 3 years):

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 CFCB may refer the case to 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**.



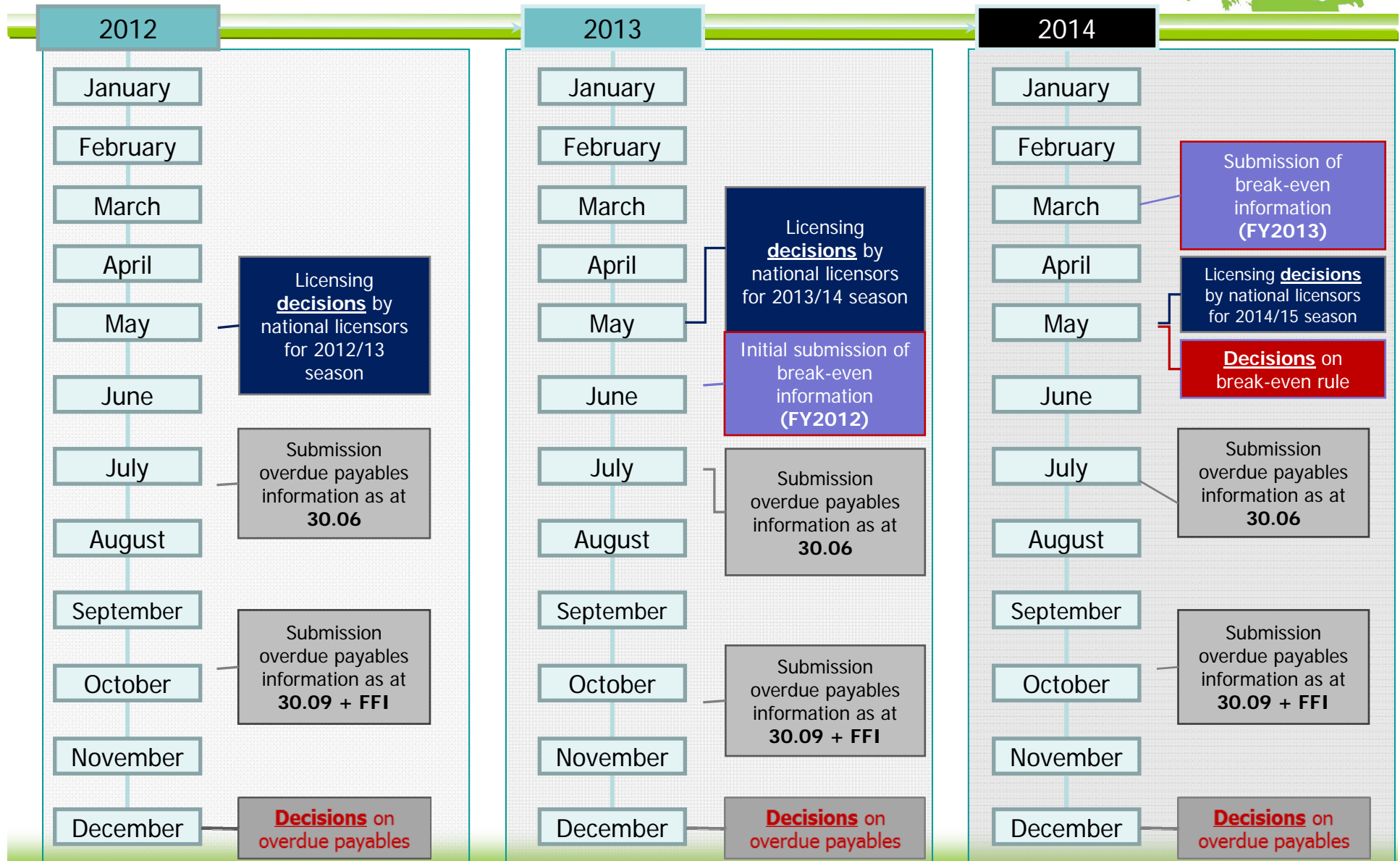
Disciplinary measures (II)



- Reprimand / Warning
- Fine
- Deduction of points
- Withholding of revenues from a UEFA competition
- The prohibition to register new players in UEFA competitions
- A restriction on the number of players that a club may register for participations in UEFA competitions
- Disqualification from a competition in progress
- Exclusion from future competitions



Timeline: key dates





UEFA- ECA

Proposed amendments



➔ 1. Insolvency matters

- clubs who enter into administration cannot be granted a licence to participate in the UEFA Competitions. However, should the concerned club exit administration prior to the request of a license for the subsequent year, and meet all other licensing/FFP requirements and be granted the license at national level, we see no reason why that club would not be able to apply for a licence to participate in the subsequent UEFA club competition.
- As to administration and “to be defined as a loss of control over club operations”, this need to be further clarified as not all clubs who have entered into administration have lost the control over the club operations. This needs to be further defined (keeping in mind the Spanish situation).
- **PURPOSE:**
 - To clarify the current practice followed on clubs in administration as was done in the RCD Mallorca case;
 - To further strengthen this practice and align it with the principle of the “three-year rule”.



UEFA- ECA

Proposed amendments



➔ 2. Third party ownership

- All cases of third party ownership need to be disclosed by virtue of a player identification table being submitted indicating who holds what % of economic rights;
 - Profits on the sale of a player's future economic rights to a third party can not be included in relevant income until the player's registration rights are transferred to another football club.
- **PURPOSE:**
- Increased transparency on third party ownership transactions;
 - To neutralise the accounting impact on the calculation of the break-even result.



UEFA- ECA

Proposed amendments



➔ 3. Squad size limit rule

- Maximum number of 25 players to be used in national competitions through which clubs can qualify for UEFA club competitions;
- Two separate periods to be assessed (between the two annual registration periods as specified in the FIFA Regulations on the Status and Transfer of Players);
- Unlimited number of youth players to be allowed (e.g. under 21);
- To be assessed only in case there has been a breach of the breakeven requirement and/or the overdue payables rule. It is to be considered as an aggravating factor.

• PURPOSE:

- To implement the concept to limit the size of squads that was already approved by all stakeholders and the UEFA Executive Committee in 2009.



FFP Go ahead: UEFA, European Commission issue joint statement



The European Commission today confirmed that UEFA's financial fair play regulations are in line with European Union (EU) State aid policy.

UEFA President Michel Platini and vice-president of the European Commission and commissioner for competition Joaquín Almunia published a joint statement on the issue, emphasising the consistency between the rules and objectives of financial fair play and the policy aims of the commission in the field of State aid.

This joint statement was annexed to an exchange of letters between **Mr Platini and vice-president Almunia**, following a meeting between them in Brussels in December 2011. The UEFA President said: "I am very pleased that UEFA and the European Commission have together taken this decisive step to secure a prosperous and stable future for European football and for the European football community generally. Our statement confirms that UEFA's financial fair play regulations are fully consistent with EU State aid policy and I would like to sincerely thank vice-president Almunia and the European Commission for their commitment, constructive spirit and cooperation in this joint process."

Mr Almunia, vice-president of the commission in charge of competition policy, said: "I fully support the objectives of UEFA's financial fair play rules as I believe it is essential for football clubs to have a solid financial foundation. The UEFA rules will protect the interests of individual clubs and players, as well as the football sector in Europe as a whole. I would like to congratulate President Platini for his leadership on this issue."

Since the meeting between the UEFA President and the commission's vice-president last December, the services of UEFA and the European Commission have been working together to analyse how the financial fair play measures fit within the framework of EU State aid policy. Today's joint statement is the result of this work and expresses, in a concrete way, the common concerns and common objectives of both organisations.

As requested by the European football community and following consultation with all stakeholders, the UEFA Executive Committee approved the financial fair play measures in May 2010. These measures include an obligation for clubs to balance their books over a period of time and not to spend more than they earn, thereby curtailing the excesses that have endangered football's health in recent times. In this way, the measures are designed to protect the long-term health and viability of European club football.

Both UEFA and the European Commission have also underlined the need to ensure that the rules are applied in a uniform manner to all clubs, to avoid any risk of discrimination or unequal treatment. Finally, the joint statement records that UEFA and the commission will continue their cooperation in this field, in order to address related issues of common concern.



Questions for Group Discussion



Thank You

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Munich, 4 May 2012