



**Club Licensing  
System**

**Brussels, 17 September 2009**

**EU Conference on Licensing Systems for Club Competitions**

Good practices at European level: UEFA club licensing system



# **CONTENT**

- 1. ROLE OF UEFA IN EUROPEAN FOOTBALL GOVERNANCE**
- 2. THE CLUB LICENSING SYSTEM**
- 3. FINANCIAL FAIR PLAY**



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## **1. Role of UEFA in European Football Governance**



## **UEFA – THE ORGANISATION**

- **Established 1954**
- **The European Confederation of FIFA**
- **An Association of National Football Associations**
- **53 member countries**
- **Headquartered in Switzerland**



## **UEFA STRUCTURE**

- **Congress – based on elective democracy**
- **UEFA President and Executive Committee**
- **The General Secretary and the Administration**
- **The Professional Football Strategy Council**
- **The Club Financial Control Panel**
- **Committees, Expert Panels and Working Groups**
- **Disciplinary bodies**



## **IMPORTANCE OF NATIONAL FOOTBALL ASSOCIATIONS**

- **Representative of all football in each country**
- **Supreme decision-making body at national level**
- **All leagues and clubs subject to their jurisdiction**
- **Building block for international regulation**
- **Structure based on elective democracy**
- **Independent from Government influence**



## THE REGULATORY ENVIRONMENT

### Football

- FIFA Statutes and Regulations
- UEFA Statutes and Regulations
- National Association Statutes and Rules
- National League Statutes and Rules

### Political / Legal

- The European Union
- National Governments
- Financial and legal contracts



## UEFA STRATEGIC OBJECTIVES

### Football

To promote football through the organisation of the best European competitions for clubs and countries, the development of coaches and referees, and the encouragement of grassroots football

### Governance

To establish new frameworks of cooperation with the European Union and with clubs, leagues and players, and the raising of standards of governance of the game

### Revenue

To optimise revenue from TV, sponsorship and other commercial contracts for the benefit of the game

### Management

To manage staff and resources, and to communicate effectively at all levels



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## 2. The UEFA Club Licensing System



## THE CLUB LICENSING SYSTEM

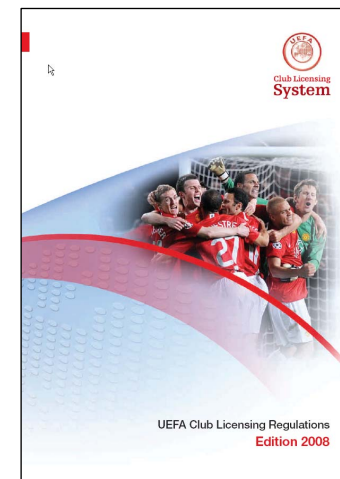
- Defines minimum criteria to be fulfilled by clubs to enter UEFA club competitions;
- European wide mandatory system;
- Safeguards the principles of proportionality, reasonableness and non discrimination;
- Safeguards the principle of subsidiarity: national associations are the licensors;
- Dynamic system that is constantly developed and improved.



## IMPLEMENTATION OF CLUB LICENSING SYSTEM

### Criteria for clubs

- **2004/05 Season: UEFA Club Licensing Manual V1.0**
- **2008/09 Season: UEFA Club Licensing Manual V2.0**
- **2009/10 Season: UEFA Club Licensing Regulations - Edition 2008**





## THE CRITERIA FOR CLUBS

### SPORTING

- Promoting youth football education

### INFRASTRUCTURE

- Improving stadiums (equipment and safety)

### PERSONNEL AND ADMINISTRATIVE

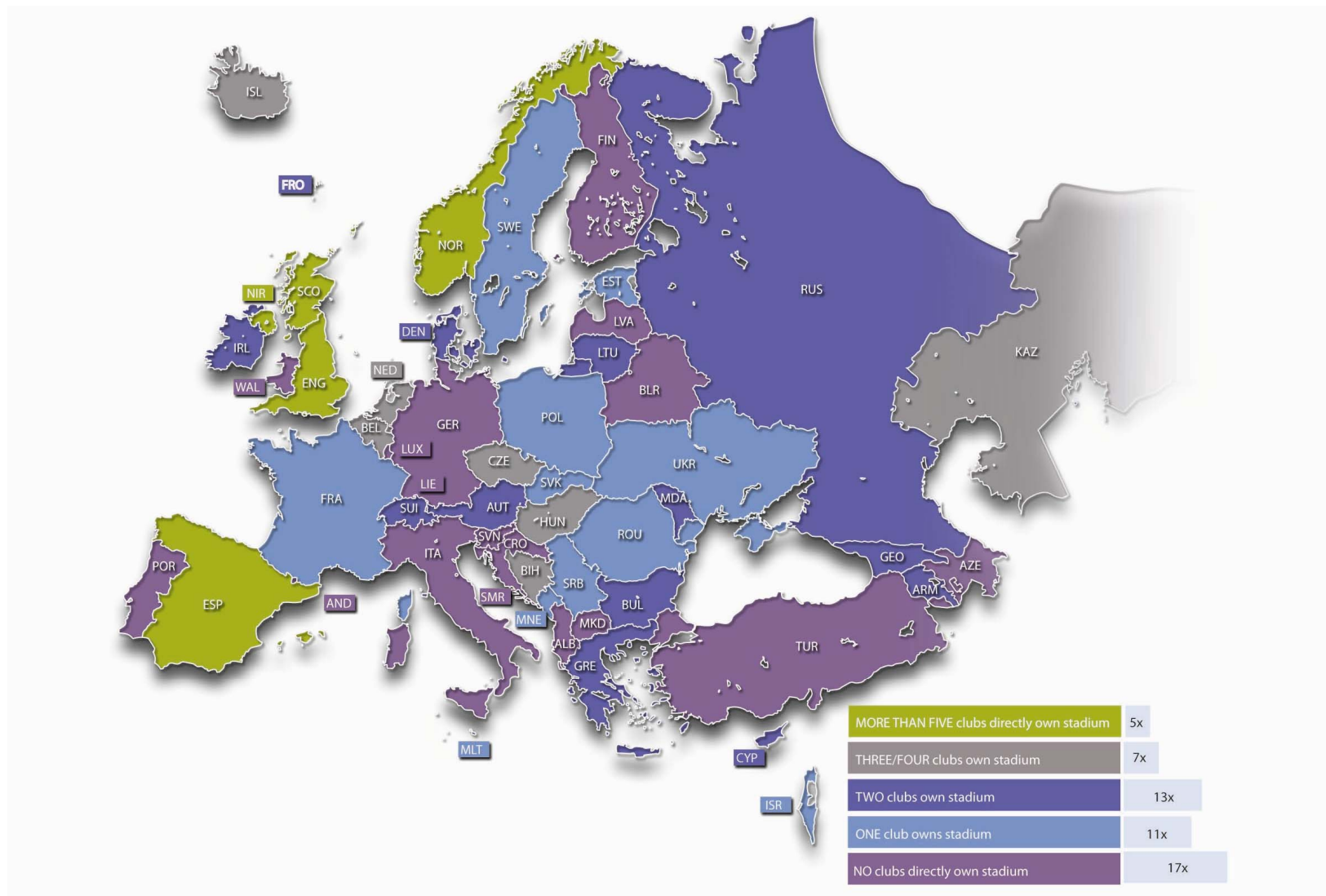
- Improving clubs' management and organisation

### LEGAL AND FINANCIAL

- Improving economic and financial capacity of clubs
- Monitoring of financial fair-play in UEFA competitions
- Safeguarding continuity of international competitions for one season
- Allowing benchmarking of European club football



## STADIUM OWNERSHIP AMONGST TOP DIVISION CLUBS





## IMPLEMENTATION OF CLUB LICENSING SYSTEM

### Requirements for licensors

- **2004/05 Season: Club Licensing Standard V1.0**
- **2007/08 Season: Club Licensing Quality Standard V2.0**



*It is not just about clubs having to fulfil minimum criteria – but is also a matter of the licensors having to comply with minimum requirements for assessing the clubs' applications.*



## **IMPLEMENTATION OF CLUB LICENSING SYSTEM**

- **The National Associations are responsible to ensure the correct implementation of the system;**
- **Both the clubs and the licensors must comply with criteria/requirements;**
- **Club licensing involves > 800 people at licensor level;**
- **UEFA role: assistance and compliance.**



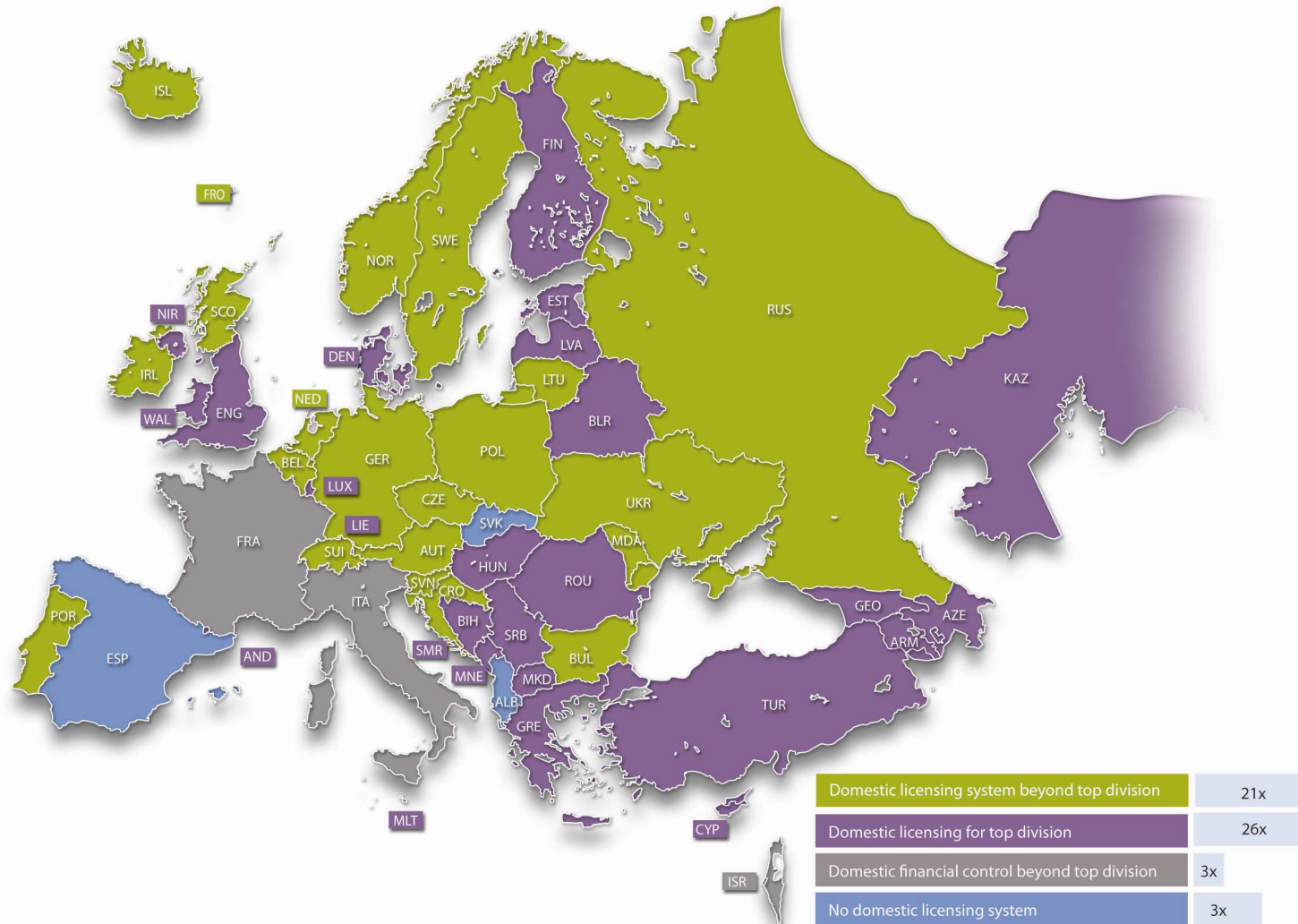
## IMPLEMENTATION STATUS

- The system has been implemented in all 53 member associations. Next season
- **47** licensors will have a licensing system for entering domestic and UEFA competitions;
- **6** licensors have a licensing system for entering UEFA competitions only.

*Rather than referring to a level playing field, it is more correct to speak about 53 different national licensing regulations, which are all based on common minimum standards defined by UEFA.*



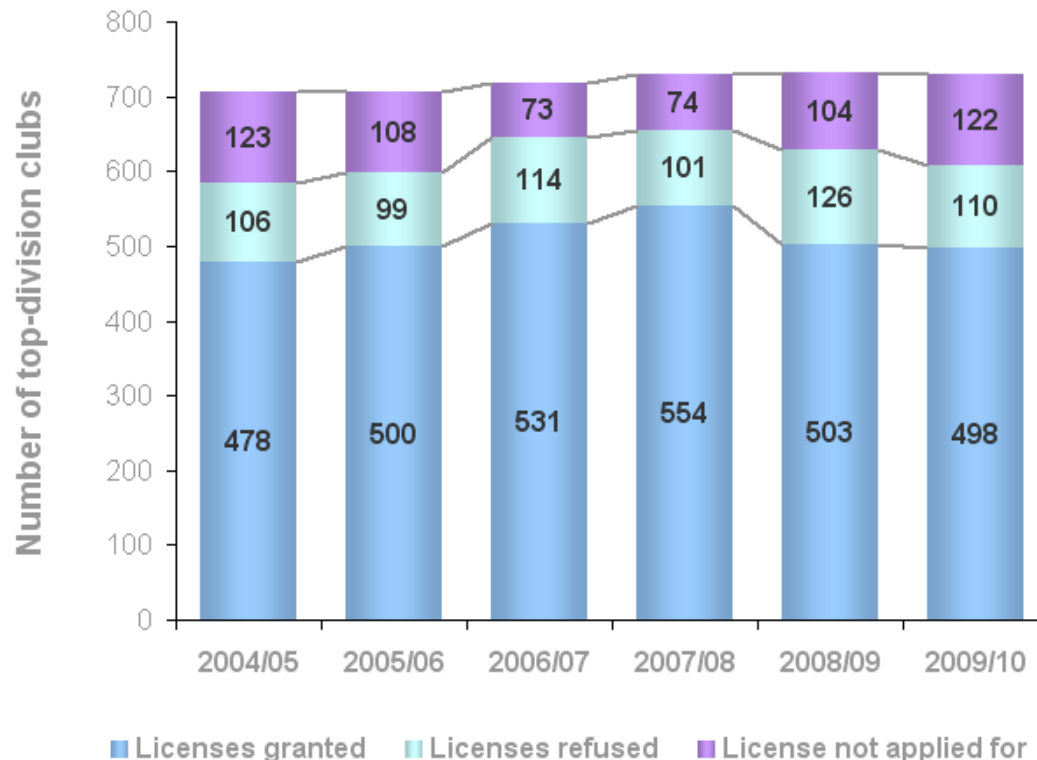
## IMPLEMENTATION OF CLUB LICENSING SYSTEM AT DOMESTIC LEVEL





## Licensing decisions – Top division clubs

Club licensing decisions - Top division clubs



### Season 2009/10

- In total, **608** clubs underwent the licensing procedure (83% of all top division clubs);
- **498** clubs were licensed (82%);
- **110** licences refused (18%);
- **9** “qualified” clubs did not get the licence.



## ROLE OF UEFA IN CLUB LICENSING

- Ensure that the system is properly and consistently implemented in all 53 NAs
  - Compliance audits (more than 100 clubs checked);
  - Disciplinary consequences in case of breach of regulations;
- Assist the national associations in the implementation of the regulations
  - Training and education;
- Ensure that information is available to national associations
  - Benchmarking.



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### **3. FINANCIAL FAIR PLAY**



## FUTURE CHALLENGES

- **Further improve the consistent application of the system throughout Europe**
  - ⇒ Strengthen the monitoring to ensure a more uniform approach
- **Further promote financial fair-play through new rules in consultation with all stakeholders;**
- **Further improving transparency via benchmarking.**



## BACKGROUND

- According to the data collected by UEFA, 50% of the European clubs have losses and the huge spending on players produces constantly an inflationary effect with consequences on the whole club football movement;
  - The current financial crisis has exacerbated the situation of the finances of the football clubs;
  - Club licensing successful but some criticisms from stakeholders:
    - perceived as not consistent enough;
    - perceived as not sufficiently strict.
  - Football family unanimously supports Financial Fair Play
- => Financial Fair Play is a UEFA priority**

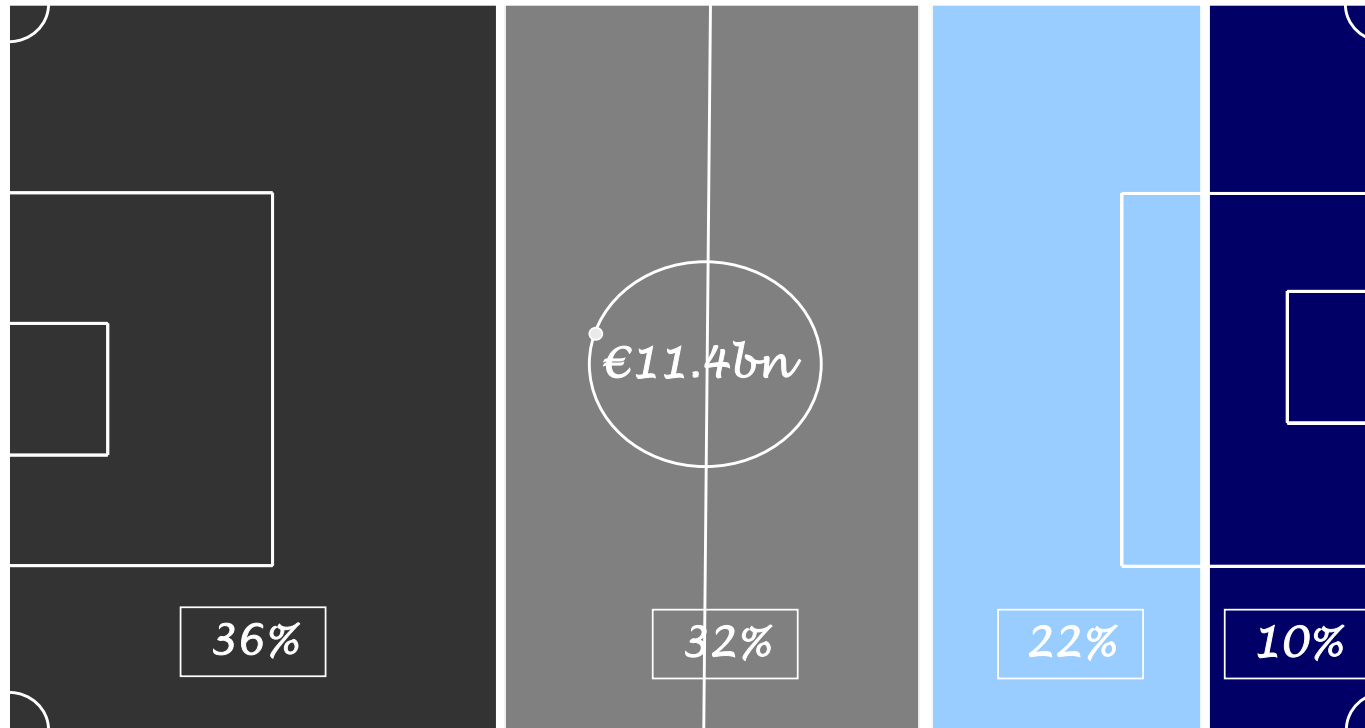


## **FINANCIAL ENVIRONMENT OF CLUB FOOTBALL**

- **Massive income increase of clubs in last decade (e.g. 5% only in the last year);**
- **However employee (mainly players) costs increased 9% in the last year;**
- **Leading to half clubs reporting losses;**
- **Almost a quarter of clubs reporting large losses;**
- **Transfer system can act as pressure valve – more than 80 clubs turned losses into profit through transfers;**
- **The current financial crisis has exacerbated the situation of the finances of the football clubs;**



## 2008 FINANCIAL YEAR: TOP DIVISION INCOME



- Income tripled since 96/97
- Top division income of €11'400 million\*
- Annual increase 2007 – 2008 of 5%
- Broadcasting income less important outside “big5” countries



Broadcasting



Sponsorship & Commercial



Gate receipts

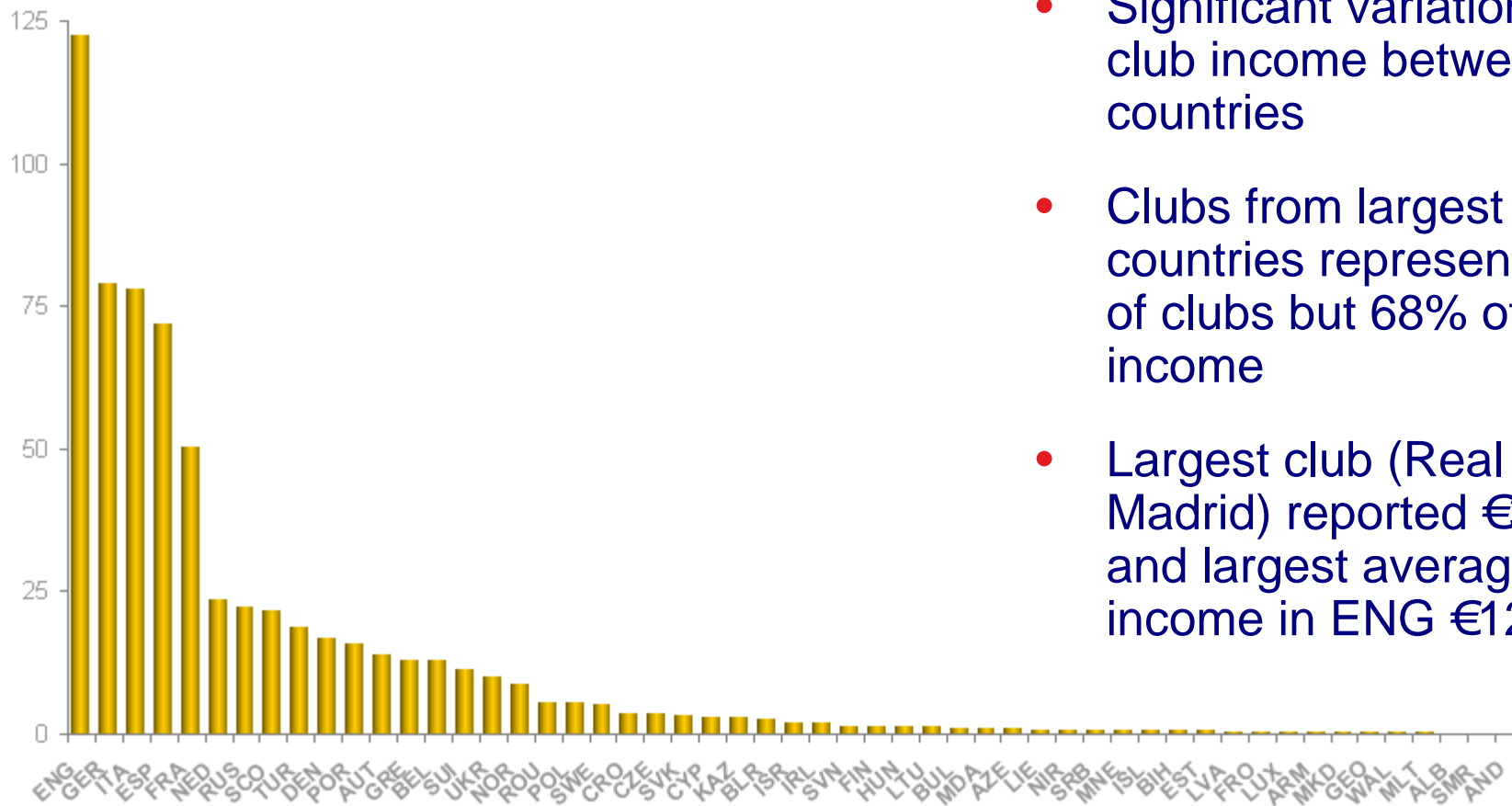


Other income

\* Total income (with lower division clubs) of close to €14'000 million



## 2008 FINANCIAL YEAR: AVERAGE CLUB INCOMES €M

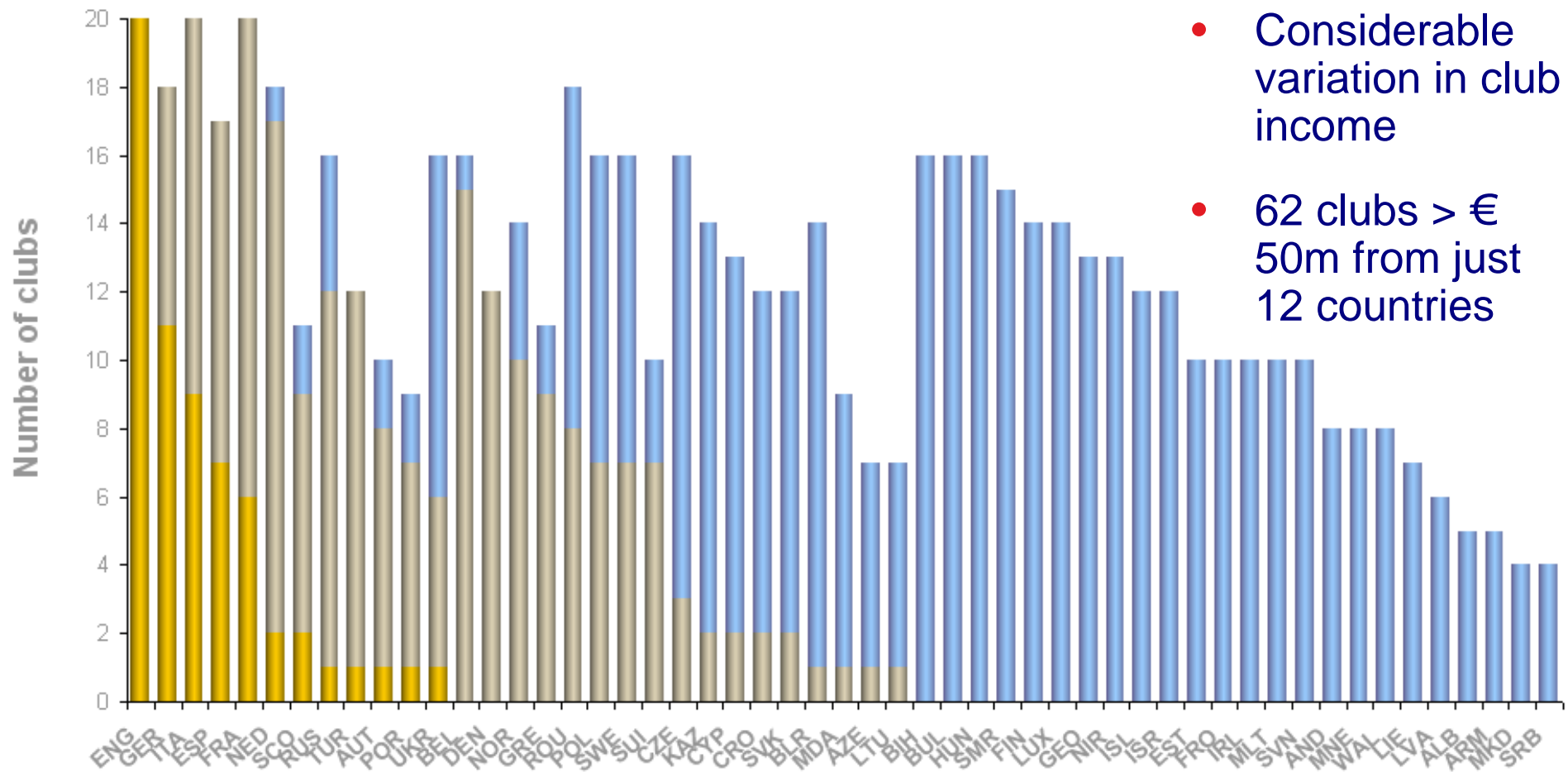


- Significant variation in club income between countries
- Clubs from largest 5 countries represent 13% of clubs but 68% of income
- Largest club (Real Madrid) reported €365m and largest average club income in ENG €122m



# 2008 FINANCIAL YEAR: CLUB INCOMES

Income > €50 Million      Income €5 - €50 Million      Income < €5 Million



- Considerable variation in club income
- 62 clubs > €50m from just 12 countries

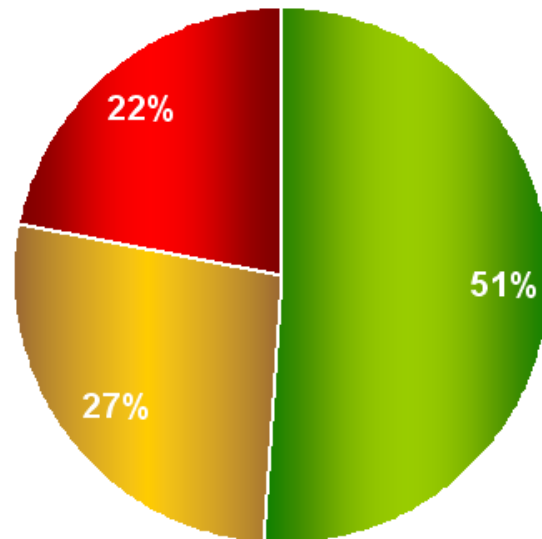


## 2008 FINANCIAL YEAR: CLUB LOSSES

Large loss reported

Loss reported

Profit reported



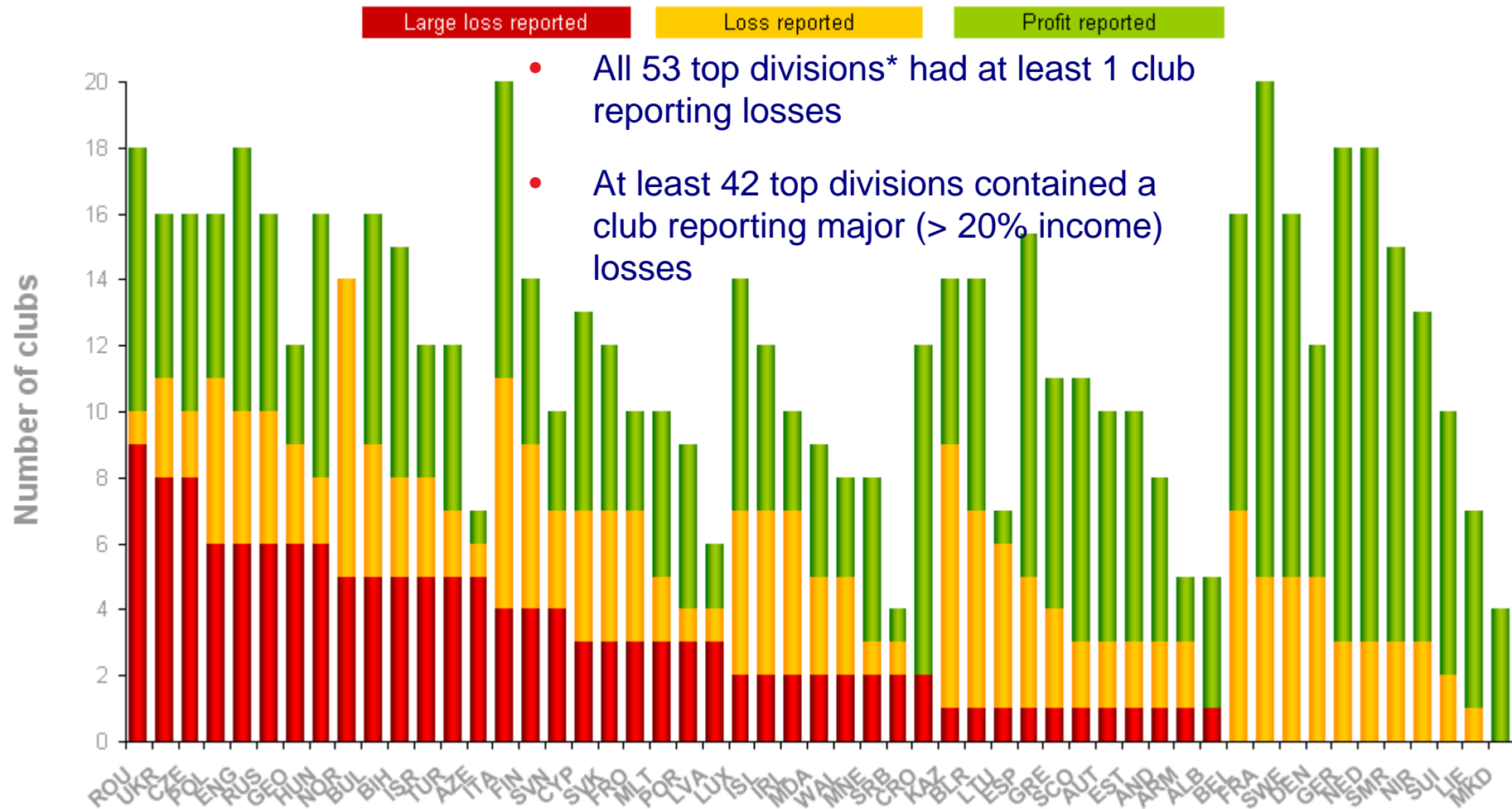
Good and bad news:

- Half of European top division clubs broke even or reported a profit
- However 22% of clubs reported 'Large losses' with losses equivalent to more than 20% of income
- 2008 figures similar to 2007 figures but more losses expected in 2009 as economic crisis impacts

\* Only the 4 UEFA qualifying clubs underwent licence and reported figures. Almost certain that at least one lower ranked clubs reported a loss.



# 2008 FINANCIAL YEAR: CLUB LOSSES



\* Only the 4 UEFA qualifying clubs underwent licence and reported figures. Almost certain that at least one lower ranked club reported a loss.



## CONCEPT

- Creation of a Club Financial Control Panel to monitor and ensure the consistent and strict application of the licensing criteria.
- Development and implementation of new rules aimed at improve financial fairness in European competitions and long term stability of club football.



## SPECIFIC OBJECTIVES

- Introduce more discipline and rationality in the club football finances;
- Encourage clubs to compete with their revenues;
- Decrease pressure on player's salaries and transfer fees and limit inflationary effect;
- Ensure clubs settle their liabilities on a timely basis;
- Encourage clubs' long term investments (infrastructure, youth);
- Protect long-term viability and sustainability of European club football.



## THE APPROACH

- Built on top of the current club licensing scheme – ‘enhanced’ club licensing regulations;
- Focus on European competitions only as in the case of licensing;
- Overall assessment both from a Profit & Loss and Liquidity perspective;
- Compatible with standard international rules of evaluation of enterprises;
- Incentive to attract, not dissuade, good investors to the football business;
- Monitoring through the UEFA Club Financial Control Panel.



## PROPOSED MEASURES

- Break-even rule: the centrepiece of the FFP concept
- Enhanced overdue payable rule
- Cash flow analysis
- Guidance on salaries and transfer spending
- Guidance on level of debts
- Limit the number of professional players



## SPORTING MEASURE

- Place a limit to the number of registered players at European and domestic level: e.g., max 25 (number to be defined) players per squad;
- Unlimited number of youth (e.g. under 21 / age to be defined);
- Situation of players “on loan” also to be defined;
- Such limit shall also apply at national level.



## Club Licensing « enhanced » Measures

- Ensure that clubs do not have **overdue payables** towards other clubs arising from transfer activities and towards employees and social authorities before as well as during the whole competition – improve the current rules;
- Ensure that clubs have the **necessary resources** (including external financing and short term owner contributions) to cover **expected liquidity needs** (in particular transfer fees and players' salaries) – cross matching with information collected on overdue payables;
- Increase **monitoring** through Club Financial Control Panel.



## Break-even rule – proposed mechanism

- The principle is that a club cannot **repeatedly** spend more than its revenues;
- Break even to be assessed in light of the revenue and the costs incurred;
- No obligation imposed on clubs to be profitable: losses can be incurred and covered by owners' contributions' to the extent that they correspond to sporting objectives advanced by UEFA (investment in youth, sporting facilities);
- Multiyear risk based evaluation, indicatively 3 years' assessment;
- Tailored according to financial situation (full regime for big clubs/ favourable treatment for medium clubs / dispensations for small clubs);



## Break-even rule – proposed mechanism (*cont.*)

- Use a salaries and transfer to income ratio as indicator;
- Use debt control indicators to define a maximum level of sustainable debt/liabilities (e.g. measured through a debt ratio to EBITDA);
- Reward clubs that act “fair”;
- Progressive catalogue of sanctions.



## Next steps

- Draft of technical rules in consultation with stakeholders;
- Gradual implementation over a transitory period of three years  
– full implementation as from 2012-13.



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**THANK YOU**