

Department
of Management

Course of Financial Reporting and Performance Measurements

The Financial Fair Play:
Impact, strengths and weaknesses of the
European football regulation.

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A Nonno Carlo e Nonno Alterio, sempre e comunque insieme a me.
A Nonna Anna e Nonna Nenne, che non mi hanno mai chiesto nulla ma mi hanno dato il Mondo.
A Mamma e Papà, per tutti gli sforzi fatti per arrivare a questo momento.
Ai miei Amici e ad Alice, che mi hanno sopportato e supportato in tutto il mio percorso.

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“Il calcio è la cosa più importante delle cose meno importanti”.

Arrigo Sacchi

Introduction

With my thesis I will try to analyze the impact and what happened after the introduction of the Financial Fair Play in 2012 both from the economic and also from the sporting point of view of the different clubs present in Europe, with particular consideration to the financial effects that derived from this new regulation, the evolution of the competitions and the equilibrium of the whole European movement.

In the first chapter I'll talk about the evolution of the football transfer market after the famous "Bosman sentence" that completely changed the way the various clubs acquire players and that put the basis for the successive continuous evolution of the economic conditions and the worsening of the financial situation of a very huge number of clubs in Europe, situations that led in the end to the creation and the origin of the Financial Fair Play. The excessive liberalism inside the European football of the first years after 2010 reached its worst situation in 2012, year of introduction of the Financial Fair Play and year in which the European clubs had a combined debt of 1,7 billion euros, situation that represented the worst financial situation in football history, at least from the economic point of view, and that simply was the basis for everything that came after.

After that small historical introduction I tried to explain the basis behind the actual Financial Fair Play regulation in order to allow the reader to understand the successive reasoning behind the bad functioning of the actual regulation, with particular regards to the financial criteria and the break-even point requirement that are the basis of the regulation, with an explanation about the important "relevant income" and with an additional part about the latest update of the 2018 that led to the regulation that the UEFA is still using and that must be followed by all the European clubs.

The second chapter is concentrated on the exposition of some data that regards various clubs that in my opinion for one reason or another are relevant for the right understanding of some effects created by the FFP, highlighting some aspect related with the "relevant income" and how it is composed in order to generate the total revenues of the clubs, highlighting in addition the importance of each financial factor such the broadcasting or the commercial revenues and allowing the reader to understand how big are the income differences between the biggest and the smaller but still important clubs present in the European football panorama. In addition, I found necessary the data about the AS Roma and the FC Inter for their settlement agreements with the UEFA and what happened to some teams heavily sanctioned by the regulation but that in the end found a way to continue their football course.

With the third and fourth chapters I focused my study on the growing inequalities generated by the Financial Fair Play regulation, because if from one point of view it helped a lot of teams to overcome their financial problems and grant to the European football a greater stability, from another side it generated malicious financial behaviors made only to avoid the actual regulation and reach with doubtful modalities the before mentioned break-even requirement, while at the same time destroying the competitive equilibrium present in Europe before the introduction of this new regulation, due to different rules that in my opinion totally reduce the possibility of a legit competition inside the European football world. If focused my analysis on this case

to the various modalities that used the clubs to get around the regulation and other cases where the UEFA Committee has been not fair at all, decreasing the credibility of the system itself with particular regards to the Manchester City FC and Paris Saint-Germain FC cases.

In the end, in the latest chapter before the conclusion I will talk about the possible options available to re-establish the competition and the equilibrium, at least in the long-term, inside the European football more than the financial stability of the clubs; seen that even if some rules in my opinion are wrong, in particular for the calculation of some specific type of income for the teams, in general the actual financial situation of the various clubs is for sure far better of the one present before the introduction of the FFP. Anyway, the real problem is that these results have been achieved by reducing the general competition and with a big price at the level of the general European football equilibrium between the various clubs and championships. I focused in the first paragraphs of the latest chapter about some long-term solution, by taking as example the good job made by the various American sports associations, trying to take some of their rules and applying them to the actual football system. In the end, in the latest paragraph, I will talk of the possible short-term solutions that can be found by the UEFA and the actual football system in order to re-create a possible fair equilibrium that in my opinion will have a great effect on the whole European football movement, both for the clubs that will be able to grow, with a particular regard to the smaller ones, and also for the supporters that are having enough of the actual system and are asking for new important changes for the domestic and also European championships rules that are disrupting the best and most romantic part of football.

The final objective of my thesis will be to allow the reader to understand which is the real situation of the clubs and let them know that if by one side it has improved the general financial situation of the European clubs, from the other side there is an obscure part that must be changed to re-establish the general competition and equilibrium inside the European football. It is necessary to pull out all the potential from football and the actual regulation is doing exactly the opposite in some cases clipping the wings of a lot of clubs that instead could give a lot to the whole football movement in Europe.

The Financial Fair Play

Why Financial Fair Play was born

First of all, for a correct analysis of the growing football European debt, it is necessary to consider what happened after the “Bosman Sentence”. The context is that of the early 1990s where the transfers and the number of foreign players who can play in professional teams were decided by the UEFA itself. The “1990 UEFA Transfer Regulation”, called also “Principles of cooperation between UEFA member associations and their clubs” was the only regulatory reference point for the sale and purchase of players and its main pillar was that players which have a contract with a club could have a new agreement with a different club if three requirements were met:

1. The signatory company had to immediately inform the one of origin of the signing of the new contract;
2. The company of origin had in turn to inform its national federation of this situation and obtain the issue of the international release certificate;
3. The new club of the footballer must pay an allowance whose amount was determined by multiplying the gross income of the same, during the season ended, for a coefficient between 12 and 1 depending on the age of the player.

The point 3 is the one that created most trouble for the clubs after the Bosman case: indeed, after this case the regulatory system was almost completely revolutionized, eliminating that payment and creating new financial difficulties for the clubs due to the addition of a completely new economic power for the players. In addition to this new rule, the UEFA European Commission created the famous rule of “3+2” according to which the clubs could include in match reports no more than three foreign players, to which can be added 2 other foreign athletes who must have played in the country of origin of the club for at least an interrupted period of 5 years, three of which in the youth teams.

Starting from these assumptions now we can understand why the “Bosman case” was so important during 1990s and why from that point football transfers started to change. Jean-Marc Bosman was a professional footballer under contract until 1990 with RC Liège, a team militant in the Jupiler League, the highest Belgian championship. Before the deadline of his contract, the club offered him the opportunity to enter into a new contract, but with revised economic condition downwards. Bosman refused such a proposal, not appropriate from an economic point of view and for this reason was included by RC Liège in the so-called “list of transferable players” and his transfer allowance for a new club was set. Since no club was willing to deal with RC Liège the player in 1990, at the natural expiration of his contract, found an agreement with US Dunkirk, a team from the French second division. An agreement between the two clubs was also reached with the French club that should have paid an allowance of 1,2 million Belgian francs to be paid upon the issue of the release of the certification of point 2. Due to doubts related to the effective solvency capacity of the US Dunkerque,

the certificate was not released by the Belgian federation, therefore the resolute condition wasn't provided and the agreement between parties has been lost.

For these reasons Jean-Marc Bosman appealed to the Liege Court on 2 appeals: one against RC Liège for damages on the assumption of a breach by the company of its contractual obligations and on the illegality of the rules on transfers; and one against to RC Liège and the Belgian National Federation to refrain from hindering their chances of engagement by claiming amounts related to the transfer, with also a request to submit to the Court of Justice for a preliminary question of compatibility of the transfer system with the regulation on the free movement of workers.

Two of these three questions were accepted and raised two fundamental questions on the general football transfers regulation:

- If a football team can claim the payment of a sum (the allowance) when a player, whose contract is expired, had found an agreement with a new team;
- If national and international sports associations or federations could include in their regulations a limit to the participation of foreign players, always with reference to citizens of Member States, in the competitions organized by the same.

The direction took by UEFA regarding the "3+2" rule is based on the Article 48 of the EC Treaty which affirms the principle of free movement of workers within the European Community, establishing that the rules which limit the number of players from other Member States are disadvantaging for the foreign players compared to players who are nationals of the reference Member State.

The ruling also established the incompatibility of the rules of the sports federations to which a professional footballer, citizen of a Member State, upon expiry of his contract could be hired by a club from another Member State only if the latter had paid the so-called transfer and promotion allowance to the company of origin, because there wasn't any ratio between the emolument and the cession of the player.

By doing so, the footballers were treated as subordinate workers for the first time and the UEFA legislation has emerged as illegitimate: the direct consequence since this moment was the inevitable application of the principles of Community law also to professional footballers, with the subsequent elimination of all those limitations aimed at creating obstacle to the free movement of EU citizens.

So, after the "Bosman judgement" there was an earthquake in the UEFA regulation system, in particular at the center of the concerns about it was the abolition of the transfer allowance that was for many clubs the main source of income. With the fact that the profits could not be divided among football clubs, the societies didn't plan at all an economic-financial plan to ensure solidity over time, that leads to an immoderate and unsustainable purchase of great champions (almost always foreigners) that thanks to the Bosman judgement could move to the various European championships much more easily. Even after that, because of the elimination of the indemnity in favor of the club of the players with a contractual expiration, after the Bosman judgement is also born the famous formula of the "zero parameter", without any direct expense for the acquisition of these type of players (only the percentages to the agents got to be paid).

So, since this moment foreign players and the expenses for their acquisitions (not allowances anymore but a price the must be paid to get that player, or wait and engage him at the end of his contract without paying anything, exactly what happens still today when a football team acquires a player from another club) started growing among the different championships in Europe: considering only Serie A that had 66 non-Italian players in 1995-1996, they became 119 the next year and up to 300 in 2015, equivalent to 52,8% of the total of the players employed¹.

The focal point that we must consider after the Bosman judgement is that the elimination of the allowances in favor of the team of origin have been converted to higher offers for footballers in terms of engagement. The consequence was an increase more than proportional for those players called “free”, for those that the absence of investments for the acquisition was compensated with a salary increase. This trend created also other two indirect implications in the management of players for clubs: the tendency to renew the contracts of the players before the expiry (always with an increase in engagements) in order to limit the exits for a zero parameter and consequent economic losses, and the fact that having granted higher average salaries to players purchased for free, led to an inevitable increase also in the salaries of the other athletes in the squad and a consequently increase in the general expenses of the European football clubs.

Now we have fully understood that the Bosman ruling had a clear and incontrovertible impact on the financial management of European clubs which, released from the allowances, triggered a vicious circle of progressive increase in the hiring of football players which led to more than proportional growth in the indebtedness of the clubs, despite their increases in revenues along the years.

These are the social and economic conditions that after almost 20 years led to the birth of the Financial Fair Play, that indirectly and directly for different reasons can be seen as a consequence of the Bosman ruling and the reaction of the UEFA to it.

Brief history of Financial Fair Play

In the complex panorama of the UEFA licensing system, the introduction, in 2010, of the “Financial Fair Play” criteria, has certainly represented the most impactful reform in the recent history of European clubs and competitions.

Financial Fair Play (FFP) was established by UEFA to make sure that football clubs were not spending more than they earned and, in doing so, to prevent them from falling into financial troubles which may endanger their long-term survival and “about improving the overall financial health of European club football”².

FFP regulations were also made in order to prevent clubs from over-spending across several seasons within a set budgetary framework.

¹ S. Bastianon, 2015, *La sentenza Bosman vent'anni dopo*, pag. 125

² Q&A Financial Fair Play explained. <https://www.uefa.com/community/news/newsid=2064391.html>

The implementation of FFP took place at the beginning of the 2011-2012 season, and rules were unanimously agreed in September 2009 by the Financial Control Panel³ of UEFA. These rules were then updated in 2012, 2015 and 2018 to reflect changes in the environment, although the fundamental principles and objective remain the same overtime:

- Improve the economic and financial capability of the clubs, increasing their transparency and credibility;
- Place the necessary importance on the protection of creditors and to ensure that clubs settle their liabilities with employees, social/tax authorities and other clubs punctually;
- Introduce more discipline and rationality in football finances;
- Encourage the clubs to operate on the basis of their future revenues;
- Encourage responsible spending for the long-term benefit of football;
- Protect the long-term viability and sustainability of European club football.

In 2009, a UEFA review showed evidence that more than half of 665 European clubs suffered financial losses over the course of the previous year, though a few number was able to survive their heavy losses through the wealth of their owners, but at least 20 per cent of the clubs analyzed were believed to be in financial danger. During the next year the aggregated losses of European teams grew up of about 36% reaching the record of 1,641 billion euros⁴. With the ever-climbing transfer fees and players' wages, clubs have started to find difficulty to remain in-keeping with FFP rules and breaching the regulations.

The majority of football debt in Europe is owed by its four most dominant leagues: the Premier League, the Serie A, La Liga and the Bundesliga. Among elite European clubs, the continued excessive spending within the transfer market has been justified by owners and executives as necessary to keep the club competitive.

The financial results of European clubs have improved in each and every one of the years since the introduction of Financial Fair Play, with club balance sheets strengthening significantly (net equity doubling), and net debt to revenue plunging from 65% to 35%.

³ The Club Financial Control Panel: a) selects, conduct and/or decides on compliance audits as defined in the UEFA Club Licensing and Financial Fair Play Regulations in order to ensure that the license was correctly awarded at the time of the final and binding decision of the licensor and that the clubs have fulfilled their obligations; b) governs the club monitoring process as defined in the UEFA Club Licensing and Financial Fair Play Regulations and assesses the information prepared by the licensee submitted by the licensor, considers whether this is appropriate and determines whether each monitoring requirement has been met and what further information, if any, is needed.

⁴ Source: 2010 Club report of UEFA Executive Committee.

2010 EUROPEAN FOOTBALL CLUBS EXPENSES

	Total investments for players' acquisitions (mln of euros)	Total gains from players assignments (mln of euros)	Relationship between purchases and assignments
<i>Premier League</i>	580	489	-91
<i>Bundesliga</i>	243	125	-118
<i>La Liga</i>	502	245	-257
<i>Ligue 1</i>	498	460	-28
<i>Serie A</i>	270	208	-62

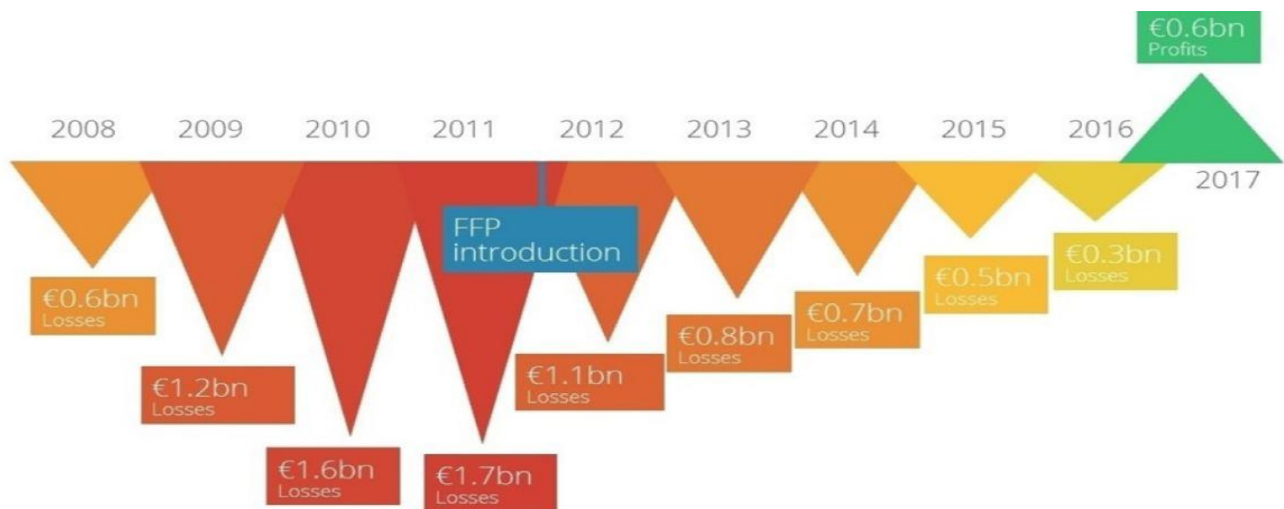
Source: A.T. Kerney

Financial Fair Play is considered to have specifically contributed to the turnaround in club football finances by:

- Directly restricting some of the most excessive loss-making clubs, by concluding 28 settlement agreements designed to bring these clubs back to operating at break-even, in many cases featuring specific transfer and wage restrictions;
- Preventing the build-up of debt by requiring the owners or shareholders of more than 50 clubs with smaller losses to raise or inject new capital to cover these losses;
- Disincentive clubs from delaying payments by applying though sanctions, including the exclusion from UEFA competitions;
- Creating an environment that encourages new and continued owner investment, attracted by a properly regulated market;
- Inspiring the introduction of parallel domestic rules, based on the principles of Financial Fair Play and tailored to the specific environment;
- Increasing the public and media attention given to club finances, thereby increasing the accountability of club directors and owners to running clubs in a sustainable way.

Since the introduction the health of European club finances is significantly improved: is important to understand that the Financial Fair Play must be seen as a financial control system designed to reduce the worst excesses, rather than an attempt to make clubs more equal or address other challenges faced by football clubs. The introduction of the discipline of financial fair play had the expected effect and led to a decisive turnaround: starting from 2017, the overall financial results of European clubs have become positive, reaching the combined profits of 600 million euros in 2017.

NET RESULTS OF EUROPEAN CLUBS BEFORE AND AFTER THE FINANCIAL FAIR PLAY INTRODUCTION FROM 2008 TO 2017



Source: *calcioefinanza.it*

Implementation of Financial Fair Play

During the month of May 2010, the Financial Fair Play has been adopted, based on the articles 7 bis (4), 50 (1) and 50 (1 bis) of the UEFA statutes⁵.

All the regulations apply whenever expressly referred to by specific regulations governing a club competition to be played under the auspices of UEFA.

These regulations govern the rights, duties and responsibilities of all parties involved in the UEFA licensing system and define in particular: (a) the minimum requirements to be fulfilled by a UEFA member association in order to act as a licensor for its clubs, as well as the minimum procedures to be followed by the licensor in the assessment of the licensing criteria; (b) the license applicant and the license to enter the UEFA club competitions; (c) the minimum sporting, infrastructure, personnel and administrative, legal and financial criteria to be fulfilled by a club in order to be granted a license by a UEFA member association to enter the UEFA club competitions.

The regulations further govern the rights, duties and responsibilities of all parties involved in the UEFA club monitoring process to achieve UEFA's financial fair play objectives, and define in particular: (1) the role and tasks of the Club Financial Control Panel, the minimum procedures to be followed by the licensors in their assessment of the club monitoring requirements and the responsibilities of the licensee during the UEFA competitions; (2) the monitoring requirements to be fulfilled by licensees that qualify for the UEFA club competitions.

⁵ The UEFA statutes are the rules of procedure of the UEFA congress and the regulations governing the implementation of the UEFA statutes.

The Financial Criteria

First of all, the license applicant must provide the licensor the overall legal group structure, approved by management⁶. The license applicant should also determine the reporting perimeter⁷: all compensation paid to players arising from contractual or legal obligations, all costs/proceeds of acquiring/selling a player's registration and all revenues arising from gate receipts must be accounted for in the books of one of the entities included in the reporting perimeter.

Annual financial statements in respect of the statutory closing date prior to the deadline for submission of the application to the licensor and prior to the deadline for submission of the list of licensing decisions to UEFA must be prepared and submitted; they must also be audited by an independent auditor.

The annual financial statements must consist of:

- A. A balance sheet;
- B. A profit and loss account;
- C. A cash flow statement;
- D. Notes, comprising a summary of significant accounting policies and other explanatory notes;
- E. A financial review by management.

The minimum disclosure requirements are set out in the Annex VI of the "UEFA Club Licensing and Financial Fair Play Regulations" and the accounting principles are set out in Annex VII. If the minimum requirements for the content and accounting are not met in the annual financial statements, then the license applicant must prepare supplementary information in order to meet the minimum information requirements that must be assessed by an independent auditor. If the statutory closing date of the license applicant is more than six months before the deadline for submission of the list of licensing decisions to UEFA, then additional financial statements covering the interim period must be prepared and submitted: it must consist of a balance sheet, a profit and loss account, a cash flow statement, each one comparable with the one of the immediately preceding financial full year, and specific explanatory notes. The interim financial statements must follow the same accounting policies as those followed for the preparation of the annual financial statements. If the minimum requirements for both financial statements are not met, the license applicant must always prepare additional information in order to meet the minimum requirements as defined in Annex V.

The license applicant must also prove that as at 31 March preceding the license season it has no overdue payables⁸ that refer to transfer activities that occurred prior to the previous 31 December. Payables are those amounts due to football clubs as result of transfer activities, including training compensation and solidarity

⁶ The document must include information on any subsidiaries, associated entities and controlling entities.

⁷ This should be the combination of entities in respect of which financial informations (single entity, consolidated or combined financial statements) has to be provided in accordance with Financial Fair Play.

⁸ In the Annex VIII the payables are considered "overdue" if they are not paid according to the agreed terms. The same Annex describe also the various cases in which the payables cannot be considered as overdue.

contributions as defined in the *FIFA Regulations on the Status and Transfer of Players*⁹, as well as any amount due upon fulfilment of certain conditions. The license applicant must prepare and submit to the licensor a transfer payables table, unless there is a national transfer requirement that disclose that and must be prepared even if there have been no transfers/loans during the relevant period. The license applicant must disclose all transfer activities (including loans) undertaken up to 31 December, irrespective of whether there is an amount outstanding to be paid at 31 December. The transfer activities must be disclosed also to the competent relevant authority under national law or to the relevant arbitration tribunal. The minimum information are contained in the FFP and they must be indicated in every transfer, including loans, and are: a) the player's name or number; b) the date of the transfer/agreement; c) the name of the club that formerly held the registration, d) the transfer or loan fee paid and/or payable (including training compensation and solidarity contribution); e) other direct costs of acquiring the registration paid and/or payables; f) amount settled and payment date; g) the balance payable at 31 December in respect of each player transfer, including the due date for each unpaid element; h) any payable as at 31 March (forward from 31 December) including the due date for each unpaid element with the explanatory comment; i) conditional amounts (contingent liabilities) not yet recognized in the balance sheet as of 31 December. The total liability must be in the financial statements balance sheet of the license applicant under "Accounts payable relating to player transfers" (if applicable) or underlying accounting records; in this table he should reports all payables even if payment has not been requested by the creditor. In the end the transfer payables must be approved by the management.

The license applicant must also prove that as at 31 March preceding the license season it as no overdue payables towards its employees¹⁰ or social and tax authorities as a result of contractual and legal obligations towards its employees that arose prior to the previous 31 December. In this case the payables are those amounts due to employees or social and tax authorities as a result of contractual or legal obligations towards employees. Also the amounts payable to people who are no longer employed by the applicant fall within the scope of this criterion and must be settled, regardless of how such payables are accounted for in the financial statements. The license applicant must prepare a schedule showing all employees who were employed at any time during the year up to the 31 December preceding the license season and must indicate the various information necessary, just like the license applicant must do for transfers and loans. Also in this case the schedule must be approved by the management and the total liability must be in the financial statements balance sheet as "Accounts payable towards employees" or to the underlying accounting records.

The license applicant must make written representations to the licensor within seven days prior to the start of the period in which the licensing decision is to be made by the First Instance Body. The written representations must state whether or not any events or conditions of major economic importance have occurred that may have

⁹ These regulations are based on article 5 of FIFA Statutes of 19 October 2003 and are issued by the FIFA Executive Committee and form an integral part of the basic text. These regulations lay down global and binding rules concerning the status of players, their eligibility to participate in organized football, and their transfer between clubs belonging to different associations.

¹⁰ The term "employees" includes the following persons: all professional players according to the applicable *FIFA Regulations on the Status and Transfer of Players*; the administrative, technical, medical and security staff specified in the Articles 28 to 33 and 35 to 39 of the "UEFA Club Licensing and Financial Fair Play Regulations".

an adverse impact on the license applicant's financial position since the balance sheet date of the preceding audited annual financial statements or reviewed interim financial statements: if any events or conditions of major economic importance have occurred, the management representations letter must include a description of the nature of the event or condition and an estimate of its financial effect, or a statement that such an estimate cannot be made. Also for this representation the approval by management is necessary.

The license applicant must prepare and submit also future financial information in order to demonstrate to the licensor its ability to continue as a going concern until the end of the license season if it has breached one of the fundamental indicators. These fundamental indicators are:

- A. *Going concern*¹¹: the auditor's report in respect of the annual or interim financial statements includes an emphasis in matter or a qualified opinion/conclusion in respect of going concern.
- B. *Negative equity*: the annual financial statements (including supplementary information) disclose a net liabilities position that has deteriorated relative to the comparative figure contained in the previous year's annual financial statements, or the interim financial statements submitted (including the supplementary information) disclose a net liabilities position that has deteriorated relative to the comparative figure at the preceding statutory closing date.

Future financial information must cover the period commencing immediately after the later of the statutory closing date of the annual financial statements or the balance sheet date of the interim financial statements, and it must cover at least the entire license season. Future financial information consist of: a) a budgeted profit and loss account, with comparative figures for the immediately preceding financial year and interim period (if applicable); b) a budgeted cash flow, with comparative figures for the immediately preceding financial year and interim period (if applicable); c) explanatory notes, including a brief description of each of the significant assumptions that have been used to prepare the budgeted profit and loss account and cash flow statement, as well as of the key risks that may affect the future financial results. These future financial informations must be prepared, as a minimum, on a quarterly basis and must be stated on a consistent basis with the audited annual financial statements and follow the same accounting policies as those applied for the preparation of the annual financial statements; except for accounting policy changes made after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements, in which case details must be disclosed. Future financial information must meet the minimum disclosure requirements are set out in Annex VI of the "UEFA Club Licensing and Financial Fair Play Regulations" and additional line items or notes must be included if they provide clarification or if their omission would make the future financial information misleading. The information must be approved by management also in this case.

¹¹ Financial statements must be prepared on the assumption that the license applicant is a going concern, meaning it will continue in operation for the foreseeable future. It is assumed that the license applicant has neither the intention nor the necessity to go into liquidation, cease trading or seek protection from creditors pursuant to laws or regulations.

The Break-Even requirement

The *relevant income* is defined as revenue from gate receipts, broadcasting rights, sponsorship and advertising, commercial activities and other operating income, plus either profit on disposal of player registrations or income from disposal of player registrations, excess proceeds on disposal of tangible fixed assets and finance income. It does not include any non-monetary items or certain income from non-football operations.

The *relevant expenses* are defined as cost of sales, employees' benefits expenses and other operating expenses, plus either amortization costs of acquiring player registrations, finance costs and dividends. It does not include depreciation/impairment of tangible fixed assets, amortization/impairment of intangible fixed assets (other than player registrations), expenditure on youth development activities, expenditure on community development activities, any other non-monetary items, finance costs directly attributable to the construction of tangible fixed assets, tax expenses or certain expenses from non-football operations.

Relevant income and expenses must be calculated and reconciled by the licensee to the annual financial statements and/or underlying account records (i.e. historic, current or future financial information as appropriate). Relevant income and expenses from related parties must be adjusted to reflect the fair value of any such transactions. Relevant income and expenses are further defined in Annex X of the "UEFA Club Licensing and Financial Fair Play Regulations".

The monitoring period is the period over which a licensee is assessed for the purpose of the break-even requirement. It covers three reporting periods:

- A. The reporting period ending in the calendar year that the UEFA club competitions commence (period T);
- B. The reporting period ending in the calendar year before commencement of the UEFA club competitions (period T-1);
- C. The preceding reporting period (period T-2)

By exception to this rule, the first monitoring period assessed in the license season 2013/14 covers only two reporting periods, i.e. reporting periods ending in 2013 (period T) and 2012 (period T-1).

If a licensee's relevant expenses are less than relevant income for a reporting period, then the club has a break-even surplus. If a club's relevant expenses are greater than relevant income for a reporting period, then the club has a break-even deficit. If a licensee's financial statements are denominated in a currency other than euros, then the break-even result must be converted into euros at the average exchange rate of the reporting period, as published by the European Central Bank.

The aggregate break-even result is the sum of the break-even results of each reporting period covered by the monitoring period (i.e. reporting periods T, T-1 and T-2). If the aggregate break-even result is positive (equal to zero or above) then the licensee has an aggregate break-even surplus for the monitoring period. If the aggregate break-even result is negative (below zero) then the licensee has an aggregate break-even deficit for the monitoring period. In case of an aggregate break-even deficit for the monitoring period, the licensee may

demonstrate that the aggregate deficit is reduced by a surplus (if any) resulting from the sum of the break-even results from the two reporting periods prior to T-2 (i.e. reporting period T-3 and T-4).

The acceptable deviation¹² from the break-even point 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:

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

The contributions from equity participants and/or related parties are taken into considerations when determining acceptable deviation if they have occurred and been recognized in 2 cases: the first is that they are in the financial statements for one of the reporting periods T, T-1 or T-2; or in the case that they are in the accounting records up to 31 December of the year of the reporting period T¹³. The substance of the transaction must be demonstrated by the licensee that must have completed it in all respects and without any condition attached.

With the first Financial Fair Play regulations the licensees must prepare and submit the following statements:

- A. The break-even information for the reporting period T-1;
- B. The break-even information for the reporting period T-2, if not previously submitted;
- C. The break-even information for the reporting period T, if it has breached any of the indicators defined below.

The break-even information must concern the same reporting entity as that for club licensing present in the previous financial criteria of this paper and it must be approved by the management.

So, if a licensee exhibits any of the following conditions, it is considered in breach of the indicator:

- Indicator 1: *Going concern* → The auditor's report in respect of the annual statement (i.e. reporting period T-1) and/or interim financial statements (if applicable) submitted include an emphasis of matter or a qualified opinion/conclusion in respect of going concern.
- Indicator 2: *Negative equity* → The annual financial statements (i.e. reporting period T-1) submitted disclose a net liabilities position that has deteriorated relative to the comparative figure contained in the previous year's annual financial statements (i.e. reporting period T-2), or the interim financial statements submitted disclose a net liabilities position that has deteriorated relative to the comparative figure at the preceding statutory closing date (i.e. reporting period T-1).

¹² The acceptable deviation is defined as the maximum aggregate break-even deficit possible for a club to be deemed in compliance with the break-even requirement. Source: Article 61 of the "UEFA Club Licensing and Financial Fair Play Regulations".

¹³ If the contributions in this case are recognized in a club's reporting period T+1 and have been taken in consideration to determine of the acceptable deviation in respect to period T-2, T-1 and T assessed in the license season commencing in the same calendar year, then for later monitoring periods the contributions will be considered as having been recognized in reporting period T.

- Indicator 3: *Break-even result* → The licensee reports a break-even deficit for either or both of the reporting periods T-1 and 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 reserves the right to ask the licensee to prepare and submit additional information at any time if the annual financial statements reflect that:

- Employees benefits expenses exceed 70% of total revenues;
- The net debt exceeds 100% of total revenues.

The break-even requirement is fulfilled if no indicator is breached and the licensee has a break-even surplus for reporting periods T-2 and T-1.

The break-even requirement is fulfilled even if an indicator is breached if:

- A. The licensee has an aggregate break-even surplus for reporting periods T-2, T-1 and T;
- B. The licensee has an aggregate break-even deficit for reporting periods T-2, T-1 and T which is within the acceptable deviation having also taken into account the surplus (if any) in the reporting periods T-3 and T-4.

If the break-even requirement is not fulfilled then, having also taken into consideration other factors defined in the Annex XI of the “UEFA Club Licensing and Financial Fair Play Regulations”, the Club Financial Control Panel may refer the case to the Organs of Administration of Justice, which will take the appropriate measure(s) without delay in accordance with the procedure defined in the UEFA Disciplinary Regulations for urgent cases.

The actual Financial Fair Play regulation of 2018

Despite the general improvement made since its introduction during May of 2010, the discipline of Financial Fair Play over the years has received some criticisms and has revealed gaps in the legislation, which have made necessary subsequent regulatory interventions reflected in the reforms of FFP of the years 2012, 2015 and lastly, the most important and that is the actual regulation of 2018.

Among the main criticism raised, particularly significant are the following:

- The absence of a discipline aimed at contrasting the elusive practice of “fake loans” to mask what in reality appears like a purchase, which had its greatest prominence in the so-called “Mbappé case”, where Paris Saint-Germain eluded competition and regulations in 2017 with the formula of a free loan with a ransom obligation¹⁴ of 180 million euro during next Summer to AS Monaco. Paris Saint-Germain actually did nothing but put into practice what even the Italian teams have been doing for

¹⁴ The loan with a redemption obligation allows the economic operation to be weighted on a balance sheet subsequent to the current one, so even if a player starts to play for the team during this season, formally it will be bought only during the next season, allowing football societies to buy players with very high prices also if they couldn't due to Financial Fair Play regulations.

years: annual or biennial loans with the right or obligation of redemption, practice done by many teams such as Inter, Rome, Juventus, Naples and Milan, forced by their “Settlement agreements¹⁵” to find alternative solutions to buy players; simply the amount of 180 million was the highest ever in 2017 and created some doubts about the effectiveness of Financial Fair Play;

- The absence of exhaustive discipline aimed at regulating the relationships and transfer operations of players between clubs in their various implications: situations like SS Lazio and the US Salernitana 1919, one team from the Serie A and one from the Serie B, that have the same president Claudio Lotito; or situation attributable to the Pozzo family that owns both Udinese in Italy and Watford in England; or for example the SSC Bari in Lega Pro that has been recently bought from the De Laurentiis family that actually owns also the SSC Napoli in Serie A; and finally the most relevant case of RB Leipzig in Germany and RB Salzburg in Austria that both play the UEFA Champions League and both are attributable to Red Bull company;
- Last but not least the absence of adequate transparency and disclosure regarding the fees paid by the companies to the sports agents among the different transfers.

In May 2018, the UEFA Executive Committee approved the new edition of the regulations on club licensing and Financial Fair Play. The main changes concerned, on the basis of some of the aforementioned criticisms, some transparency corrections and balance sheet indicators: so, for example in the face of the need for greater transparency, the new regulation on Financial Fair Play has introduced a provision (art. 47-bis) that requires clubs to publish, in the forms established by the different national football associations¹⁶, the latest audited financial statements certified by the national football associations themselves, as well as the amount paid, in the last financial reporting period, for the commissions guaranteed to agents and/or intermediaries.

Furthermore, in the budgets of the clubs already prepared according to IFRS accounting principles, the incentives/bonuses/benefits contractually guaranteed to employees and players must be indicated and the revenues from the sale of tickets, television rights, sponsorships and contracts of commercial nature must be correctly accounted, also like money received from donations and contributions.

Again with a general view aimed to a greater transparency, UEFA has also added new information burdens relating transaction with related parties, with the club obliged to indicate how they have determined the value of transfers of players and to record the revenue cost from the sale or purchase of a player, distinguishing between permanent transfers and temporary transfers and establishing the appropriate adjustments for each type of operation to lead to the recognition of market values in the financial statements.

¹⁵ The “Settlement agreement” can be seen as a rehabilitation plea bargain with penalties and restrictions regarding mainly economic objectives that must be reached by football societies, economic fees that must be payed from societies that don’t respect the agreement of the FFP, limits to the amount of player that the team can enroll in UEFA competitions and finally cost limits to personnel and depreciations of players.

¹⁶ For example the FIGC for Italy.

The 2018 reform also redefined the parameters used to verify the existence of balance-sheet requirement and, in particular, the parameters relating to sustainable debt and the so-called player transfer balance¹⁷. Clubs must also have a significant debt of no more than 30 million euros and that does not exceed 7 times the average of the club's revenues in the three periods monitored for the purpose of issuing the license (however are not counted for this purpose the relevant debts contracted for infrastructure investments, such as the construction of a stadium of ownership).

¹⁷ “The licensee reports a player transfer deficit greater than EUR 100 million in any player registration period that ends during the license season. The player transfer balance in respect of a registration period is calculated as the net of: the aggregate costs of acquiring each player's registration in respect of all new and existing player registrations, being all such costs paid and/or payable; and the aggregate proceeds of transferring-out a player's registration, being all such proceeds received and/or receivable (net of any direct costs of disposal). If the aggregate of the costs incurred exceeds the aggregate of the proceeds generated in a registration period, then the club has a player transfer deficit.”. Source: *art. 62 subsection vi of the 2018 UEFA Financial Fair Play*.

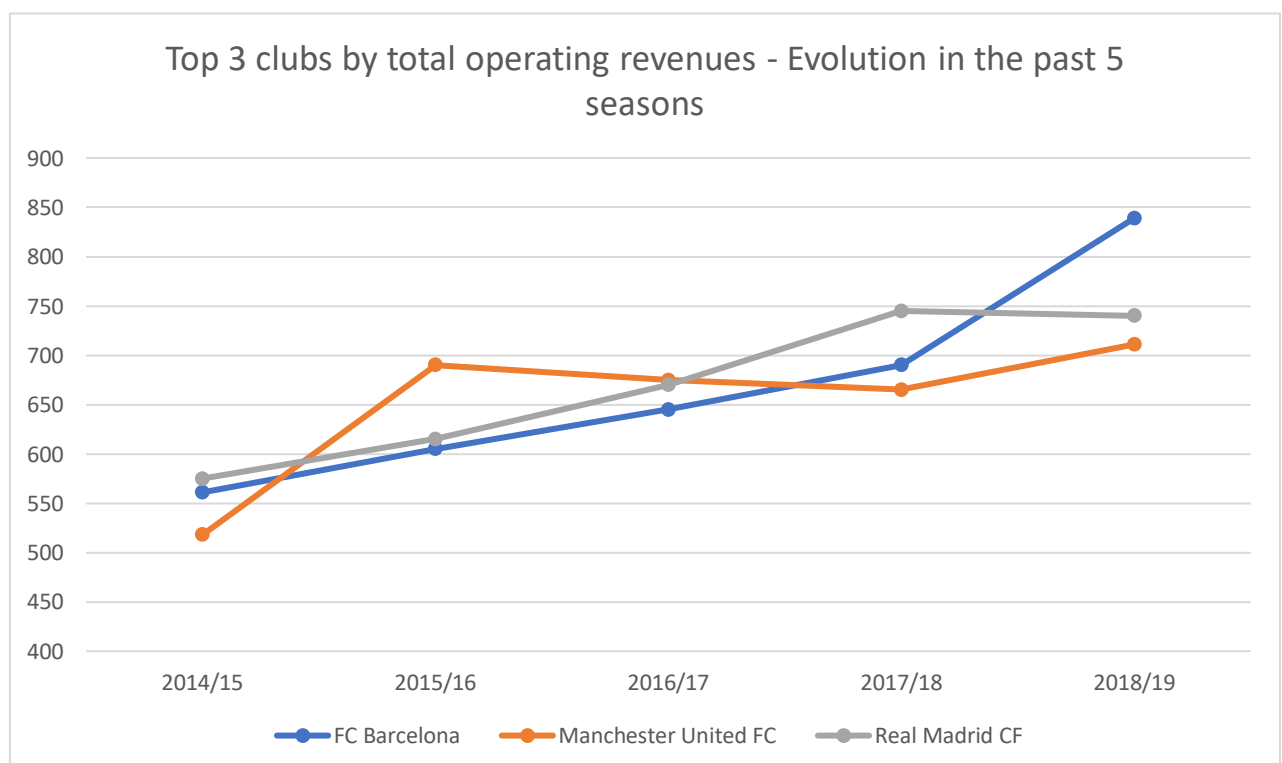
Data of some relevant clubs for FFP



Fc Barcelona

The 2018/19 season saw FC Barcelona winning their 26th La Liga title, with their rivals Atletico Madrid and Real Madrid left 11 and 19 points behind. They've also lost the final of Copa del Rey against Valencia CF during that season and reached the semi-finals of the UEFA Champions League, where they have lost against the future champions of Liverpool FC.

Even if they won only the national championship, their economic results were astonishing: for the first time in their history, FC Barcelona were the leading football club in terms of total operating revenues, reaching a record amount of 839,5 million, 100 more than their historical opponents of Real Madrid CF (whose total revenues were 740,3 million), followed by Manchester United FC with 711,3 million euro. The increase in total operating revenues of 150 million is mainly due to the broadcasting revenues growth (+35% since the year before, where FC Barcelona gained 220,1 million in face of the 298,1 of the 2018/19 season). This revenue stream benefited from the new broadcasting agreement of the UCL, started during that season, that with better results in the competition, where FC Barcelona has been kicked in the quarter-final from AS Roma the year before, allowed the team to gain more money and increasing its broadcast revenues stream. Moreover, the season 2019/20 has seen an additional increase in TV income, thanks to a new broadcasting agreement for La Liga clubs that is expected to generate a total amount of 2,04 billion per year, with an increase of 30% compared to the previous agreement.



Source: KPMG Football Benchmark

Matchday revenues have also seen an increase of 7% from the previous season, while commercial revenues (366,5 million, with an increase of 20% from the year before where the revenues were only of 305 million) remained the main sources of income for the Spanish champions, accounting for 44% of total operating revenues, while broadcasting are accounting for 35,5% and matchday for the remaining 20,5%. Commercial revenues are including the deal with Rakuten of 55 million per year since the 2017/18 season until 2022 and Nike as kit supplier for 105 million per year since the 2018/19 season until 2024. In addition, during the 2018/19 season FC Barcelona also renewed its deal with Beko as sleeve and training sponsor for 19 million per year until 2021. Since this season FC Barcelona also started to directly manage their stores, considerably increasing their merchandising revenues for not receiving only royalties from the kit supplier anymore.

On the costs side, staff costs are by far the greatest expenditures for the club with 575,8 million but with only a 3% increase over the previous season. Even if FC Barcelona is still the biggest spender in staff costs among any football club, their bigger revenue growth has allowed the club to significantly decrease their staff costs/operating revenue ratio from 81% to 69% in only one season.

The profit after tax suffered a decrease of 8,4 million since the year before where it was of 12,9 million. The reason is most of all for player trading that has registered a worsening of -199,4 million euro, mainly due to minor profit achieved on the disposal of players' registrations if compared to the previous season's record result of 202 million euro, thanks also to the transfer of Neymar to Paris Saint-Germain FC for 222 million of euro. At the same time the amortization of players' registration increased by 26,9 million, as a main consequence of newly-signed players such as Malcom, bought for 41 million euro and already sold to Zenit Saint Petersburg, Lenglet for 35 million euro and Arthur Melo for 31 millions. Furthermore, the most important acquisition for FC Barcelona was the one of the Dutch midfielder Frenkie de Jong, bought for 75 million euro from AFC Ajax, officialized in January but that will affect the next balance of FC Barcelona because has been implemented in June 2019, due to the purchase with redemption obligation formula.

FC Barcelona 2019/20 season was opened with the signing of another top player, the 2018 World Cup winner Antoine Griezmann from Atletico de Madrid for 120 million euro. The president Bartomeu announced that he wanted to reach 1 billion profit during this season, but due to Covid-19 this couldn't have been realized.

To the 1st of January 2019, FC Barcelona was valued 2,676 billion and was the 4th most valued club in the World after Real Madrid CF, Manchester United CF and FC Bayern München¹⁸. The presence of players like Lionel Messi, Luis Suarez, Antoine Griezmann and many more makes it one of the most appealing and important teams in the world, both for players and people who love football: the big value of the team and its history makes it in pair with Financial Fair Play and thanks to its incredible economic power, it allows the team to sign the best players in circulation and spending a lot of money every year without being fined by the UEFA Committee.

¹⁸ Source: KPMG Football Clubs' Valuation: The European Elite 2019



FC Bayern München

During the season 2018/19 FC Bayern München managed to win their 7th Bundesliga title in a row, together with the DFB Pokal¹⁹, achieving the 12 “double” in their almost 120-year long history. Their UEFA Champions League campaign terminated in advance compared to the previous year’s semi-finals, due to a defeat against the winners of Liverpool FG at the round of 16.

The German team increased its total operating revenues by 5% since the year before, reaching 625,5 million euro against the 596,1 of the year before. This growth was driven mainly by broadcasting income, which increased by 20% since 2018, benefiting most of all from the new more remunerative UEFA distribution cycle started in 2018/19. Indeed, the Bavarian club received more money from UEFA even if they played less matches in the Champions League than the year before due to the earlier elimination.

Also during the season 2018/19 the commercial revenues had the biggest impact on FC Bayern München turnover, with their 321,9 million euro (6 million more than the year before), accounting for the 51% of the total operating income: most of these revenues are granted by the deal with Adidas as technical sponsorship that grants to FC Bayern München 60 million per year since 2015 until 2030; while the sponsorship deal with Deutsche Telekom grants to the team 30 million of income per year since 2016 until 2023. Broadcasting from national and international competitions are accounting for almost the 34% with a big impact on the general balance and affect it for 211,2 million for the season. Even if the Allianz Arena²⁰ had a utilization rate of 100% among the season, with an attendance per game of 75000 people, the matchday revenues were only of 92,4 million, accounting in the total operating revenues only for a 15%. Comparing the matchday revenues with the year before, they decreased by 11% (11,4 million less) even if the matches were sold-out, the reason is always for the less games played during the 2018/19 UEFA Champions League.

Staff costs registered an 11% year-on-year growth, with 336,2 million of euro compared to the 302,5 of the year before: this increase led also to a 3-percentage point increase in the staff costs/operating revenue ratio, up to 54% but that always put the FC Bayern München in a very safe position compared to the other most important teams in Europe.

Player trading activities played an important part on the final balance of FC Bayern München, generating 90,3 million euro, thanks in particular to the disposal of Douglas Costa to Juventus FC after a 1-year loan with a redemption obligation of 40 million euro, and the sale of Arturo Vidal to FC Barcelona for more than 20

¹⁹ DFB Pokal is the German knockout football National Cup, held annually by the *Deutscher Fußball-Bund* (DFB, the German Football Association). Its winner qualifies for the DFL-Supercup and the UEFA Europa League unless the winner is already qualified for the UEFA Champions’ League. Source: <https://it.wikipedia.org/wiki/DFB-Pokal>.

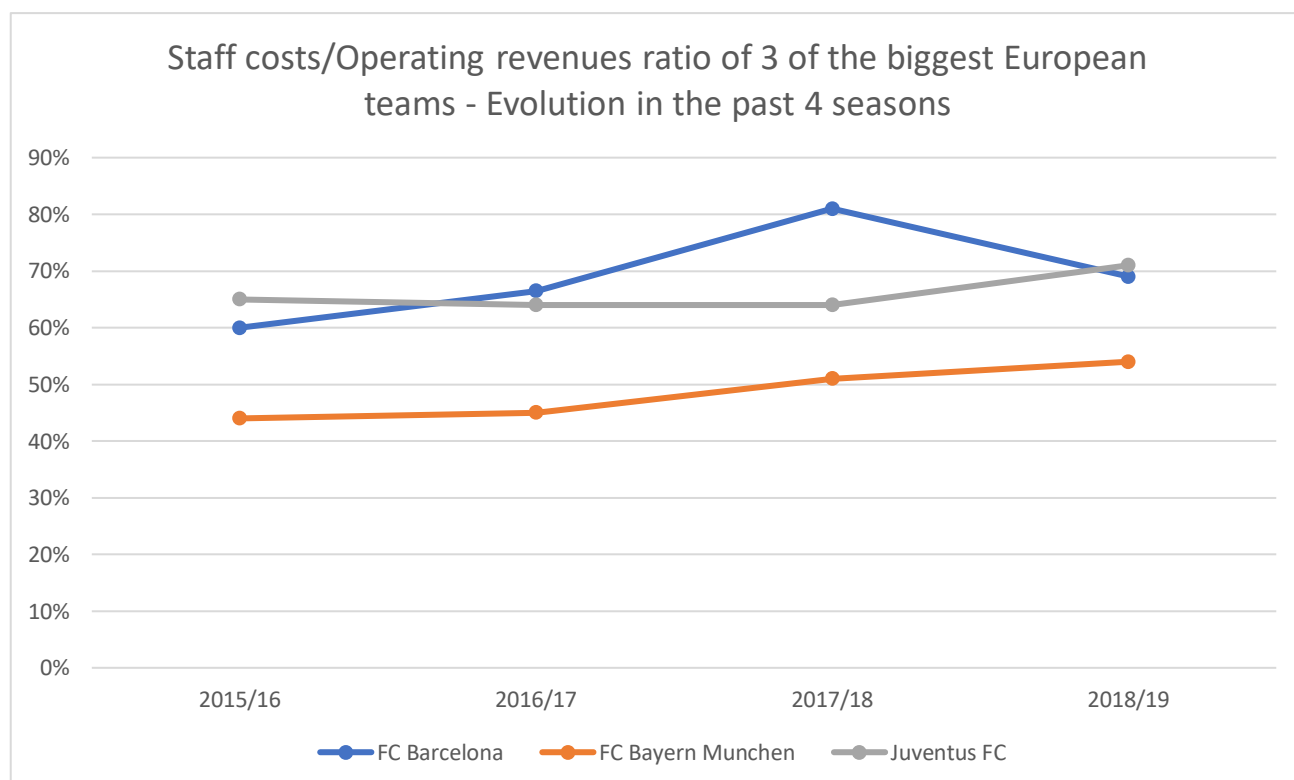
²⁰ Allianz Arena is the football stadium of FC Bayern München, in Bavaria, with a 70000 seating capacity for international matches and 75000 for domestic matches. It is the first stadium in the World with a full colour changing exterior. It is the second-largest arena in Germany, behind Westfalenstadion in Dortmund. Source: https://en.wikipedia.org/wiki/Allianz_Arena.

million euro. Profit on the disposal of players helped the club to record its 27th consecutive profitable year, registering a profit after tax of 42,7 million euro, almost double than the previous season where the profit after tax of the club was of 22 million.

During the 2019 summer transfer window, FC Bayern München completed the most expensive purchase of their history by acquiring the left back Lucas Hernández from Atletico de Madrid for 80 million euro. Paired with this acquisition to improve the defensive line, in the same summer the club reinforced the attack by acquiring Philippe Coutinho from FC Barcelona and Ivan Perisic from FC Inter, both on loan with the right of redemption, so with a very low impact on FC Bayern München balance during the 2018/19 season.

So, after what I said before, the signing of Lucas Hernández shouldn't be seen as a surprise: as said by FC Bayern München's administrators the society has stable foundations, which allow them to make the necessary investments in the first-team squad and respecting at the same time the Financial Fair Play and the financial needs of the team. FC Bayern München strongly believes that in the competition for top talent, the increased financial strength of the team will enable the club to remain competitive among the European elite of professional football and they will continue to direct all their efforts towards this goal in the future.

The 2019/20 has seen FC Bayern München won again but until the presence of the Covid-19 the championship was more challenging than ever with a lot of teams competing for the title: the sustainable growth of the club is becoming more important every year, both on sporting and financial side, to keep the team in the elite of the European football.



Source: Fc Barcelona, Fc Bayern Munchen and Juventus Fc annual reports.



Paris Saint-Germain FC

During the 2018/19 season Paris Saint-Germain FC won the 8th Ligue 1 title in their history and its 6th in the last seven seasons, indeed only in 2017 they've been beaten by AS Monaco and reached the 2nd place in the competition. At an international level, for the 3rd consecutive year the team has been eliminated in the round of 16 of the UEFA Champions League, this time by Manchester United FC.

The club's economic indicators have been positive also during this season: PSG registered a record of operating revenues of 636 million euro, with a growth of 17% from the 2017/18 season where they had revenues for 541,8 million. The commercial income of 363,4 million of euro accounted for 57% of the total and this figure ranks as the second highest amount after FC Barcelona. A huge part of commercial income is granted by "Nike", that as technical sponsor of the team grants to *Les Parisiens* 25 million per year until 2019 and during the last year they've renewed this sponsorship until 2032 for about 80 millions per year, making one of the biggest economic deals in the history of football and that will have a huge impact in the next balances of the team. PSG focus a lot on its brand attractiveness in order to become a global lifestyle brand: during 2018/19 approximately 200000 official jerseys have been sold with an exclusive partnership with iconic sportswear "Jordan" and endorsements from many international celebrities not associated with sports helped the team to reach this enormous success. An example of internationalization of the team is also the opening in November 2019 of a new store in Japan: all of these initiatives make together an important impact on Financial Fair Play because all these incomes are calculated in the FFP and allow the team to buy important players without incurring on fees from the UEFA as we will see later. Sponsorships income also played a fundamental role too, as the club signed, among others historical sponsorships such as the one with Coca-Cola lasting from more than 20 years, also new deals with Unibet and Renault and renewed the existing ones with Ooredoo and American Express. The historical deal with "Fly Emirates" of PSG ended this year and granted the team since 2006 an amount of about 30 million per year: from 2019/20 season the patron Nasser Al-Khelaifi signed a new sponsorship deal with ALL (Accor Live Limitless) for 60 million euro per year until 2022, one of the richest contracts in European football.

The French champions could also benefit from the new and more remunerative broadcasting cycle of the UCL started in 2018/19, the main driver of a broadcasting revenues increase of 23% from the last year, that despite having played the same number of matches granted the PSG an additional 23,7 million euro from UEFA, making the broadcasting counts for 25% of the total operating revenues of the team.

Finally, PSG recorded a 15% increase in matchday income, mainly thanks to the 98% of utilization rate (same of the year before but with higher prices, due to the increased prestige of the team) for the Parc des Princes, the team's stadium, whose season ticket holders account for more than 70% of the stadium's total capacity, and hospitality services.

Despite a staff costs increase of 11% from the last year from 332,1 million euro to 369,4, PSG managed to reduce their staff costs/operating revenues ratio, an important result considering French fiscal costs calculated on the net salaries guaranteed for players, far higher than anyone in the other European championships. The profit after tax was 28,5 million, a little bit less than the one of the season 2017/18 where it was of 31,5 million, but is still a good result considering for example only the impact of the acquisition of Kylian Mbappè for 180 million euro.

On the transfer market in 2018/19 the need to pay the acquisition with redemption obligation of Mbappè from the season 2017/18 made PSG adopt a more conscious strategy than the year before when they bought this player coupled with Neymar for others 222 million euro. The loan of Mauro Icardi with the acquisition of an experienced player like Keylor Navas for 15 million didn't have a big impact on PSG finances, allowing them to reach a positive balance even with the payment of 180 millions during the summer for the former World Champion Kylian Mbappè. Again how this was possible will be explained in the later chapter of this work.

The 2017/18 season passed in history as one of the most important of PSG's history due to the acquisition of the former FC Barcelona forward Neymar jr. for 222 million euro and the French "Golden boy" Kylian Mbappè for 180 millions of euro. The move of "O'Ney" represented the most expensive transfer in football history, followed by Mbappè's purchase and they both happened in the same year²¹. The presence of the aforementioned football superstars and the establishment of PSG as a global brand are some of the key factors pushing PSG's worldwide commercial success. The club indeed is now starting to reap the rewards of the past expenses with the new sponsorships valued dozens of millions of euro. A further source of revenues for the club could be the sale of the naming rights of Parc des Princes that can bring to the team several additional earnings, permitting the French team to sign new superstars in respect of Financial Fair Play.



Source: Wikipedia – List of most expensive association football transfers

²¹ Even if as explained before the acquisition of Kylian Mbappè had an impact only on the following season's balance.



Manchester City FC

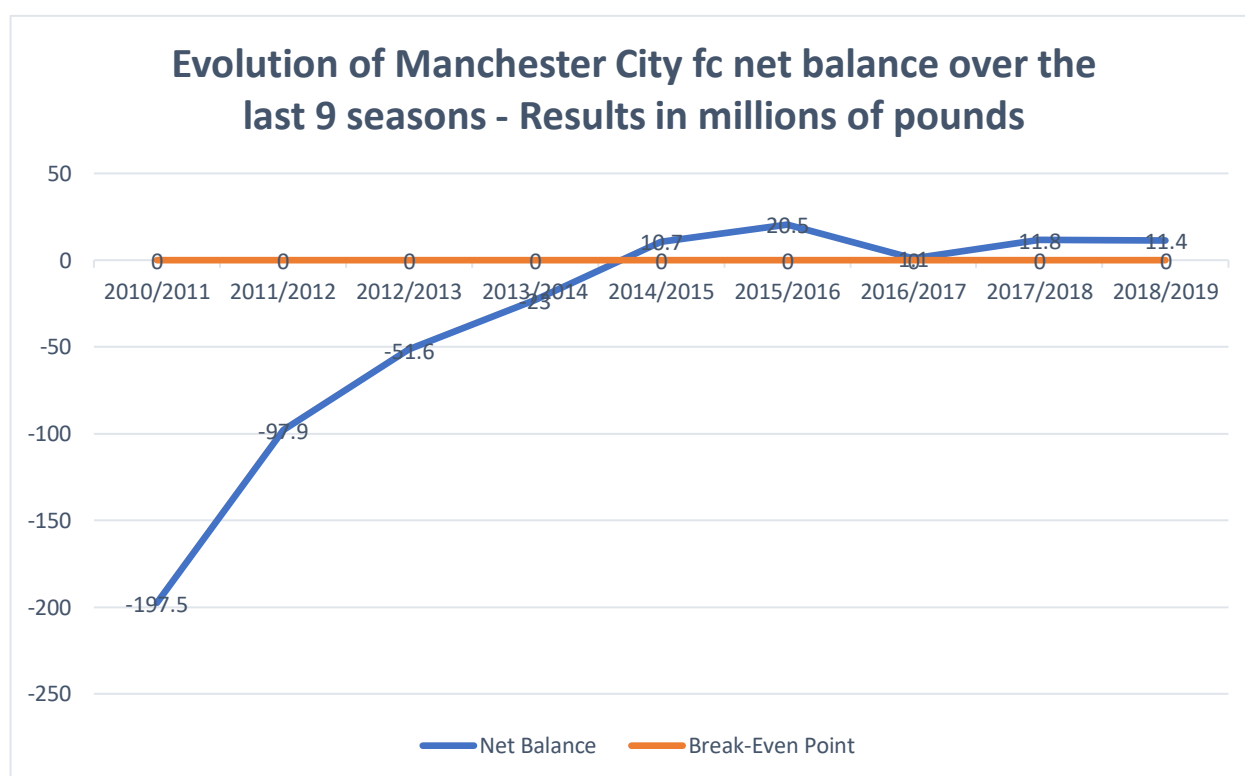
In 2018/19 Manchester City FC did a record-breaking season, making English football history by becoming the first team to win all four domestic trophies in a single campaign. The *Citizens* won the Premier League, the FA Cup, the League Cup and the FA Community Shield. The club also progressed to the quarter finals of the UEFA Champions' League, where they were eliminated by the domestic rivals of Tottenham Hotspur FC. During the season Manchester City FC brought a record of 610,4 million euro as total operating revenues, with a 7% growth from the result of the year before of 568,1 million. This was the 11th consecutive year of revenues growth for the club. That growth was mainly thanks to the broadcasting income that registered an increase of 20% over the previous season, from 238,7 million of the 2017/18 to the 287,1 of the next one. Thanks to the new TV cycle for the UEFA Champions League they received an additional 35,6 million euro, also if they reached the same stage of the year before. Broadcasting revenues now account for 47% of total turnover, followed by the 43% of the commercial income and the remaining 10% from the matchday income. In contrast to the increase in broadcasting, Manchester City FC registered a decrease of approximately 2% in both matchday and commercial income which passed respectively from 63,9 to 62,4 million euro and from 287,1 to 260,8 million. However, starting from the 2019/20 season the club will benefit on the commercial side with a new long-term partnership with City Football Group²² (CFG) and Puma. Indeed, since July 2019 Puma has replaced Nike as the exclusive kit supplier for all the clubs controlled by the group, passing from the old deal since 2013 of 12 million euro per year, to the newest one of 65 million per year until 2030, representing a new model of sponsorship agreement on a truly global scale, involving extremely diverse markets on five continents. Etihad Airways, which is also under the same property of Manchester City, provided since 2011 a sponsorship valued 400 million pounds at that time for the naming rights of the stadium and as main shirt sponsor, divided in 11 million euro plus other 45 per year. This sponsorship created a lot of doubts at the time indeed, for example, Arsenal FC did a similar sponsorship with Fly Emirates, a similar partner like Etihad Airways, valued 15 million per year for 15 years, far below the half of the value of the Manchester City FC sponsorship. This fact leads to a series of consideration on the validity of the deal, culminated on the sentence of 2020 from the UEFA with a 10 million euro fee charged to Manchester City FC that I will explain better later on this paper.

²² The City Football Group (CFG) is a holding company that administers association football clubs under the ownership of Abu Dhabi United Group (ADUG). The company's flagship club is Manchester City FC.
Source: https://en.wikipedia.org/wiki/City_Football_Group.

Staff costs increased by 22% from the 2017/18 season, mainly for the acquisition of Riyad Mahrez from FC Leicester for 67,8 million euro, that added alone more than 20 millions per year to the general staff spending. This increase led also an addition of 7 percentage points on the staff costs/operating revenue ratio that reached this season the 59% but that remains still comfortably lower than the UEFA recommended threshold of 70%. The bottom-line result was almost the same as for the previous season: 11,4 million euro of profit against the 11,8 million of the past season. That's the 5th consecutive positive result that confirms the club's efforts towards an increased sustainability, which led to their long-term financial stability. This positive financial performance has already been recognized by the market, as evidenced by a recent investment of 500 million dollars for a 10% stake acquisition in CFG operated by a US private equity firm called Silver Lake, which values the whole Group that owns Manchester City CF 4,8 billion dollars.

In terms of squad, with the addition of the overmentioned Riyad Mahrez, Pep Guardiola (the Manchester City FC manager) could rely on the most valuable squad according to KPMG's Player Valuation Tool in 2018, with a total of 1,3 billion euro, the highest among all football teams in the World.

Due to their policy of constantly pursuing the best players, Manchester City FC recorded a negative player trading balance of -107,5 million euro in 2017 but they managed to keep always a positive bottom-line result. The long-term financial sustainability is the greatest goal reached by the team, more than the Premier League won or the other trophies: indeed since 2011/12, season in which they amassed 151 million euro in losses (before Financial Fair Play obviously, because nowadays it couldn't be possible anymore), they started improving their finances arriving at the last season with their 5th year in a row positive after-tax result. After establishing themselves among the elite of English football now it's time to become credible contenders also in the European stage and trying to attend their first UEFA Champion's League trophy.



Source: Manchester City Fc annual reports and KPMG's Champions reports.



Juventus FC

The 2018/19 confirmed the Juventus FC's dominance in Italy: the *Old Lady* won a record 8th Serie A title in a row, that became 9 just a few months ago. As in the previous season the UEFA Champions League ended up in the quarter-final, against the young talents of AFC Ajax, an important team from Nederland. But most of all that season will be remembered for the surprising arrival of the 5-time Ballon d'Or²³ winner Cristiano Ronaldo from Real Madrid CF, for a fee of 100 million euro plus bonuses: the purchase of the Portuguese champion brought sporting, media and branding benefits so high that have outcomed the relative costs of the acquisition.

While from a purely sporting side *CR7* didn't manage to lead the *Bianconeri* to the much-desired UEFA Champions League trophy, off-pitch results were slightly different: the Italian champions recorded operating revenues of 463,6 million euro, 16% than the 402,3 million of the year before, with the main driver of this growth being a commercial revenues' increase of 30%, up to 185,4 million euro, compared to the 144,9 million of the year before. Unsurprisingly, merchandising income achieved the highest growth, 58% more than the year before reaching the club's record of 44 million euro. Paired with the surely decisive impact of Cristiano Ronaldo, Juventus FC has put in place a strategy in order to improve the sale of the club's official products also other strategies to expand the brand into a broader fashion brand, for example by doing the collaboration with the urban brand "Palace", for a limited edition of the official jersey and other accessories such as Juventus' scarf or socks.

Among commercial revenues the sponsorships played a fundamental role too. Indeed, in the 2018/19 season Juventus FC benefitted from a performance bonus of 15 million euro by Adidas, that anticipated the new 8-year deal signed with the kit supplier, valid from the 2019/20 season and that is worth 51 million euro per season. Allianz also give the team until 2023 6,3 million per year to rename the old "Juventus Stadium" with its new name "Allianz Stadium".

Broadcasting revenues only slightly increased by 3% since the year before, passing from 200,2 million euro to 206,6 during the new season, due to a more remunerative UEFA distribution cycle that has been paired with a decrease in the domestic TV income due to the new distribution system in Serie A. Finally, matchday income also increased, by 25% on the previous season even if the utilization rate of the "Allianz Stadium" increased only of 2 percentage points: Juventus has one of the highest matches' prices in Europe due to the low capacity

²³ The Ballon d'Or (French pronunciation of "Golden Ball") is an annual football award presented by French news magazine "France Football" and is one of the oldest and generally regarded as the most prestigious individual award for football players. Source: https://en.wikipedia.org/wiki/Ballon_d%27Or.

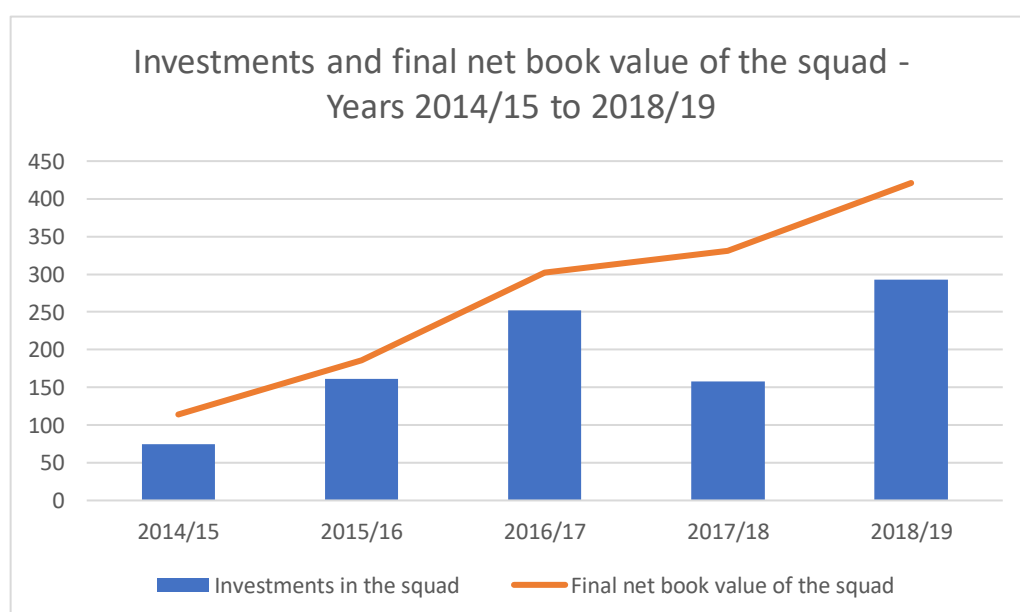
of the stadium that has only 41000 places, a very little amount if compared to the other most important clubs in Europe.

The club's efforts to catch up with their main European peers are also visible on the costs' side. Indeed, the bottom line showed an apparent worsening: losses increased by 20,7 million euro, reaching -39,9 millions but has not been sanctioned due to the results achieved in the years before and the generally good financial situation of the team that has by far the highest income in the Serie A. The main reasons for this negative figure are higher staff costs (+27% from the last year) and a higher amortization (+39% on the previous season), as a direct consequence of the investments made to strengthen the squad, especially due to the arrival of CR7.

The club managed to partially mitigate the increase in operating costs mainly thanks to the 127,1 million euro in profit for the disposal of players' registrations. In February 2019 the club also issued a non-convertible corporate bond for a total of 175 million euro to provide the company the necessary financial resources for its various operations.

To maintain economic and financial stability over time, Juventus FC have set the following key conditions, that can be seen as a guide for the other teams to follow to reach the top tier of European clubs. The main guidelines are: (i) the ability to compete at a high level, both in Italy and Europe; (ii) a dynamic approach to the player transfer campaigns to take advantage of the investment enhancement opportunities; (iii) the increase of revenues, as well as an attentive control and the aim to reduce all possible operating costs, but always maintaining the team's competitiveness. In order to do so the Board of Directors of Juventus FC tries as much as possible to increase the share capital to finance investments, maintain sporting competitiveness, support the commercial strategy to increase revenues and to improve Juventus FC brand on international markets, also consolidating its company's equity.

Following the strategy set up by the Administrators, in the summer of 2019 Juventus FC reinforced the team again, mainly thanks to the acquisition to the young Nederland's champions Matthijs De Ligt, acquired from AFC Ajax from 75 million euro. According to the club's forecast the net results for 2019/20 season are going



Source: KPMG Football Benchmark

to be once again negative, but with an increase in commercial revenues and thanks to the new agreement with Jeep for 42 millions per year, the negative balance should always be controlled, even after the Covid-19.



Galatasaray SK

Galatasaray is one of the most important and winning team in Turkish football. They won 14 out of the 24 domestic trophies in the past eight seasons. During season 2018/19 they won their 22nd Süper Lig²⁴ title and their 18th Turkish Cup.

The Turkish team had a great improvement among the last seasons: indeed in 2016/17 they had a ban due to failure to comply with UEFA Financial Fair Play Regulations; in 2017/18 they have been eliminated in the preliminary rounds of the UEFA Europa League against the Swedish club Östersunds Fotbollsklubb and finally in 2018/19 they've reached a final phase of a European competition by reaching the UEFA Champions' League group stage, earning the 3rd place and being demoted to UEFA Europa League where they've been eliminated in the round of the last 32.

The European campaign represents the main reason in the increase in operating revenues of 28% since the last year, from 114,1 million euro to 146,3 of the 2018/19 season. If compared to their historical opponents, Galatasaray FK returned to be the best Turkish club in terms of total operating revenues, leaving behind Fenerbahçe SK (whose earnings totaled 111,3 million euro) and Beşiktaş JK (who earned 98,6 million euro) and that are the other two most important clubs in Turkish football.

International broadcasting revenues amounted to 36,8 million, a little bit more than the domestic broadcasting revenues of 36,7 million thanks to the deal in 2017 of the Süper Lig with Digiturk. Despite the Turkish market is ranked 6th in terms of broadcasting revenues (with about 600 million per year) the aforementioned UEFA income confirms how much the participation in UEFA competitions for clubs coming from non-big 5 league is crucial, as they suffer from a considerable gap in broadcasting revenues distributed on a domestic level. Thanks to UEFA distributions, Galatasaray SK's total broadcasting revenues doubled in only one season and it accounts only by itself for 50% of total revenues.

Staff costs amounted to 71,4 million euro (a 12% decrease from the year before where they were 80,9 million); resulting in a staff costs/operating revenues ratio of 49%, a significant improvement compared to the 71% of the previous season. The club were also able to cash in 26,8 million euro from the disposal of players, mainly thanks to the sale of the academy-raised talent Ozan Kabak to VFB Stuttgart in January 2019 for 11 million euro and the sale of Garry Rodrigues to Ittihad Football Club for reported 9 million.

²⁴ The Süper Lig is a Turkish professional league for association football clubs. It is the top-flight of the Turkish football league system and is run by the Turkish Football Federation. Source: https://en.wikipedia.org/wiki/Süper_Lig.

The Turkish club also signed in 2018 a 3 years deal with the online game operator called “Bilyoner.com” worth 27 millions of Turkish liras²⁵; this sponsorship will see Bilyoner receive branding on the sleeves of the football club’s shirt. Galatasaray is one of the few football teams that doesn’t have a technical sponsorship, because the Süper Lig in the last years is not attracting anymore new sponsorship deals that are worth doing. The boost in revenues, combined with the costs saving, allowed the club to obtain a positive 4,9 million pre-tax profit, representing an improvement of 54,3 million year on year. This improvement has an extremely important role in view of the compliance with a Settlement Agreement signed with UEFA in October 2019, in which the club committed to record a maximum pre-tax loss of 20 million euro during the 2018/19 season, with the full break-even to be undertaken before the 2021/22 season but that has been achieved with a great effort during the next season. As part of the above-mentioned Settlement Agreement, the club paid a 6 millions of euro fine in 2018/19: during the 2017/18 monitoring process the Chief Investigator of the UEFA Financial Control Body (CFCB) concluded that the club failed to comply with monitoring requirements set out in the Articles 53 to 68 of the UEFA CLFFPR and, in particular, the break-even requirement set out in Articles 58 to 64 of the UEFA CLFFPR; on 13 June 2018, in accordance with the Procedural Rules governing the UEFA Club Financial Control Body, the CFCB Chief Investigator and the Club agreed to enter into a Settlement Agreement. Among with the 9 million euro fee the club had also the restriction to register a maximum of 21 players on the list A in the European competitions instead of the regular 25 players foreseen in the relevant competitions regulations.

The second consecutive participation in the UEFA Champions League group stage in the 2019/20 season will most likely support Galatasaray SK in the club’s efforts to maintain a positive financial bottom-line result, in



²⁵ With the actual conversion system, they’re worth a little bit less than 3 millions of euro.

order ultimately to conclude the Financial Fair Play scrutiny. A further assist will also come from commercial streams, that will benefit from two new main shirt sponsors, thanks to the deals signed with restaurant chain “Terra Pizza” for 3 million euro per season and Turkish Airlines for domestic and international matches.



AS Roma

Among the last years AS Roma tried to succeed in the national and international championships but must of the times, they didn't reach the objectives that they had at the beginning of the season. After the semi-final of the 2017/18 UEFA Champions League they've worsened their results, ending the 2019/20 season exiting the UEFA Europa League at the round of 16 and arriving 5th in the Serie A.

On 8th May 2015 the acting Chief Investigator of the UEFA Club Financial Control Body (CFCB) agree to enter into a Settlement Agreement with the club that failed to comply the monitoring requirements set out in Articles 53 to 68 of UEFA CLFFPR²⁶ and, in particular, the break-even requirement set out in Articles 58 to 63 of the UEFA CLFFPR. This settlement agreement set out some economic objectives, such as reaching the 2015 and 2016 seasons with a maximum loss of 30 million euro; a fee of 6 million euro that has been paid to the UEFA; the limit of 22 players instead of 25 for the European competitions and finally some limits to the transfer market of AS Roma until the 2016/17 season.

The 2018/19 season was one of the worst from both the sporting and economic points of view: as told before the championships results weren't good and also the balance ended with a negative value: the end result was of – 24,294 million euro and the expenses raised to 264,5 million, far more than the 230 million of the season before. The total earnings were 232,8 millions of euro where 24,2 millions were thanks to the sponsorships (about 10,3% of the total); 112 millions came from television and image rights (about 48,1% of the total) and finally 66,2 millions of euro came from match and related gains (about 28,4% of the total). As you can see there is a gap between the percentage of gains and the total earnings and if you compare the 2017/18 result (with the reaching of the UEFA Champion's League semi-final, that granted to AS Roma alone about 100 million euro) with the 2018/19 one the difference is not that much: indeed in 2017/18 the revenues of AS Roma were of 250 million euro, only 18 more than the next season. So how can you explain that? The reason in that AS Roma made 130 million euro of “plusvalenze” by selling some important players such as Allison to FC Liverpool for 62,50 million²⁷, Kevin Strootman to Olympique Marsiglia for 25 million²⁸, Kostas Manolas to SSC Napoli for 36 million²⁹ and Luca Pellegrini to FC Juventus for others 22 million³⁰.

²⁶ Club Licensing and Financial Fair Play Regulations.

²⁷ Source: <https://www.transfermarkt.it/alisson/profil/spieler/105470>

²⁸ Source: <https://www.transfermarkt.it/kevin-strootman/profil/spieler/68864>

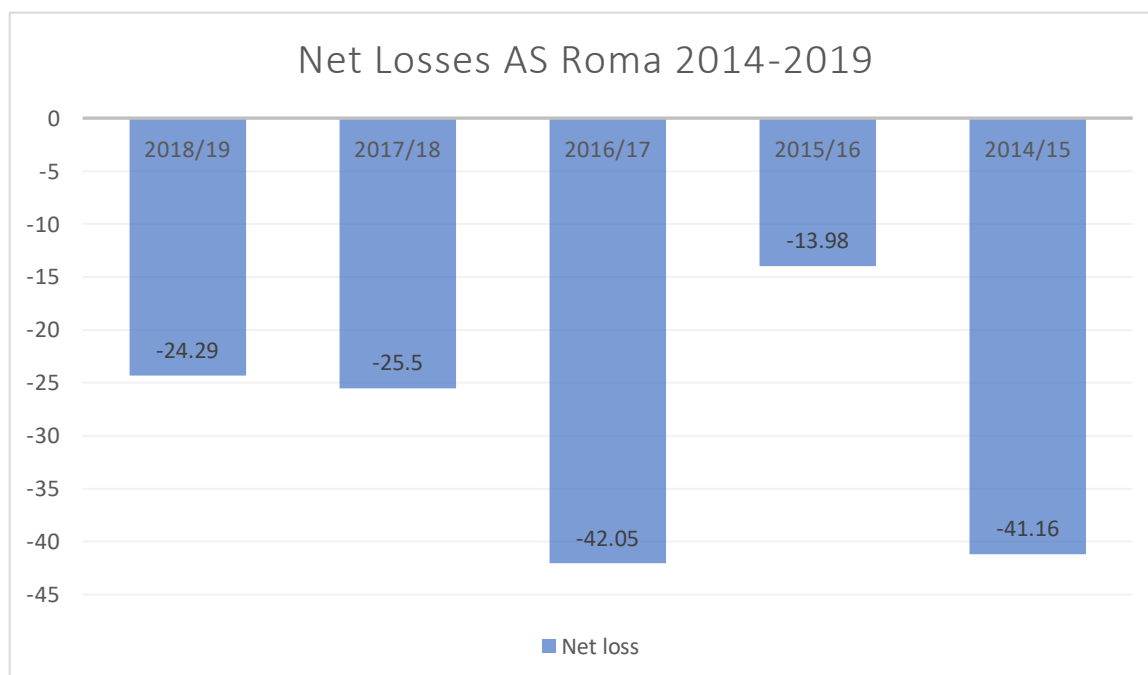
²⁹ Source: <https://www.transfermarkt.it/konstantinos-manolas/profil/spieler/104752>

³⁰ Source: <https://www.transfermarkt.it/luca-pellegrini/profil/spieler/346567>

The revenues/staff costs of 79,2% is one of the highest in the whole football panorama and is one of the first things that the new property is taking care, trying to reduce the most that they can the salary of the AS Roma players. It also can be a problem for the team in future because it isn't in line with the 70% limit suggested by the UEFA Financial Fair Play.

Regarding the different sponsorships AS Roma in 2013 signed a 10-year contract with Nike for 5 millions of euro per season. In July 2020 they agreed to solve this contract and so the 2019/20 will be the last season with the American company as technical sponsorship for AS Roma. The reason is that in August the team has been bought by a new president that is changing many parts of the AS Roma organization and one that is mostly took in consideration by him the sponsorships part. For this reason, also the sponsorship with Qatar Airways, worth 40 million euro divided among 3 seasons and started in 2018 will end in 2021. Finally, also the sponsorships with Hyundai as back-of-shirt sponsor signed in 2018 will end in 2021 and granted AS Roma 3,5 million euro per season until the next year.

In August 2020 the Friedkin Group have announced the acquisition, by Romulus and Remus Investments LLC, of the 86,6% majority stake in the club and has launched a mandatory offer upon the publicly held ordinary shares, representing approximately 13,4% of the club's share capital. The deal was of about 591 million euro, after weeks of negotiations for the price due to the coronavirus pandemic impact on the sports. Right now, AS Roma is starting a new journey leading to the economic sustainability and the growth of the team with the new property. The Financial Fair Play is a little bit less strict when a team changes property so with the reduction of the staff costs, the creation of new sponsorships deals, and the new stream of money granted by the new property AS Roma can also try to do some important investments for the acquisition of players that will lead the way in the future of the team.



Source: *investing.com*

An important role is played also by the stadium of AS Roma: right now, the “Stadio Olimpico” is property of the FIGC³¹ and the new president has the objective of trying to build a new one of property of AS Roma, mission tried also by the Friedkin’s predecessor James Pallotta but that didn’t achieve due to a series of problems with the Municipality of Rome.



FC Inter

Over the last few years, FC Inter had an incredible growth, more precisely since the new property of Suning has bought the majority stake of 68,55% from the former President Massimo Moratti. From an economic point of view, Suning’s investments have reached almost 600 million euro only until 2019 and has continued until today. Also from the sporting point of view FC Inter reached incredible results, starting from an 8th place in 2015 and arriving to a UEFA Europa League final and a 2nd place in the Serie A with just 1 point less than their rivals and 9 consecutive time champions of FC Juventus.

Even with these great results FC Inter, exactly like AS Roma, didn’t pass a great period 5 or 6 years ago: indeed, just like Italian capital’s team, they signed a settlement agreement on 8th of May 2015 with the acting Chief Investigator of the UEFA Club Financial Control Body (CFCB) after having failed to comply with the monitoring requirements set out in the Articles 53 to 68 of the UEFA CLFFPR and in particular the break-even requirement set out in the articles 58 and 63 of the UEFA CLFFPR. The objective given to FC Inter was to reach an aggregate break-even deficit from the season 2015/16 to the season 2017/18 of 30 million euro and to increase the revenues constantly among these seasons.

FC Inter succeeded in these recommendations and finally started to climb the soccer panorama both in Italy than in Europe: the 2nd place in the Serie A and the UEFA Europa League final granted the team a great boost both from the economic than the sporting point of view. FC Inter ended the season with 364,6 million euro in revenues, 29,8% more than the season before, divided in 14% for matchday (FC Inter ended the 2018/19 Serie A with the highest stadium medium attendance in the championship), 43,6% from broadcasting with 159,2 million euro from this source and finally 154,5 million from commercial, accounting for the 42,4% of the total revenues.

In 2013 FC Inter signed a sponsorship deal with Nike worth about 20 million per year, the problem is that the sponsorship isn’t fixed but is varying on sporting results from the club, so for example, during the season 2017/18 where they didn’t qualified for the UEFA Champion’s League they received from Nike as technical sponsorship only 4,3 millions of euro, that compared to the other major European teams is a very low amount. In 2016 FC Inter renewed its sponsorship with Pirelli as the only one sponsor that could be present on the t-

³¹ The Italian Football Federation, found in 1898, recognized by FIFA in 1905 and founding member of UEFA in 1954, is the association of sports clubs and associations that pursue the goal of playing football in Italy.
Source: <https://www.figc.it/it/federazione/mission-e-governance/identita-e-missione/>.

shirt and that is there since the 1995/96 season and will be valid until 2021: that contract is worth for the team about 18 million per year, also in this case varying in case of qualification to the UEFA Champion's League, but the President Zhang in moving ahead to change, valuing being the main sponsor of its club about 25 million per year. That isn't so far from the reality: indeed, FC Juventus with the last contract renew with Jeep that is worth 42 million euro per year until 2021. Maybe the next year could be the last one with "Pirelli" as sponsorship and keep going with "Samsung" for example, granting the club far more money and giving it the possibility to engage new champions and finally trying to compete for the Serie A and maybe also the UEFA Champion's League final victory.

FC INTER SPONSORSHIPS' VALUES FROM 2014 TO 2019

Data in millions of euro	NIKE	PIRELLI	TOTAL
2014/15	13,4	14,1	27,5
2015/16	12,5	17,7	30,2
2016/17	9,4	9,2	18,5
2017/18	4,3	16,3	20,5
2018/19	10,0	19,1	29,1

Source: calcioefinanza.it

FC Inter and AC Milan have also the intention to renew their actual stadium, the "San Siro"³², and increasing greatly their income, their prestige and a lot of other fixtures related to the sporting and also the economic part of these two teams. It is expected to take 3 years to build, so should be ready in 2023, at a cost of 1,2 billion of euros, that will be shared among the two clubs.

The last few years from the economic point of view have seen a great effort from the president for the acquisition of new players and for the impact of the new legendary manager Antonio Conte, which alone gains from 11 to 12 million per year. Paired with that, the acquisition of the *bomber* Romelu Lukaku from Manchester United in 2019 for 75 million euro, combined with his salary of 9 million, demonstrate a great effort from the president to make FC Inter great again, and until now the results are coming as told before with the team that is trying to win again the Serie A this season.

To pay back all these stuffs FC Inter also sold some players, particularly youngsters with very high value that I will better analyze on this thesis later, for example Andrea Pinamonti to Genoa Cricket and Football Club for more than 20 million euro, than bought back in 2020 but that helped FC Inter to reach the season 2018/19 without a passive on its balance and that is actually one of the strategies adopted by the biggest European football teams to bypass the UEFA Financial Fair Play.

Anyhow FC Inter started the 2020 season with the goal of winning the Serie A and right now their results are in line with their objective. The presence of the UEFA Champion's League will greatly influence their income

³² Called "Stadio Giuseppe Meazza" when FC Inter plays its home matches.

during this season but with the right luck and effort by the whole team I'm sure that they can achieve great results and maybe why not also winning again the title after more than 10 years.

How clubs in Europe avoided FFP

Since the introduction of Financial Fair Play in 2010 several clubs tried to avoid it in different ways in Europe, someone with good results and others with purposes that led to the inhibition of their transfers during the different possible windows, with considerable fees from the UEFA, with the reduction of their available players during UEFA matches of Europa League and Champion's League or in the end with settlement agreements in the successive years aimed to re-establish their financial situation and trying to let them reach their break-even point again.

I grouped some of the most important and most recognized cases happened in the last years and that will be listed in the next paragraphs. First of all I talked about the sponsorship contracts of the football clubs realized with not a fair value, most of times due to the owner of the team and of the sponsor society that were the same. After that I listed the cases of these players sold during a particular year and then bought again during the next few year by the same society only for balance questions, analyzing the various cases of teams such as Inter, Juventus and Genoa that several times made some exchanges with players of doubt values and loans that were very strange when they have been made, paired with the case of Victor Osimhen and his acquiring from SSC Napoli. In the end I've took in exam the right of repurchase that a lot of societies used, and some are still using only to meet their financial requirement and not with the rationale of development of their young players and after that I've analyzed the case of different football societies that are owned by the same president, fact that allow them to do any possible exchange only to realize their break-even in any way most convenient for them and their incomparable possibility of development for their players between the different teams under the same group.

All of these cases have aroused different reactions by journalists, opinion makers and football employees first of all because they've all been recognized by the critique as unfair situations related to the FFP and most of all because many times they've never been punished by the UEFA committee; situation that led during time to a lower consideration of FFP by football teams and giving less credibility to the regulation, also because most of times the teams that have evaded the FFP were the richest ones and so the most important and prominent, in contrast with the smaller teams that have been punished several times for situations far less important and evident of these others.

Doubtful sponsorship deals realized at an unfair value

When in 2012 Financial Fair Play has been introduced, UEFA found that 46 clubs would have failed the break-even requirement and that 20 among them would have losses of more than the acceptable of 30 million euro

over three seasons, that would lead to sanctions up to a ban from European competitions. Between these clubs there was a high probability to find FC Chelsea and FC Manchester City.

FC Chelsea made its first profit of the Roman Abramovich³³ era for its Champion's League winning season of 2011-12, thanks mainly to one-off share dividends and the money gained from the UEFA's competitions. FC Manchester City in 2011/12 showed a loss of 97,9 million euro.

FC Manchester City's deal with Etihad delivered to the team more than 400 million pounds over 10 seasons from the year 2011, making it the largest deal of its kind in sport and granted the Citizens and unprecedented financial power. The 10-year agreement, that made also the City's ground renamed in "Etihad Stadium" is worth more than twice the previous record when JP Morgan made a deal with the New York Knicks³⁴ for the new Madison Square Garden, demonstrating the growing disparity between the top clubs in European and in particular English football. To make a comparison, the Arsenal deal with Emirates in 2004 was valued 90 million pounds over 15 years. With regards to the *Citizens'* deal around 48 million came via shirt sponsorship while the naming rights for the stadium were worth only 2,8 millions a year. In 2011 teams like Chelsea FC, Tottenham Hotspur FC and Newcastle United FC³⁵ tried to find a sponsorship but they didn't find anything that granted them more than 10-15 million pounds per year, that is even less than the half of the Manchester City sponsorship contract. The deal is even more remarkable because Manchester City didn't own its stadium where it plays its home football matches: the council of the city of Manchester allowed City to negotiate the naming rights as part of an improved rental agreement, with the club that will pay to the city only 4 million pound per year for the successive 5 years. Manchester City succeed to convince the UEFA that the amounts involved didn't contravene the Financial Fair Play regulations and that the conditions stipulated with the sponsors are linked to the club with a fair price. Paired with the price, that in my opinion was totally unfair, you should know that Etihad, the company that made the deal with the football team, was owned by the Abu Dhabi government and that the Manchester City owner, Sheikh Mansour, is a member of the Abu Dhabi royal family, but all this stuff has been concluded only with an investigation from the UEFA without receiving any sanction.

To conclude the deal of Manchester City with Etihad I have to say that a significant part of the income received has been spent by the team for the developing of the Etihad Campus and that the part of the money spent for the infrastructure doesn't count for the UEFA Financial Fair Play, but the club never provided the medias the precise breakdown of where the money has been spread and only the UEFA had these figures. As told by Tim

³³ Roma Abramovich is a russian-israeli businessman and politician. He is best known outside Russia as the owner of Chelsea FC. According to Forbes he is the richest person in Israel, the 10th richest in Russia and the 113th richest person in the World. *Source:* https://en.wikipedia.org/wiki/Roman_Abramovich.

³⁴The New York Knickerbockers, more commonly referred to as the New York Knicks, are an Ameican professional basketball team based in the New York City borough of Manhattan. *Source:* https://en.wikipedia.org/wiki/New_York_Knicks.

³⁵ These three clubs are some of the most important in the Premier League.

Payton, the spokesman of the Arsenal supporters' trust, he said "The deal at Manchester City stretches credulity to the limit. The numbers just don't stack up" and I totally agree with him.

In 2013 Paris Saint-Germain FC announced a new sponsorship deal with the Qatar Tourism Authority that gave the French team a minimum of 150-160 million euro per year up to 200 million in 2016 related to the team's sporting results, making the PSG the first club sponsored by a state. In addition to this, the sponsorship was retroactive to 2012, helping the French team to adjust its budget after the acquisition of Zlatan Ibrahimovic and in particular to repay its net annual wage of 14 million euro. Also, in this case the UEFA's governing body made an inspection for the club obligation to meet Financial Fair Play regulation: indeed, the operation falls within those "with related parties" as the Qatar Tourism Authority is attributable to the State of Qatar as told before, the same owner of the Qatar Sport Investment, owner between things of the Paris Saint-Germain FC. In the end the third-party body appointed by UEFA assessed that the "fair value" of this transaction was worth at a maximum of 100 million per year, the half of the original value: the disproportion in this case was too obvious seen that in 2011, only two years before the date the deal was made, the total turnover of PSG was equal to 100,9 millions of euro totally, the half of the original value of this sponsorship deal alone. This can seem a victory from the UEFA due to the application of their general rule that the resources from related parties must be commensurate with the club's value and the market value of other similar transactions concluded by the competitors, but if you consider that the value was still several millions of euro per year higher than the Manchester City's one, the highest ever before the PSG's deal, actually there is a great doubt on the validation of this sponsorship's value. After this sponsorship as wrote in the analysis of Paris Saint-Germain in the second chapter of my work, a big part of the money that allowed *Les Parisiens* to buy Mbappé and Neymar and make one of the best teams ever, has arrived right from this deal and created an inequality in the European football, ended to the Champions' League final made by the French team in 2020. Luckily football is not only money and players, and this didn't allow the PSG to win its first UEFA Champion's League but anyway they still have one of the best teams in Europe and in the World and the result in my opinion has been achieved only with the sponsorship money and not with a growth of the players and in general of the club.

In the end in 2012 Chelsea FC started a sponsorship deal with "Gazprom", a Russian gas and oil company, the same industry where Roman Abramovich made his millions and after that the deal remained secret and only the UEFA knew the money amount of the deal. You must know that Roman Abramovich sold its old gas company to this society that became the new Chelsea's sponsor but that has not a "significant influence" for the rules of Financial Fair Play. This allowed the team to bypass every rule related to this point such as happened to Paris Saint-Germain FC with the Qatar Tourism Authority explained few lines before. Anyway, this deal with Gazprom allowed Chelsea to greatly increase their sponsorship revenues and become less dependent on cash injections by Roman Abramovich, that instead of the sponsorships are technically viewed as liabilities as we know under the terms laid out by UEFA Financial Fair Play and only worsen the financial situation of a football club. Unluckily there isn't wrote much about this deal and I cannot be more precisely

on the affair, but you must know that this fact increased the opinion of the unfairness of this deal: not reporting the official digits of this affair alimented the voices that Abramovich made something that normally any other team couldn't do at that time and possibly an economic affair not legal for the rules of the FFP but only the UEFA Committee will ever know that.

But not all the sponsorship deals with “related parties” are made with the extent to bypass the FFP Regulation, and an example of a sponsorship that in my opinion can be considered “fair”, and also in the opinion of the UEFA committee seen that has been approved without hesitation but only after some routine control, is the renewal made by FC Juventus with Jeep, which demonstrate that not every team aims only to circumnavigate the regulation and tries only to find inflated deals to earn more money in an easy way. Thanks to the new agreement, the *Bianconeri* will collect 25 more million euro for the 2019/2020 and 2020/2021 seasons, which added to the old 17 millions agreement will reach a total of 42 millions of euro per year as a fixed part of the contract. This sponsorship comes from what UEFA defines as a “related party” and is an interesting insight for the UEFA Committee evaluation in terms of Financial Fair Play. According to UEFA a “related party” is “a person or entity connected to the entity that draws up the financial statements. In considering any possible relationship with the related party, attention is paid to the substance of the relationship and not simply the legal form” and this is precisely the case of Jeep. You should know that Jeep is an FCA brand, which is itself part of the “Exor group” which control the 63,77% of FC Juventus, such as the cases of Etihad for Manchester City FC and the Qatar Sport Investment with Paris Saint-Germain FC. The Financial Fair Play assess that there is a “significant influence” when a sponsorship is equal or greater than 30% of the total revenues of the company applying for the license. In the case “significant influence” on the accounts, the UEFA supervisory body will adjust the figure bringing it back to the level that the indicated threshold is not exceeded, exactly what happened with Paris Saint-Germain and the Qatar Tourism Authority. But this is not the case with FC Juventus, given that the 42 million euro in question, compared to the 621 millions of revenues in the end of the 2019 season, represent only the 6,7% of the total. As the leading European football organization explains, “An agreement or transaction is considered *non-negotiated* rightly if it has been done in terms more favorable to both parties, than the agreement that would have been obtained if there had not been a relationship between the parties”. If there are situations where the declared “fair value” of the related party transaction is investigated by the UEFA's committee, an independent third party performs a market standard evaluation, assigning a fair value to the transaction between parts, again exactly as happened with the Qatar Tourism Authority and the Paris Saint-Germain FC. So, it doesn't always happen that a football team that reach a commercial agreement with another society that has any relationship with the football team leads to an examination or even a sanction by the UEFA committee to re-define the fair value of the relationship, and even if it doesn't happen there aren't always controversies such in the case of Manchester City FC. FC Juventus demonstrated that in theory the FFP has the right ideas and regulations, the problem is that there are always some teams that are trying to avoid it.

In the next graphic I will show you the value of the sponsorships in 2019 of some of the major football teams in Europe. The one highlighted in yellow are the teams with related parties compared to their sponsors.

SPONSORSHIPS' VALUE OF THE BIGGEST EUROPEAN CLUBS IN 2019

CLUB	SPONSORSHIP	VALUE (MLN OF EURO)
REAL MADRID	Fly Emirates	71
BARCELONA	Rakuten-Beko	70
MANCHESTER CITY	Etihad	55
PARIS SAINT-GERMAIN	A.L.L.	50
JUVENTUS	Jeep	42
INTER	Pirelli	19
ROMA	Qatar Airways	17,5

Source: gianlucadimarzio.com

By effectively sponsoring themselves with inflated deals, several clubs are flouting the FFP rules by artificially inflating their turnover to allow for extra spending, and even if it is a clear hole in the FFP regulation it is completely legal and can be seen only as a way to evade the Financial Fair Play regulations.

Is ever more growing the case in which the ever winning and most important teams in Europe are chosen not by the ability of the society to find good players at the right prices as it should be, but mostly by foreign investments. With the increasing popularity of European football, investment opportunities have not only increased in number but also in value and these investments have an ever-growing importance due to the Financial Fair Play Regulation.

The rationale behind UEFA is written in the article 85 of the Financial Fair Play and it states that relevant income and expenses from related parties have to be assessed at a fair market value. The issue with related party income, and more specifically when that income arrives from sponsorships, is that it can be difficult to descend what part, if any of the revenue, specifically comes from sponsorships, which part of the revenue is truly intended to be a sponsorship payment and which portion is coming only by the related party to increase the football team's income without incurring on the regulation of FFP regarding the equity and the self-financing.

The worst part of all of this is that as time passes, these sponsorships are becoming richer and richer and that the clubs that are not the very elite of European football are experiencing an ever-growing gap with the best teams in Europe that are instead growing richer and stronger than the other clubs thanks to their ability to generate income also in these legal but not moral ways, creating a situation that is exactly what the UEFA wanted to reduce or totally eliminate when the regulation of Financial Fair Play has been introduced back in 2011.

The problem of fictitious “plusvalenze”

The major problem of the fictitious “plusvalenze”³⁶ is connected to the accounting benefits deriving from the temporal discrepancy between capital gains and acquisition costs.

Normally each club should set gradual growth objectives aimed to the continuity of the technical project, as suggested by the Financial Fair Play fundamental principles, but this can be too easily overridden due to the constraints set by the same FFP, that many times leads to concluding transactions mainly for accounting reasons, rather than by the search for a technical improvement, and for me this is the major problem of the Financial fair play: indeed if by one side the football teams have to grow from the sporting and structural point of view, on the other side they are obligated to meet their financial parameters and to do so these teams have to sell off their players with doubtful methods, and with time passing this is happening more often than ever. I’m going to do some examples to explain you the various cases and what club normally do to avoid the financial parameters set by the UEFA in order to increase their net balance without any tangible reason but only with evasions of the actual Financial Fair Play regulation.

First of all, you must know that if a sporting director has a promising young player whose balance sheet value is 25 million euro and receives an offer of 60 millions, he could for sure be attracted by the opportunity to realize a capital gain of 35 millions of euro [$60m - 25m = 35m$]. For the achievement of the growth of the club suggested by the UEFA a sporting director should keep his best and youngest players, but if the club has a financial situation that isn’t good in a particular moment, selling the best players and doing the “plusvalenza” is the easiest and fastest way to do so in the short-term. As teach us many cases in the past, in the long-term selling the best youngsters is not suitable for a club because it will sell its best future players and cannot grow in the right way, creating discontent between players, staff and most of all between its supporters that more and more are seeing their favorite players change team for balance questions.

Starting from this point we’re viewing an anomaly, but the real problem is another and is even bigger than this. Indeed, the most convenient thing to do right now is to sell a player and at the same time buy another one, best if the same position to replace the one sold before and I’m going to explain you why in the next example.

Starting from the case took in consideration before, we’ve the actual situation where we have sold for 60 million euro a player valued 25, realizing a “plusvalenza” of 35 million. If at the same time I buy a player for 60 million euro and the player signs a 5-year contract, the team can be able to pay him only in the successive years. For example, if the club must pay 20 million per year for the successive 3 years [$20m \times 3y = 60m$], the cost for the exercise will be only of 12 million, indeed the cost will be amortized between 5 years and 60

³⁶ In the economic language, is the increase in value, positive difference between two values of the same asset referred to different moments. The difference between the purchase price and the sale price of shares earned by stockbrockers and subject to mobile wealth tax. *Source: treccani.it*

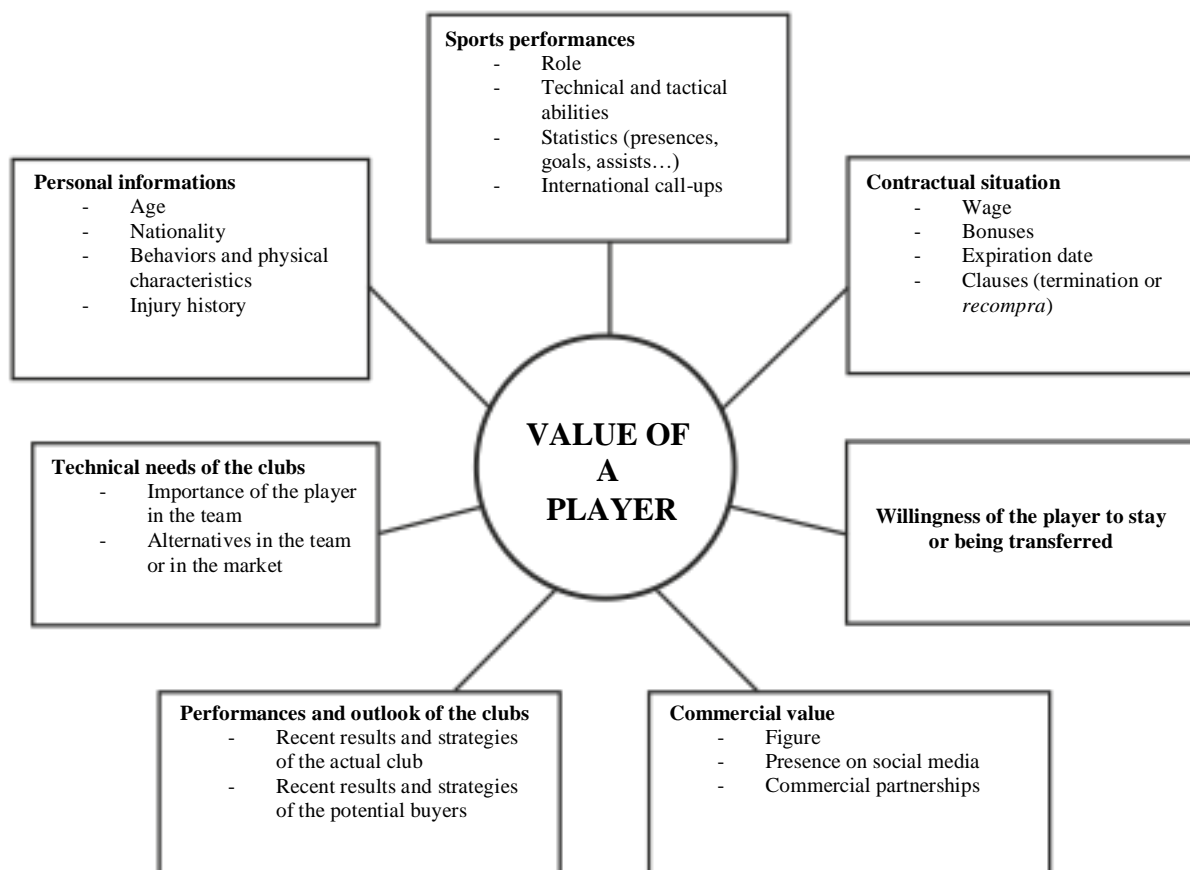
million divided 5 years gives the result of the 12 million that will be in our yearly account. Imagine a club that needs money in a short-term: they will do with any probability this type of transaction, selling players and acquiring others to replace them with payments in the long term. In the first 1-2 years this can be a good way to avoid FFP and don't incur in the different sanctions but in the long-term with the amortizations and the cost of the players that must be paid, any society, even the biggest, could afford a totally unsuitable situation that for sure will create enormous financial problems to these clubs and even the failure of it, a far worse situation than simply being sanctioned by the UEFA committee for Financial Fair Play reasons.

Another problem is represented by the so-called "fictitious" or "inflated" capital gains, which have characterized the transfer market at every competitive level over the last few seasons. These capital gains involve players, often members of the youth sector of the teams in question, which values in the balance sheet are not so high and that are more functional to the realization of capital gains, also because the will of the players is less if not at all relevant in these cases.

To make you understand I will do another example: club A owns X's rights at a residual value of 4 million euro (for example the last 2 years of contract of a player valued 10 million with a 5-years contract), while the club B owns Y's rights at a residual value of 7 million euro (for example the last year of a player valued 21 million with a 3-year contract). Starting from this point, A and B agree to swap the players at inflated values: B buys X for 25 million euro, allowing A to realize a capital gain of 21 million [$25m - 4m = 21m$]; as well A buys Y for 25 million euro, allowing B to realize a capital gain of 18 million [$25m - 7m = 18m$]. Assuming that both players sign a 5-years contract, A and B record an amortization of 5 million [$25m / 5 = 5m$] each: A with this strategy makes a final profit of 16 million euro [$21m - 5m = 16m$] in the year, while B makes one of 13 million euro [$18m - 5m = 13m$] without spending in cash a single euro, even in the next years after the exchange. The fact that the two transfers take place at figures well above market value guarantees a profit in the year where the agreement is concluded, granting for example to the club the money necessary to reach the break-even point and don't incur in the FFP sanctions, but has negative repercussions long-term: indeed, A and B will have to record an annual amortization of 5 million for each player in the following 4 years also in this case. So, this strategy could be a great help to meet the Financial Fair Play requirements in the short-term but will affect the finances of the small clubs in the successive years with several effects on its gains, on the continuity and most of all on the growth of the team, but even after that it is always a method used ever more often by the clubs to meet their financial objectives: indeed even if there is the amortization to be paid in the successive years the cost most of time is not too significant and the advantages are far more than the disadvantages and so the teams have a willingness in doing so.

The major problem of this issue is that fictitious capital gains are really hard not to identify but mostly to condemn since it is very complicated to determine the objective value of a player, even using algorithms or other parameters. In addition to the financial needs of the selling and buying clubs, there are numerous factors that influence the final price of a transfer, that can be more or less resumed in the following graph.

GENERAL PLAYERS' VALUE CHART



Source: *calcioefinanza.it*

After having explained the theory behind these new ways to realize the balance and brought to you the basis to analyze and to understand how a player should be valued, I'm going to explain some cases happened in the last years of some teams in Europe that created a lot of fictitious value for their societies only by selling their players, with an objective valuation given by all those factors, but for a price completely invented and totally unfair with the market trends of that specific moment.

The Genoa and Inter cases

Among the last years, Genoa and Inter are the center of attention in Italy for the fake "plusvalenze" for a lot of different cases between them, in particular for transfers such the one of Andrea Pinamonti and many other young players of both teams.

The Pinamonti case in my opinion is something really ridiculous. The two teams were almost "fighting" between them because neither of them wanted in their team this young talented player, only because its price is not compliant at all to the player's value. During the 2019 summer Andrea Pinamonti was bought by the Genoa CFC for 18 million euro plus any bonuses. However, between the two clubs, whose market relations

have been particularly close in the last years, there was a sort of unwritten pact, with the Inter FC that should have brought in back in Milan during the next market session for 20 million. Anyway, Inter FC communicated to Genoa CFC that it would have not exercised the right of redemption. In addition to this, Pinamonti from the 2020-2021 season could gain up to 3 millions of euro per season, mainly thanks to its agent Mino Raiola, a number that the Genoa FCF could never afford with its income.

In the end Inter FC took back its young talent during the last summer, but this transfer allowed the team to put the necessary cash in 2019 to settle its budget under strict control of the UEFA committee.

If the case of Pinamonti would be the only one, maybe the problem wouldn't be so relevant but FC Inter and Genoa CFC have done in the latest years a quantity of deals that is absolutely without any sense, if not only due to balance and Financial Fair Play avoidance reasons.

The goalkeeper of the *nerazzurri* Ionut Radu for example, has been exchanged with various type of loans 4 times in the last 3 years. So that mean that he has been exchanged in all the summer market sessions in the last years with the 2019 that has seen the former goalkeeper return to Inter the 30th of June from Genoa CFC for the end of the loan, passing again to Genoa CFC the 1st of July for 8 million euro, being bought again the 12th of July by Inter FC for 10,8 million euro and sent on loan again to Genoa CFC the 13th of July of the same year. This practice in my opinion is totally absurd and the fact that the Financial Fair Play can't do anything in these situations demonstrate that there is a big leak in the regulation that must be solved as soon as possible. Again, in 2018 Genoa CFC has bought from FC Inter for 6 million euro the young player Federico Valietti that for Transfermarkt³⁷ at the moment of the deal had a value of only 250.000 euro and that after coming in Liguria has been loaned in the Serie B and C to Crotone and Carrarese playing a very small amount of matches even in the Italian lower leagues.

The two societies have put other similar affairs in the last years such for the transfers of Nicholas Rizzo and Eddie Salcedo, both sent on loan for several times and being bought and sold in very doubtful ways.

The biggest problem is that this practice is completely legal from the Financial Fair Play's point of view and as we're going to see in my analysis there are a lot of teams doing so, mainly in Italy were the relationships of some particular clubs with other ones allow them to do so very often and giving them the possibility to completely bypass the FFP without incurring in any fees or sanctions.

The Juventus case

The team FC Juventus has a slightly different situation compared to the other teams. First of all because this team has an enormous income every year, about 550 million euro in the 2018-2019 season that is a lot more than any other Serie a team, about the double of all the Italian teams excluded the Inter FC.

³⁷ "Transfermarkt" is a German-based website that has footballing information such as scores, results, statistics, transfer news and fixtures and is globally recognized as the best and most accurate site for the identification of players' values, informations and statistics.

So, to reach the right earnings Fabio Paratici, the FC Juventus sporting director and in my opinion one of the best and most prepared in all the football panorama, must recur to different stratagems in order to fulfill the *Bianconeri* needs in financial terms in respect to the Financial Fair Play regulation. Having players such as Cristiano Ronaldo, Paulo Dybala, Matthijs De Ligt requires an incredible income for the team and Paratici every year has got the right consciousness to reach the break-even point, every time in legal ways but with ideas and ways that bypass the FFP, exactly like FC Inter but with a bigger economic impact.

I will analyze the “big exchanges” later in another paragraph, where the FC Juventus are the master, and I will take care only of the plusvalenze with inflated values in this part, such as for FC Inter in the one before.

In 2020 Fabio Paratici sent his player Leonardo Mancuso to FC Empoli in the Serie B for 4,5 million euro without having ever played a single minute for the first team. Its value for Transfermarkt was of 2,5 million and he was budgeted at 1,2 million for the Serie A team allowing it to do a capital gain of 3,3 millions of euro during the same season.

In the same year FC Juventus sent a young Korean forward to the Arabian team Al Duhail SC, a team that at the moment is valued for entire by Transfermarkt 30 million euro, for 7 millions and that at the time was valued, always from the Transfermarkt platform, 3 millions of euro. To this must be added the fact that the FC Juventus bought that player the 1st of January 2020 from Cagliari Calcio for 3,50 million euro, value in line with the one proposed by Transfermarkt at that time, and that has been sold to the Arabian team the 8th of January of the same year, so only one week later. During the latest years has happened that some Middle East teams bought some player from the Serie A for a value that didn't respect their true and actual one at that time, but in the 99% of cases they were old players that wanted to pass their last years in a minor football teams, gaining a huge wage for their performances and bringing more people to the stadium of their new teams thanks to the blazon given by them and is full of player that made that choice such as Alessandro Del Piero, Andres Iniesta, Mario Mandzukic and the list can go on and on. The fact is that the player in question, Kwang-Song Han, was 21 years old at the time and that I think that is the only case ever of a so young player in the Serie A bought by an Arabian team for a so high value. Maybe it could be a case, for sure it will be, but thanks to the ability of the Juventus' sporting director it added an additional 3,4 million euro of plusvalenza always during the same season of Mancuso.

The speech is very similar for other Juventus players such as Dany Mota Carvalho, Simone Muratore and Kaly Sene. The first has been sold from FC Juventus to the Serie B team AC Monza, which president is Silvio Berlusconi and has the objective to bring its team to the Serie A, so in this case at least I think that the exchange was fair because Dany Mota came from a pair of good seasons with the Virtus Entella and the Juventus Under 23, indeed he was paid by the Torino's team 1,80 millions of euro in 2019, but in any case this selling allowed the Juventus to gain 2 millions of euro of plusvalenza. The case of Simone Muratore to Atalanta BC is at least more doubtful if not strange: when his value on Transfermarkt was only of 100.000 euro he has been acquired by his new team for 7 millions of euro, and since his passing to his new team he hasn't recorded a single minute played in the Serie A but has gifted his former team with a capital gain of 6,8 millions of euro on the

7 total millions spent by the Atalanta. In the end FC Juventus made his masterpiece by selling Kaly Sene, an 18 years old winger to FC Basel for 4 millions of euro on August 2020 after having took him from the USD Vanchiglia, a soccer team that actually plays in the fifth Italian division and that with every probability had 0 costs for Juventus and for that allowed the team to make an entire capital gain of 4 millions of euro, that added to the ones explained before realize a total of about 15 millions of euro that came in the funds of the Italian Serie A team only in 2020.

I know that if you look at the total turnover of FC Juventus of more than 500 million euro these numbers can seem quite small and not influent for the result, but first of all imagine doing them every year, this will allow to repay the wage of an important player such as Paulo Dybala to make an example. After that, imagine a small team, maybe with 100 million euro of total income doing the same every year, that will account for more than the 10% of the total: this can lead the smaller team to do same, but the problem is that for a less competitive team these young players can be very valuable in the long term. Indeed, the team could be easily tempted by making easy money in this way, by sacrificing their future players and maybe the future of whole football societies in some cases.

The acquisition of Victor Osimhen by SSC Napoli

The 31st of July 2021 SSC Napoli made the deal to acquire Victor Osimhen from Lille OSC for 81,3 million euro, making him the most expensive African player of all time, indeed the previous record was of 2019 when Arsenal FC paid always the Lille OSC for its Ivory Coast's player Nicolas Pèpè 80 million euro. A curious fact is that Osimhen has joined the French team from Belgium's Charleroi exactly as a replacement for Pèpè. Until now Osimhen hasn't demonstrated his true value in Italy due to different factors but the last year he has scored 18 goals with Lille and has been named as Lille's player of the season after his first campaign in France and has been put as well in the League 1's team of the season, a very important goal if you think that he was at his first season in France and most of all he was only 21 years old. Victor Osimhen also won in 2015 the Under-17 World Cup in Chile, winning the Golden Boot³⁸ and Silver ball³⁹ awards while steering the Golden Eaglets⁴⁰ to the title, other goals that can justify the enormous value paid by SSC Napoli to bring this young talented player to the *partenopei*'s side.

After this small introduction to the young Nigerian player, I can start talking about the deal and its implications with the Financial Fair Play of the SSC Napoli in particular. The Italian club which president is Aurelio De Laurentiis is known as one of the clubs most difficult to threat with and in general has very solid finances, due

³⁸ The "Golden Boot" is a trophy granted to the player that scores most goal in a competition, in this case the Under-17 FIFA World Cup. Osimhen scored in this case the tournament record of every time by scoring 10 goals, netting in every one of Nigeria's games, performances that helped him to earn his Africa's Youth Player of the Year award in 2015.

Source: https://en.wikipedia.org/wiki/FIFA_U-17_World_Cup

³⁹ The "Silver Ball" award is a trophy given to the second-best player in the various competitions, in this case of the Under-17 FIFA World Cup. Source: https://en.wikipedia.org/wiki/FIFA_World_Cup_awards

⁴⁰ Surname given to the Nigeria national under-17 football team for their triumphal ride that led to the victory of the Under-17 FIFA World Cup. Source: https://en.wikipedia.org/wiki/Nigeria_national_under-17_football_team

to the awesome sporting results achieved among the last years, the wages of the players kept in line with the income of the SSC Napoli and in general the economy of the team kept safe by his president and his sporting director Cristiano Giuntoli. At every disposal has every corresponded an acquisition of pair if not even better value but whit also an economic return to the society, for example when they've sold their best player Edinson Cavani to Paris Saint-Germain in 2013 for more than 60 million euro and have bought Gonzalo Higuain during the same summer for 40 million euro and that had even better results than his predecessor in the Italian club's side, so in the last years the team has been able to accumulate an important sum of money that allowed the team to acquire Victor Osimhen for such an huge amount, but the real question is: has SSC Napoli really paid 81,3 millions of euro for a player? Most of all during the covid-19 period? The answer obviously is no, and also in this case the SSC Napoli just like the Juventus FC used his young players to change the money part of the deal and have a lesser impact on its finances.

As I wrote before the final deal was of 81,3 million but how they've been broken down in this deal? A lot of journals passed on these details, but the real deal was of 50 million euro as fixed part, about 10 millions of bonuses and 20 million euro of valuation for the following players that SSC Napoli gave to Lille OSC in the deal: Orestis Karnezis, Claudio Manzi, Ciro Palmieri and Luigi Liguori; valued each one for 5 millions of euro. Maybe 5 million seem a small amount for a player, but first of all them combined make 20 million, that out of 80 million total of the deal are the 25% but the most interesting fact is that at the date of the deal for Transfermarkt the value of the SSC Napoli's players were the following: Orestis Karnezis 500.000 euro, Claudio Manzi 75.000 euro, Ciro Palmieri 75.000 euro and also Luigi Liguori 75.000 euro. If you sum all of their values you don't arrive to 1 million euro but within the deal they've been valued 20 million, value that everyone can judge unfair but that for the actual Financial Fair Play Regulation cannot be intended as so. In addition to this, Palmieri, Manzi and Liguori have been sent on loan to the third Italian series team FC Fermana where they're not even playing in the starting team and Karnezis hasn't played a single minute until now in the Lille OSC.

The exchanges with inflated player's values

In one of the latest paragraphs, in particular the one where I talked about the FC Juventus and its transfers of less important players, I hinted you that the *Bianconeri* used different strategies to reach the break-even point, due to their huge income but that on the other side is accompanied by huge expenses. In this paragraph I'm going to explain you how the FC Juventus and other teams such as FC Barcelona made the swap deals that allow them to cash in an incredible quantity of money, able to allow them to reach their balance and financial targets. Indeed, the bigger clubs can more or less easily exploit player amortization accounting standards with the utilization of mega swap deals and contract extensions.

Think about the case I've told you before, the one where 2 teams swap their players and have an instant income and an expense that instead is divided among different years. If you do a similar deal with two players valued

20 million euro, with 5 years of contract both, that will grant to both teams 16 million immediately [$20\text{m}/5\text{years}=16\text{m}$] as explained in the paragraph called “The problem of fictitious plusvalenze”. Now imagine that instead you will do the same but with 2 players valued each one 60 million euro and like the other case both with a contract of 5 years: this deal will allow you to instantly make 48 million euro [$60\text{m}-60\text{m}/5\text{y}=48\text{m}$] without spend a single euro in cash for both teams. This case is exactly what are doing different teams in Europe to equalize their balances and don't being sanctioned by the UEFA committee and the FC Juventus, leaded always by their sporting director Fabio Paratici are the masters in this practice.

The first maxi-swap with inflated values in my opinion is the one made by FC Juventus with Manchester City FC during the summer of 2019, when Joao Cancelo a Portuguese fullback of the Italian team has been sold to the *citizens* in exchange of Danilo Luiz Da Silva, a Brazilian fullback that was playing for the English team at that time.

The figures have been explained by an official statement of the Juventus Football Club S.p.A. with the following agreements:

- “Definitive acquisition of the registration rights for the player Danilo Luiz da Silva for a consideration of € 37 million payable in three financial years. Juventus has signed a five-year sports performance contract with the same player until 30 June 2024”. The contract granted to the Brazilian player an annual wage of 4 million euro plus some bonuses linked to individual and team objectives.
- “Definitive disposal of the registration rights of the player João Pedro Cavaco Cancelo for a consideration of € 65 million payable in three financial years. This operation generates a positive economic effect of approximately € 28,6 million, net of the solidarity contribution and accessory charges”.

As explained by the Juventus FC itself on its announcement the operation generated a positive impact on the balance sheet of approximately 42 million euro, of which 28,6 relating to the capital gain and 13,48 million between amortization savings and savings from the salary. On the other hand, that purchase will have an impact of 7,4 million euro as regards amortization, to which is added a gross salary (calculated taking into account the tax benefits provided for by the Italian Growth Decree) of 6,08 million for a total impact therefore equal to 13,48 million as told some rows before.

At the moment of the operation the value of Danilo was 20 million euro for Transfermarkt, so the FC Juventus paid him a little bit less than the double of the value attributed by a third part and the one of Cancelo was of 55 million euro, with an additional effort of about 15 million by the Manchester City FC. Maybe someone can think that is Transfermarkt that makes the wrong values but so why the values of the exchanges are always higher than the one of the famous site and never lower? The reason is as always for Financial Fair Play motivations with the football teams that must find all the possible ways to reach the break-even point and don't go under investigation of the UEFA committee and this is the only (until now) safe, fast and easy way to do so for the European clubs to earn very huge amount of money and that couldn't be earned in any other way. But this was only the beginning.

During the Summer of 2020 FC Juventus made another exchange, always with FC Barcelona, always with almost the same conditions and also with an enormous capital gain for both team that allowed them to reach the break-even point easier and with only a 10 million euro expense for the *Bianconeri*. Indeed, the latest summer, FC Barcelona paid 70 million euro for Miralem Pjanic, one of the best midfielders in the whole Europe panorama while the Spanish team gave in exchange to the Italian club Arthur, a young player growth in *La Cantera*⁴¹ for 80 million euro, making a swap with a balance of 10 million euro cash given by the team managed by Fabio Paratici. Thanks to the Financial Fair Play regulation, both clubs were able to report 60 million euro on their books, due to player amortization and the residual players' value for both clubs. FC Barcelona paid 30 million for Arthur in 2018 on a six-year deal, meaning that his value decreased by 5 million euro per year in terms of FFP and that during the last year his value was of 20 million, meaning that an exchange for the equivalent of 80 million euro with FC Juventus gave to the Catalan side a 60 million profit. Similarly, Miralem Pjanic arrived in Turin from the AS Roma for 35 million in July 2016 on a five-year contract, that with an amortization of 7 million per year reached in 2020 a book value of 7 residual million, leaving 21 million in value on the books after two years when he was handed a new five-year contract by the club. The remaining 21 million of euro were then divided by five and therefore reduces by 4,2 million per year, currently leaving 13 millions in value on Juve's accounts. So, in this case, the 70 million sale therefore leaved 57 million profit for the *Old Lady*.

The valuation of the two players looks very high in a post-pandemic market, and these are not deals that would have gotten done without each other, never. Those fees would never exist if the two cases would have been taken in isolation: Pjanic was worth 60 million euro only because Arthur was worth 72 million and vice versa. By setting the price there, as high as they could, both clubs found a solution, the problem was that the solution hasn't been found on the pitch as the spirit of football for the romantic followers should be but off it. Don't think about the players: the deal brought Juventus and Barcelona closer to being able to post a profit just before the end of the financial year, that for Financial Fair Play is the 30th of June and not the 31st of December such for the normal industries. The incoming money, while I repeat you that the cash move of this transfer is only a little bit more than 10 million, is an immediate income in full. The outgoing costs indeed is spread across the duration of their contracts as we know through the amortization. That gives in the immediate a 50 million profit worth for the Financial Fair Play and that gave the possibility to both clubs to don't be sanctioned by the UEFA Committee even if they had huge losses due to the Covid.19. FC Barcelona in particular had an important return by making this exchange: Barcelona needed to raise 124 million in sales before the 30 of June of 2020 to don't incur on the UEFA sanctions due to FFP and arrived at the half of June the Spanish team

⁴¹ *Cantera* that literally means "quarry" in Spanish, is a term used in Spain to refer to youth academies and farm teams organizer by sports clubs. It is also used to refer to the geographical area that clubs recruit players from. The term is widely used in football but is also applied to other sports, such as basketball. Notable canteras include those of Athletic Bilbao, Real Sociedad, Real Madrid CF, FC Barcelona, Atletico Madrid, RCD Espanyol de Barcelona and other major Spanish football teams.

Source: <https://en.wikipedia.org/wiki/Cantera>.

needed exactly 60 million to put them in pair with their financial position. If the club didn't pair their losses with the income the board of directors of the team would have been personally liable for the 15% losses, paired with the UEFA committee sanctions, and that's why they made a so desperate deal, why this exchange seems very strange and most of all why the UEFA should do something to prevent in every case these types of deals by updating its regulation.

Johan Cruyff, one of the greatest players and managers of all time, some years ago before his death said "The money should be on the pitch, not in the bank" and I totally agree with him and that's what the UEFA should think to change the regulation and make it more affordable and fair, for the clubs but most of all for the supporters of all the football teams that don't deserve these things to happen.

In the end the last case that I'm going to analyze is happened the summer of 2019 and has seen always the FC Barcelona to make a deal but in this case with another Spanish team that is the Valencia CF. Indeed, the first team has given its Dutch goalkeeper Jasper Cillessen to Valencia in exchange of another goalkeeper, the Brazilian Neto. Cillessen has been a backup for the first choice of the Barcelona's first goalkeeper Marc-André ter Stegen, one of the best in circulation and has made just five appearances in three seasons for Barcelona, because he was mostly used in all cup competitions but the Champion's League. On the other end Neto has been an ever-present for Valencia in the last two seasons and will move to the Catalan club to provide some competition for ter Stegen, and according to the Spanish major sports journals "AS" and "Diario Sport" both transfers have been valued for around 30 million euro each, more precisely 35 million for the Valencia's goalkeeper and 26 for the Barcelona's one; but in this case even the two transfer will take place at slightly different times, only to aid the teams and allowing them to respect their Financial Fair Play, as always. For this reason, Neto joined Barcelona before the end of the football fiscal year on June 30 while Cillessen went just a day later, on July the 1st which is the start of the 2019-2020 fiscal year. Only one day of difference in this case makes all the difference in the world because this will enable Valencia to bank the transfer fee in the 2018-2019 season while they will send the money, also in this case not cash but only money for FFP, as part of the successive season.

To make you understand the unfair value of this exchange I'll recur again to the Transfermarkt values: during the summer of the exchange the value of Neto was of 18 million euro and he has been exchanged for 26 million while Cillessen, that was priced exactly the same with 18 million has been exchanged for 36 million euro, the double of his value at that time. Maybe I'm wrong with my opinions and simply the UEFA due to the economic importance of Financial Fair Play for the various teams implicitly adds that the various needs of a football team to meet the break-even point must be calculated when the teams decide the value of a player, but this is also other stuff that football is adding and that is completely stranger to the football itself.

In my opinion the biggest problem at the moment is that the Financial Fair Play is adding too much regulation and that is giving an importance too big to the economic part of football while is putting on second place the football played on the pitch and its competitiveness. The sporting part and in general all the emotions that it gives to the supporters are not threatened anymore as they should and many of the actual issues related with the

financial part of the Financial Fair Play don't have anything in common with the true spirit and value of football for all the people who follow and love it.

The right to repurchase

Another method that in the latest years the teams are using to reach the famous break-even point and don't incur on the Financial Fair Play fees is the introduction of a right to repurchase when they sell their players to other teams. This is a particular clause conceived by the top Spanish clubs in order to enhance the players coming from their own club and is included in an ever-growing transfers contracts.

The *recompra*⁴² is a very useful tool for the clubs that have young football promises at their disposal, not yet mature enough to play with the first team. In these cases indeed, if on one side the players need to tread the fields of smaller realities to train as professionals and maybe finally “explode”, allowing their originating clubs to take back these players and have a new important assets in their teams, on the other side the clubs have the dual opportunity to make money by selling them and to reserve, however, the right to reacquire their sports performances if after a few years they actually prove to live up to their expectations.

Although the right to buy back a player exists since the 1st June of 2018 this practice exist from some years before without having ever been officially regulated, but after the first publication in the Official Communication n. 58 of the FIGC, it has been upgraded due to the ever-growing utilization of this practice. So, in the art. 102 of the NOIF⁴³, in the paragraph 4 exactly, has been provided that a clause can be inserted in the definitive transfer agreements aimed at attributing to the club of origin a right to repurchase, in the future and definitively, the services of the transferred player, which can be activated upon payment of an amount agreed upon at the time of signing.

Legally, therefore, the *recompra* is nothing more than an option right in favor of the transferring club which, as specified by the rule in question, can be exercised with effect from the first or second sporting season following the one in which the transfer took place. This repurchase clause in a definitive transfer contract however, is not free but subject to the existence of a variety of condition that have are described in the NOIF, in particular:

- The indication, in the original transfer agreement, of the amount of the consideration agreed for the granting of the option right in favor of the transferer, as well as the consideration of fees (in case also linked to the occurrence of particular conditions) agreed for the possible reacquisition of the player's right to sports performance;

⁴² The Spanish way to call the right of repurchase.

⁴³ NOIF are the internal organizational rules of the FIGC, so all the rules that regard the football teams playing in the major championship but that have value only in Italy and so that affect only the Italian clubs.

- The signing, under penalty of nullity, of the clause relating to the right of option by the player, with an express declaration of acceptance of any consequence of the exercise or otherwise of this right;
- The stipulation, between the transferring club and the player, of a contract with a minimum duration of two sports seasons, counted starting from the season following the one in which the definitive transfer took place;
- The stipulation, between the assigning club and the player, of a contract for a minimum duration of three sports seasons.

The latest paragraph 4 of art. 102 of the NOIF provides that if the player and the transferor holding the option right have given their consent, the transferring club can temporarily or permanently transfer the contract to a third football society. However, in the event that said transfer was final, the right to repurchase in favor of the originally transferring club would lapse.

After the introduction of these regulations there was a really “boom” of right of repurchase that led the President of the FIGC Gravina to change again the rule with the definitively one in 2019.

First of all, I have to say again that the institute’s rationale is to allow football clubs interested in the growth of promising young players, that for one reason or another don’t find space with continuity within their respective clubs, to transfer, by contract, the right to exploit their sports performances to another club establishing at the time of sale, an option for the future repurchase of the player’s card at an agreed price (usually higher than the initial value). On the other hand, this practice allows the originally transferring company to record an immediate book capital gain at the time of the sale, reserving the possibility of reacquiring the player’s right to sports services, which in the meantime had been valued, at a predetermined price. In addition to having benefited from the football performance of the player, the originally transferee company could guarantee itself a significant capital gain upon exercising the subsequent right to repurchase so that has 2 different positive effects for a club. So why a club shouldn’t do that? Apparently, a lot of clubs didn’t find the answer to this question and so in the latest year there has been an incredible quantity of transfers with the right of repurchase.

The first case in Italy through we’ve learnt the *recompra* was that of Alvaro Morata, a promising Spanish striker sold by Real Madrid FC to FC Juventus for 20 million euro with the right to buy back, two years later, set at 30 million. This operation was very advantageous for both clubs: the *Blancos* budgeted, at the time of the sale of Morata, a capital gain of 20 million euro, indeed the player has growth in the Madrid’s *cantera*, gaining also after only two years a players incredibly growth on the pitch and with a very valuable Italian experience due to the matches played with the *Bianconeri*, net of the amount collected for the repurchase, an expense of only 10 million because of its buyback set at 30 million. On the other hand, in addition to benefiting from the striker’s sporting performances, 27 goals and 19 assists in 93 games, the Italian club 2 years later was even able to book a capital gain of 10 million euro.

The reasons that led the President of FIGC Gravina to strongly support the modification of the rules are based, presumably, on the turn that the right of buy back had taken especially in the last transfer market sessions.

Many clubs indeed, while at least formally respecting the federal rules (exactly what happens in general with the Financial Fair Play and that's another reason of why in my opinion the rules must be changed, seen that at least in Italy the reform had a positive effect), had begun to enter into sales contracts with an explicit repurchase option for the sale of the sports services of very young players with no experience at figures that appeared excessive, obtaining for both the parties the much desired capital gains and aimed only to the easy money that helped the income of the club, completely removing the sporting part of the right of repurchase and destroying the rationale behind this clause.

It should be noted that the Serie A football clubs, as at 30 June 2018, had an average liability of only 65 million euro⁴⁴, compared to the 315 millions lost on average every year since 2010. As the basis of this increase for sure is the ever-increasing revenues deriving from the TV rights, from the box offices, from the positive part brought by the Financial Fair Play, but a generous dose of earnings has been generated precisely from the capital gains accrued by the countless contracts for the sale of the sports services of players, stipulated with an attached repurchase clause, fact that led to the renew of the FIGC's regulation.

The innovations introduced with the new regulation aimed to reduce the frequency and the utilization of this practice were the following:

- The modification of the terms for the exercise or abandonment of the option right;
- The elimination of the right for the transferee to be able to transfer, temporarily or permanently, the player's contract to a third club, albeit with the consent of the player and the club holding the option, rule that has been implemented with the reform in 2018;
- The introduction of the effective date of the accounting effects of any capital gains/losses, to reduce the possibility for clubs to use the right of repurchase only with FFP avoidance finalities.

Regarding the first aspect, while it was previously envisaged that the option right could be exercised from the first or from the second sporting season following the one in which the original transfer of the player took place, following the latest changes it has been established instead that the right to repurchase can be exercised, or waived (with the consequent abandon of the option), only and exclusively on the first day of the summer transfer period of the second sporting season following the one during which has been established the definitive transfer of the player. This change affects mainly the financial part of a football society, indeed before the economic expense for the acquisition of the player could be made for example in January, allowing the society that takes the player to pay him and get back the money without making pass not even one year and so with a risk that is pair to zero. With the new reform to have the money back is necessary to pass at least one year and so the income will affect the society's balance only in the second successive season and at least don't give the possibility to one society to gain some cash absolutely for free and make the transfer a little bit more difficult to do.

The second amendment, on the other hand, concerns the repeal of the provision in the part in which it provided the possibility for the transferee company to transfer in turn, temporarily or permanently, the player's contract

⁴⁴ Source: *calcioefinanza.it*

to a third company subject to the consent of both the player himself and of the company holding the option right, as told before. With the newest regulation this is not possible anymore, making the team that originally owns the player to think at least twice before sending one of his players to a club where he wouldn't play as needed and that hasn't anymore the possibility to turn on loan the player to another society where he could play more and make more experience.

Lastly, precisely to undermine the widespread use of this regulatory instrument for financial purposes, and also in my opinion the most important point, it was specified that the accounting effects of the potential capital gains or losses deriving from the possible repurchase of the player, take effect from the moment when the right option is exercised or waived. In other words, any capital loss or capital gain generated following the sale of a player's sports services, in the context of sales contracts that contain the clause relating to the right repurchase, can be recognized only when said option of repurchase is formally exercised or waived. However, the capital loss or capital gain arising from the transfer of the player's contract must be accounted in the financial statements relating to the second sporting season, and not anymore the first as told before, in which the player was definitively transferred, translating the income and the expenses of an entire season with several effects on the societies' balances.

Since the introduction of this new reform the deals made with this type of transfer formula have seen a reduction, they're always present and not only with the development of the players as purpose as should be, but at least the deals made on the other end only for accounting purposes are not present anymore in the football panorama, simply because is not convenient do such an exchange between the two teams in any case anymore but right now are necessary at least an important part by the sporting side, with the growth of the players that right now plays and important part, and only after that the financial reasons in the short-term could play a part, but that for sure is far lesser important than before.

Different clubs owned by the same property

During the latest years European football has seen a new phenomenon that allowed different clubs, owned by the same proprietor, to easily bypass the Financial Fair Play regulation and that can be easily seen as the future and the next chapter of World football thanks to the different advantages that it gives to these football team if the rule book of the FFP doesn't change fast.

First of all, it is necessary to say that it isn't easy at all to manage different football teams: in these cases, the ownership structures become very complex and some special risks are added to the existent ones present in every football team, so this type of ownership should be pursued only if it provides the best approach and grants some added value to achieve the goals of the shareholders. Starting from these assumptions now I can explain to you what are, and what effects bring the multi-club ownership structures.

The first case of multi-club ownership structures can be found in 1990 when the portfolio of the UK investment company ENIC included a majority stake of Tottenham Hotspur, a club playing in the English Premier League

and as well as a majority shareholding in Czech Republic club Slavia Praha and a minority share in Greece's AEK Athens. For example, at that time after both clubs qualified for the UEFA Cup during the season 1999-2000 the European Court of Arbitration for Sports, that can be seen like the UEFA Committee of today, ruled in favor of prohibiting any individual or company to have control over more than one club in the same European competition, rule that has been repealed and has allowed the creation and the proliferation of the multi-club ownership in Europe.

In 2017, based on UEFA's analysis, there were about 26 first-division clubs across Europe involved in cross-ownership or multi-ownership, in which a private person, club or entity had control of or a decisive influence over more than one club. The number of clubs with a multi-ownership today is higher for sure, thanks to the different advantages given by this type of property and for the positive results at an economic level and most of all for the realization of the Financial Fair Play of these clubs. Thanks also to the various legal and regulatory aspects there are still a lot of "hidden" cross-ownerships relations, also because UEFA's hasn't achieved yet an official definition of the phenomenon, even if the importance of it is so huge.

Driven by the growing number of clubs involved, multi-club ownership has become in the last decade a phenomenon with an ever-growing popularity: thanks to the growing commercialization and appeal of football, in particular the European one, it has presented an increasingly lucrative investment opportunity, even more after the introduction and the application of the Financial Fair Play. Diversifying the business portfolio, allowing the brand to grow, gaining a lot of global exposure or optimize some existing operation are the major benefits that drive the owners toward a multi-club structure. However, as told before, despite the important potential offered by this complex business model, challenges and risks are an important part that must absolutely be taken in consideration for this type of operations: being the proprietor of clubs which reside in various jurisdictions, nations and business environments, sometime even in different continents and every club with different expectations, can be very challenging for everyone. Multi-club ownership structures must be implemented only, and I repeat only, if the ownerships structures have a clear vision and strategy and can be adopted only if these ownerships are aligned with the owner's core purpose, or the negative effects deriving by this type of acquisition will be enormous for the new property, for the club, for the supporters and for all these people who are related to this occurrence.

Although some rules have been implemented at a national level with the aim to achieve and guarantee the integrity of domestic competitions, in a global landscape of football the case is slightly different. The UEFA's regulation is not severe enough and many clubs' owners have been expanding internationally through the acquisition of subsidiary clubs that are used to establish a broader network with the objective of encouraging the synergies from the sporting and business perspective. Also in this case the one that are hit the most by these strategies are the fans because many times the club's interest, most of time the biggest ones in the cross-club ownership, come at the expense of the smaller ones that are treated only as subsidiary to allow the growth of the main team.

After this little introduction I can start talking about the positive effects of the multi-club property and why a lot of clubs in the latest years are choosing this way to manage their clubs.

The most immediate advantages that can be seen are those where a chain of clubs could make an important competitive advantage, compared to the independent individual clubs with divergent interests, such for the areas of the on-field performance and in particular the ones related to the development of their players. The ever-increasing competition to find and develop the top talents made it necessary for the European clubs to look for alternative solutions.

The dominant approach is the vertical integration, meaning that some club owners, mostly from the biggest competitions, are acquiring smaller clubs, most of times in smaller league such for the case of Claudio Lotito that owns both the SS Lazio in the Serie A and the US Salernitana 1919 in the Italian Serie B, with the aim to secure some playing time for their young talents, that would otherwise be blocked from getting first team opportunities and that could never have the 100% possibility to play as much as needed in other clubs that aren't owned by the same owner. Once these players reach their full potential, they can return to the parent club or find their permanent position in the secondary club or again can be sold to other clubs outside the group thanks to the time they've played, and the value acquired in these other clubs. Other examples of this type of vertical integration are in the Premier League the Leicester City FC owners that also controls the OH Leuven which currently plays in the Jupiler League⁴⁵, or French sides AS Monaco and Lille OSC that have as satellite associations the Belgian clubs of Cercle Brugge KSV and Royal Excel Mouscron respectively. To make you know the importance and the size of this phenomenon you've to know that only in the 2020-21 season the Lille OSC sent to the Belgian club 12 players from its first and second team⁴⁶. The aim of Lille's owner with every probability, and that is the same of the other proprietors who made similar deals such as the family who own the Leicester or Claudio Lotito, is to expect that these satellite teams will create more young talents to allow to play for their most important teams or to be sold to other top clubs for huge wages and granting huge incomes, very important for Financial Fair Play as you should know. Also the Red Bull portfolio has a similar approach but even with a more systematic approach, granting them more levels in the pyramid and including also the FC Liefering, a second-division Austrian club, that can be seen as the Lille OSC B and that offers an ideal ladder for a young player and its development before reaching the highest stages in European football such the ones of the FC Red Bull Salzburg or the RB Leipzig, teams playing in the first-division of the Austrian and German football leagues and that have seen an incredible development after the Red Bull society has acquired them.

⁴⁵ The Belgian First Division A or Belgian Pro League (officially Jupiler Pro league due to sponsorship reasons with AB InBev's brewer Jupiler) since the 2015-16 season, is the top league competition for association football clubs in Belgium. *Source:* https://en.wikipedia.org/wiki/Belgian_First_Division_A.

⁴⁶ Lille OSC, such as many other teams in Europe, instead of having a youth team has a B team that plays in the 4th division in France and that is used to develop their very young talent instead of sending them in foreign countries and championships. This allows the French team to follow their youngsters easier and to develop their growth in such a young age in a better and more comfortable way.

Alternatively, if a group structures owns different clubs with different financial and sporting situations, they are able to minimize sports-related risks and optimize the on-pitch (sporting) and off-pitch (financial) performances by transferring and swapping players to specific positions in case of injuries, or shortages or again for FFP requirements or even to strengthen one of the teams owned and that in a particular moment may needs some specific players present in other team of the same property.

The example of Watford FC and Udinese Calcio, a team which plays in the EFL Championship⁴⁷ and one that plays in the Serie A, is the one that can better explain the opportunities that having a cross-club ownership can give to a football society. Indeed, both are under the ownership of the Italian Pozzo family, which until the year 2017 owned also the Spanish club playing in La Liga of Granada CF, club sold to the Chinese firm called “Dasport”. They have completed more than 40 transfers between themselves in the years between 2010 and 2020, very often sending players back and forth only for the reasons I’ve talked before. To do an example in the latest Summer when Watford was relegated and didn’t play anymore in the English Premier League there were seven players involved between the two clubs, including the two best players that was playing in the English team: the Spanish attackers Gerard Deulofeu and the Argentinian midfielder Roberto Pereyra who joined the Udinese with the goal of securing top-tier football.

These football groups have the ability to easily manage the professional development of players within the portfolio and in this way can easily circumvent the traditional mechanisms of the transfer market and that drive the Financial Fair Play allowing them to totally bypass it in most of the cases, creating a win-win situation for both player and organizations which can offer players a career path within the portfolio while optimizing their trading balance for the whole group at the same time. In addition to that these clubs can create a group strategy between them to lay down the technicalities regarding the transfers of individual players such as the pricing and should only avoid the clashing interest between them in order to respect the aim of the single clubs and most of all remaining in line with the single club and supporters’ expectations.

Marketing, and the revenues related to it, is another area where a group of clubs could have better opportunities and a greater income than a standalone side. The considerations related to marketing have an important part in the motivation to create a multi-club ownership: indeed, a portfolio of clubs instead of one alone can provide access to a greater number of markets, increasing the owners’ bargaining power and most of all adding new potential customers the single clubs and allowing them to boost their revenues and the ones of the entire consortium. The City Football Group’s global deal with Puma, covering five clubs belonging to the group and present worldwide, including its flagship Manchester City FC (but excluding the New York City FC due to

⁴⁷ The English Football League Championship (often referred as the Championship for short or the Sky Bet Championship for sponsorship reasons, and known as the Football League Championship from 2004 until 2016) is the highest division of the English Football League (EFL) and second-highest overall in the English football league system after the Premier League. *Source:* https://en.wikipedia.org/wiki/EFL_Championship.

the MLS⁴⁸ that has a collective sponsorship approach, exactly such as for the NBA championship where only one brand can serve as sponsor for all the teams present in the competition), is worth more than 800 million dollars over 10 seasons. Based on the financial statements released by Manchester City FC, 92% of the total revenue is attributable to the *citizens'* men's and women's teams, but in any case, this benefits also the smaller clubs because the funds for sure are given mainly to the Manchester City FC but a greater part of this 8% is allocated to the other smaller teams in order to improve their growth. On the opposite side of the agreement also the Puma has some important benefits because for example with only one deal they've the ability to access to four continents and giving the brand an enormous visibility due to the market created by the people in these parts of the World and granting them also a huge income that cannot be paired in any case by a single club. The cases that in my opinion are the most important to analyze deeper are the one of the Red Bull and the one of the family Pozzo. The first is important because for sure is the one that received the biggest advantage from the utilization of the cross-club typology of ownership and is the best-case that should be taken as example by any club that wants to join this ownership route. The second one is the situation that had the greatest advantages in terms of Financial Fair Play in the latest years due to the incredible number of exchanges made for sporting but most of all for financial reasons.

The Red Bull advent in European football

The Red Bull model has been criticized by the fans of all over the World and in particular in Germany for a series of reason that doesn't regard the sporting and the matches themselves but that takes in consideration most of all the "romantic" part of football and the facts that the football teams should have first an history and that secondly they should not be run only with economic reasons but that there should be also something more, and at least at the beginning, the situation with the Red Bull and the teams that he has chosen was exactly that.

Red Bull's arrival in football dates back to 2005 and with the UEFA Champion's League semi-final of 2020 reached by the head team RB Leipzig it can be seen as the point of arrival of a very long journey started from the fifth division of the German championship and that has seen several obstacles before reaching the top of European football. All this path has been helped for sure by the wealth of Dietrich Mateschitz⁴⁹, the owner of Red Bull that is the 57th richest man in the World with a fortune of 16 billion dollars but this is not the deciding factor.

The year 2005 is where it all begun and where a company of can, the Red Bull as told before, enters the world of football creating a lot of controversy even if the sports marketing has always been one of the main attentions of the Austrian company. Everything started with the acquisition of a club in a smaller market such as the

⁴⁸ Major League Soccer (MLS) is a men's professional soccer league sanctioned by the United States Soccer Federation, which represents the sport's highest level in the United States and Canada. *Source: https://en.wikipedia.org/wiki/Major_League_Soccer.*

⁴⁹ *Source: <https://www.forbes.com/billionaires/>*

Austrian championship: the company from Mateschitz indeed bought the Austria Salzburg and changed the logo, the stadium and even the name of the team by giving it the new name of Red Bull Salzburg, facts that led to the enormous rage of the fans that in an instant have seen years and years of history instantly destroyed by the new property, but this is the way to do of the company as seen that has worked in other fields such as in Formula 1 with the winning of four consecutive championships, they continued on their way without giving themselves too much problems.

After the acquisition of the Red Bull Salzburg and starting to understand the European football and having the first results the Red Bull decided to buy an always small team but in a bigger market, in this case the Germany, where after some failed attempts between St. Pauli, Munich 1860 and Fortuna Dusseldorf in the end they decided to buy the Leipzig, a team that was playing in the fifth division of the German football championship. They chose a city of the East of Germany, not a random choice seen that after the relegation of Energie Cottbus in 2009 the Bundesliga didn't have a single top team from the eastern part of Germany. The choice felt on the Markstranstädt, a country 13 km away from Leipzig. On 13 July of 2009 after the passage of the title has been approved by the German football association finally the Red Bull created the RB Leipzig⁵⁰ and was allowed to play its first match where it won on a friendly match against the Bannewitz for 5-0 at the home stadium of Markstranstädt. Starting from this match the RB Leipzig made an incredible climb that leads up to the 2019-2020 season, passing through four promotions from Oberliga⁵¹ to the Bundesliga in seven seasons, moving to the 44.000-seat Red Bull Arena since 2010 and landing in the European Cups where the team has played for four years in a row between the UEFA Champion's League and the UEFA Europa League, reaching as told before in the latest season the semi-finals of UEFA Champion's League, the maximum competition in Europe as told in the earlier parts of my work. They also made a record with their work because no club had ever managed to hit a Champion's League semi-final in the first 11 years from its foundation: indeed, the previous record was the one of the Red Star of Belgrade, founded in 1945 and that has reached the semi-final of the European Cup⁵² in 1957.

The biggest goal reached by the Red Bull was the creation between the different clubs that it owns of a strongly connected system, in which the various companies are used both as a kind of test and as a springboard for the players. This allowed the team to create an enormous value from the selling of the single players that have all the time they need to grow and can compete in different championships and categories to improve their playing in the best way: this is the case for example of Naby Keita, who Salzburg has bought from the French of Istres in 2014 for 1,5 million euro, passing after two seasons at Leipzig and in the end has been sold to Liverpool

⁵⁰ In this case RB doesn't stand for "Red Bull" but it stands for RasenBallsport that is literally "ball game on the lawn" in German because there is a ban in German for inserting brands within the name of football societies.

⁵¹ The Oberliga (that means in German "Upper League") is currently the name of the fifth tier of the German football league system. *Source: [https://en.wikipedia.org/wiki/Oberliga_\(football\)](https://en.wikipedia.org/wiki/Oberliga_(football))*

⁵² The competition took her name of "UEFA Champion's League" only in 1992 after a rebranding wanted by the UEFA itself and before was called precisely "European Cup". *Source: https://en.wikipedia.org/wiki/UEFA_Champions_League*

FC in 2018 for 60 million euro. This created also an important economic advantage for both Salzburg and Leipzig: in 2016 when he passed from the Austrian team to the German one he was valued by Transfermarkt 11 million euro but has been sold for 30 million allowing the Salzburg to receive an incredible amount of money for a team playing in the Austrian championship and that could have never received from a team not under the property of Red Bull and after that has been sold to Liverpool for 60 millions that made the company of Red Bull to receive a total value of 90 millions, amortization excluded, in terms of Financial Fair Play. Another similar case is the one of Dayot Upamecano, one of the most promising young defenders in Europe: Salzburg bought him at the age of 17 from Valenciennes FC in France, selling him to Liefering (in fact the second team of Leipzig), then making him play a year in Austria before moving to the RB Leipzig, a path very similar made by a lot of other players of the German team such as Amadou Haidara, Hwang Hee-Chan and Konrad Laimer while Tyler Adams came directly from the New York Red Bulls, that as you should easily imagine is another team under the property of the Red Bull society.

Red Bull's spending power allowed important investments also in the first seasons when for example it bought Yussuf Poulsen with the RB Leipzig for 1,5 million euro when it was still in the third division or with the arrival of Emil Forsberg from the Malmö FF while the club was still in the second division for 3,7 million euro.

All this stuff led to an evident growth also at an economic level, driven also by the help of Red Bull among the years, although the percentage of property of the society between the different clubs is still not known exactly, most of all in German where there is a law for which the clubs should be owned at least for the 50% + 1 by the fans themselves. Anyway, Leipzig announces its balances from 2014 when has been promoted from the 2. Bundesliga⁵³.

FINANCIAL DATA OF RB LEIPZIG FROM 31/7 2014 TO 31/12 2019

	2014 (31/7- 31/12)	2015	2016	2017	2018 (1/1- 30/6)	2019	Var %
<i>Data in millions of euro.</i>							
Revenues	31,03	81,71	119,91	218,70	108,86	270,81	231,4%
Wages	11,22	32,72	53,67	87,45	50,44	119,13	264,1%
Amortization	4,24	14,62	24,27	42,58	26,58	53,60	266,7%

⁵³ The 2. Bundesliga is the second division of professional football in Germany. The 2. Bundesliga is ranked below the Bundesliga and above the 3. Liga in the German football league system. Source: https://en.wikipedia.org/wiki/2._Bundesliga.

<i>Net result</i>	0,12	0,44	1,20	1,39	1,02	1,65	278,4%
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Source: Elaboration by calcioefinanza.it on data by RasenBallsport Leipzig GmbH

The graph shows you the balance of the RB Leipzig from the 2015 financial statements and reaching the 2019 (the latest data available), the growth in turnover is equal to the 231%, passing from 81 to 270 million euro in revenues including capital gains that in the latest balance have shot up thanks to the 60 million granted by the sale of Naby Keita to Liverpool FC. At the same time also the costs went up, with salaries and depreciation growing even faster than turnover. The cost of personnel and players in the squad in the 2018-2019 season was thus equal to 172 million euro: for example during the same year Atalanta BC spent for wages 93 million euro, while the SS Lazio spent 114 million and the SSC Napoli spent 210 million. However, this huge spending always remained in line with the income for Leipzig, granting the team a total of 5,8 million in profits since 2014.

But not everything has been good for Red Bull since the acquisition of the teams in Austria and Germany: enormous discussions have been caused by the new property, from the rebranding that has effectively canceled the history of Austria Salzburg because of the circumvention of the 50% + 1 rule in Germany that I've explained before. A "plastic club", without history or any local roots is one of the major criticisms that have accompanied Leipzig in the recent seasons, due to the fact that first of all these acquisitions have been made only for economic reasons and a lot of choices have been made only due to the Financial Fair Play regulation and without any sporting reason. So much that as the Daily Mail explains, the German sports monthly called "11 Freunde" didn't give any news on the semi-final played the last year by the RB Leipzig explaining that "Their success reminds us of children who cheat at computer games. There is nothing romantic about the way the Leipzig team has been put together. This sentiment is also shared by an enormous number of fans in Germany and is not coincidental the nickname of the Leipzig's team of "Germany's most hated team".

In addition to all this stuff there is also an explicit rule for which two teams under the same property cannot play against each other on UEFA's competitions, so this will create a giant problem if a day will happen that RB Leipzig and Red Bull Salzburg will play the same match in the UEFA Europa League or Champion's League. According to UEFA however, since 2017 Red Bull's influence on Salzburg has been significantly reduced with the Red Bull that is officially only a sponsor for that team while is owner of the RB Leipzig, but I'm sure that in the next year this case will be discussed, and something will change because this situation won't be sustainable for much time anymore.

The Pozzo's family

With regards to the Pozzo's family the situation is similar in theory to the Red Bull and its multi-ownership between the different clubs, but in practice the situation was and still is totally different. Giampaolo Pozzo and

his family owned three different European clubs: Udinese Calcio in Italy, Granada CF in Spain and Watford FC in England until 2013, year in which the Italian family sold the Granada CF to a Chinese group as told before for 37 million euro.

Giampaolo and his son Gino used these three clubs to swap, send and take back the players from one team to another, sometimes for sporting or to fulfill the necessities of the different teams, but most of times with very strange exchange, loans and transfers that still have not found a reason, and the most curious thing is that until the last season when the Watford has been relegated to the Premiership in England, all this type of approach seemed to work perfectly.

First the Udinese recruited players from a multitude of countries and then sold all the best of them giving to the Pozzo very big incomes, such for the case of Alexis Sanchez sold to Barcelona for 37,5 million euro in 2011, a very huge amount for that time; and after that the approach passed to Watford FC that has been used by the family as a launch pad for other players sold to the most important teams in Europe, mainly English, for several millions.

Everything started in 2009 when Pozzo decided to help Granada CF in Spain that wasn't passing a good period offering them a partnership: the players that were in surplus from Udinese would be sent to Granada to help it reaching better places in La Liga and, at least for some years, that plan worked fairly well with a good developing of the Udinese's players and a position in the championship getting always better for the Spanish team. In the summer of 2012 Pozzo added Watford to his family portfolio by buying it with a very small sum, seen that at that time the English team was playing in the third English championship and the football teams weren't as valuable as today: you've just to think that 15 months before the acquisition from Pozzo the club was bought from Laurence Bassini for only 440.000 pounds. Pozzo instantly put an Italian legend to manage the team, Gianfranco Zola that knew the English football seen that has been idolized by the Chelsea's fans when he played for them and only some months before has been treated and fired when new owners took over the team that he was coaching at West Ham United. Gianfranco and his son Gino Pozzo hired Zola to bring his enthusiasm and to allow the young players to mature while sending a pool of Udinese players to the English team, exactly as made for Granada.

The promotion from the EPL Championship to the Premier League since the year that the Pozzos bought the Watford was valued 100 million pounds to any club capable of making it and I don't think that was a coincidence. Only in the first season 7 players from Udinese has been sent to Watford and if you count every loan made you arrive up to 50 players exchanged on loans only between these two teams, without counting the players sold and then bought again from the rise of the Financial Fair Play to help the balances of the two teams.

The problem is that FFP didn't do anything to adjust this situation and only the intervention of the English football association that set a limit to the number of loans between its leagues tried to contain these doubtful affairs.

Cases of judgement inequality within FFP

Since the introduction in 2011 of the Financial Fair Play the European football has seen a situation, at least from the economic point of view, always evolving to better results in order to achieve a self-sustaining and better financial situation for the clubs that were in most of cases growing a debt that in the long-term could have with any possibility led to the end of several football teams and institutions.

The regulation of the FFP should have always been aimed to the long-term sustainability of all the European football, the UEFA committee should have always been impartial and the rules should have only been applied with the condition and the final objective to rise and make better the condition of the teams playing in Europe, without any regards to which was the team, which was the president of that team and which was the actual and historical condition of the team when any investigation of the UEFA committee has been made; but the real question is: is this always been true?

Among the last ten years there have been some situations where the things didn't go as they should have for most of the people external to the clubs involved, and maybe it was only a case, but the teams involved were again the Manchester City FC and the Paris Saint-Germain FC, exactly the same teams that have created a lot of troubles and that I explained the situation to you for the cases of the sponsorships with inflated deals and with partners present in the various football teams' ownerships.

In the next paragraphs I'll show you what happened with these two teams and why, even if not in a volunteer way, the UEFA committee didn't treat these two teams as did before with others in even a better situation than them, closing an eye, and sometimes both the eyes, only to maintain the status of the European football and don't fee teams that were guilty of different situations within the Financial Fair Play that they didn't respect. In the case of the Manchester City the fact is even more absurd because the UEFA sanctioned them, with every possibility in a right way, and after that they retired the sanction and only feed the team with some million euro.

All these situations brought to an always increasing disrespect toward the UEFA and in general to the Financial Fair Play that as time passes it becomes every day less feared and less respected from the European teams that don't see it as an impartial and fair regulation for the right improvement of the European football but most as a constraint for the smaller teams that cannot anymore aspire to reach the status and the value of the biggest in Europe due to the strict regulation that they must respect.

The Manchester City FC case

Everything started in February of 2020 when Manchester City FC has been sanctioned by the UEFA committee after the Court of Arbitration for Sport⁵⁴ (CAS) announced that the English club was found guilty for clearly “disguising equity funds as sponsorship contributions”. The UEFA issued a ban against the *Citizens* for 2 seasons from the UEFA competitions after for them the City made “serious” breaches of Financial Fair Play regulations between 2012 and 2016.

The first investigation was launched by the UEFA after the German newspaper “Der Spiegel” published some documents that demonstrated the value of one of the *citizens* sponsorships deals with an inflated value that brought to a wrong way the judgement of the UEFA Club Financial Control Body. These reports demonstrated that Manchester City FC deliberately misled UEFA so that they would have been able to meet their Financial Fair Play obligations for different years: the 14 February of 2020 the CFCB on first instance said that City has broken the rules on FFP by “overstating its sponsorship revenue in its accounts and in the break-even information submitted to UEFA between 2012 and 2016” and that in addition the *Citizens* had “failed to cooperate the investigation”. In addition to that you must know that City has been before feed in 2014 for 49 million pound for previous breach of FFP regulations and so that wasn’t even the first time that they’ve been inspected by the committee. In first instance as mentioned the ban was for 2 seasons and in addition to this the UEFA gave the team also a fee of 30 million euro, but after a new process the fee has been cut from 30 million to 10 million and the ban from the UEFA’s competitions has been eliminated. When delivering the decision, the CAS said that City “failed to cooperate with UEFA authorities”, a fact quite serious for the FFP, but anyway they have overturned the decision of the UEFA Club Financial Control Body (CFCB) to ban the English team for 2 seasons from their competitions. The CAS also added that the decisions “emphasized that most of the alleged breaches reported by the adjudicatory chamber of the CFCB were either not established or time-barred”. Indeed, to clear the position of Manchester City FC and its “dishonest concealment” of sponsorship deals that it was “not appropriate to impose a ban on participating in UEFA’s club competitions” for a charge, that for the CAS was not so relevant, of “obstructing the CFCB’s investigations”. About the reduction of the fine instead the CAS added that considered “the importance of the co-operation of clubs in investigations, conducted by the CFCB” by Manchester City, the CAS panel “considered to reduce the UEFA’s initial fine by two-thirds” and this can be seen as the rationale behind the decision to reduce the fee for the *Citizens* from 30 millions to 10 millions, exactly the opposite of what was wrote in the initial decision made by the CFCB. In addition to the CAS decision, the UEFA also said that there was “insufficient conclusive evidence to uphold all of the CFCB’s conclusions in this specific case and that many of the alleged breaches were time-barred”. The governing body also added to ensure its position and explain the rationale behind the

⁵⁴ The court of Arbitration for Sport (CAS) is an international body established in 1984 to settle disputes related to sport through arbitration. Source: https://en.wikipedia.org/wiki/Court_of_Arbitration_for_Sport

reduction of the fee and the elimination of the ban from UEFA's competition that "Over the last few years, Financial Fair Play has played a significant role in protecting clubs and helping them become financially sustainable and UEFA and the European Club Association remain committed to its principles". Everything is good behind that, because helping the clubs is better than destroying them but in this case, in my opinion, the situation is totally different and behind the good words of the CAS and the CFCB there is something more that cannot be justified only by these statements released by them and I will explain you why.

Before talking about the ethic and if the judge of the Cas was right you must know that the decision allowed Manchester City to play the UEFA Champion's League in 2020-2021 and that if the ban was realized they would have lost several millions, because playing in the maximum European competition allows any team to gain from 30 to 100 millions of euro depending on how far they will go in the competition; they would have lost several players because the best ones want to play at every cost that Champion's League and with every case many players would have left the team and in the end the ban from the European competition would have also upset their fans because no one wants to see his team being qualified for a such important trophy and then don't being able the play the Cup for events attributed only to the managers and not to the players and their ability to play, without talking about the enormous stroke for the Manchester City's reputation in Europe due to what should have happened.

The fact that first of all is not clear is how it is possible that the UEFA passed from condemning a team for having showed a "blatant disregard" to UEFA's investigation for multiple Financial Fair Play breaches, failing to cooperate with UEFA by not providing the CAS in this case with all the emails with alleged the documents needed, to conclude with a "no conclusive evidence that they disguised funding from their owner as sponsorship". In the end of that story, starting from material clues and facts that indeed ended with the fee for Manchester City and the exclusion from the European cups, the CAS said that its panel found "no adverse inferences" from the City's failure to produce evidence. But the strangest fact is that City was punished in the beginning by the UEFA exactly for this, having failed to provide substantial amounts of evidence before the CAS took in charge the case. The CAS after its inspection concluded by saying: "The panel is of the view that UEFA by no means filed frivolous charges against City but based on the evidence, the panel cannot reach the conclusion that disguised funding was paid to City" and it added that "City's failure to co-operate with the investigation is a severe breach and City are to be seriously reproached".

The leaked emails and documents that have been published by the German magazine *Der Spiegel* show how much has been guilty Manchester City FC in this practice and that even before having not collaborated with the UEFA and the CAS they totally didn't have any regard to the Financial Fair Play regulation. One of the leaked emails suggests that only 8 million pound of the annual income from the sponsorship of the team's shirt, stadium and academy of more than 50 millions was funded directly by Etihad while the rest of the amount has been funded by Sheikh Mansour's own company and that was used as a vehicle for the ownership of the *Citizens*, the Abud Dhabi United Group. For the FFP regulations this constitutes a non-football related income

and would have gone totally unnoticed if the journal didn't do its investigation in order to allow the English team to easily meet the FFP and in particular the break-even requirement.

The fact that brings more doubts and that mines the reputation of the UEFA and most of all of the Financial Fair Play is that all the clubs have seen this situation and when they finally had a hope that FFP works for everyone, also the biggest clubs, they've seen all their hopes disappear, and most of all in a very doubtful way. As I told indeed, first of all the UEFA condemned the City, after that the CAS remove any accusation apart the ten million euro fee and in the end they made a report by saying that the club "on countless occasions refused to answer questions, refused to provide documents, refused to arrange for the attendance of requested persons and it even instructed its own expert witness not to answer specific questions". The UEFA said that the case represented "the most serious, sophisticated, deliberate and fundamental attempt to circumvent and violate basic Financial Fair Play principles". It also said that the "attitude of the club" should be considered because they gave "demonstrably incorrect information and continues to change its explanations". In addition to that the CAS in the end has found two specific requests in which the Manchester City FC failed to comply within its obligation of co-operation with the UEFA bodies. So why a club should collaborate with the UEFA and give them all the possible documents? If UEFA find them guilty, they should only be fed in the worst of cases but if UEFA doesn't find any clue the clubs could be able to fulfill their Financial Fair Play requirements and finish the current season and the future ones in a positive way even if they shouldn't be able to do so and evading again the FFP regulation.

The rationale between the CAS removed the accusations is that the communications were disregarded because they were more than five years old, and that is the reason why they find some clues in every case and ended that the UEFA made their charges "on a legitimate basis".

Every case after this sentence has negative effects on the consideration of the UEFA Financial Fair Play from the European clubs that are brought to a reasoning that is always convenient for them trying to avoid not the break-even requirement, but the way the way that they try to reach it.

Even after the first judgement on Manchester City a lot of people inside the world of football knew that something should have happened after the first sentence because the richest clubs, and most of all the ones leaded by potent owners, are always helped by the institutions simply because they are the most prominent and the most followed in European football and are the ones that bring most earnings to the football associations and in particular the UEFA in this case.

A probative example is the one given by the Queens Park Rangers FC that has been hardly feed by the UEFA even if they made far less mistakes with regards to the Financial Fair Play regulation. They simply didn't accomplish the break-even requirement, nothing more and nothing less, in the unique year they've been in the Premier League and for that they've been fined with more than 40 million pounds (more than four times the fee to Manchester City that made all the stuff I wrote just some rows before) and they've also been banned for two market sessions, I repeat only for have not meet the break-even requirement in one market session.

This situation is seen by all the clubs that ask themselves why they should follow the Financial Fair Play rules if the biggest clubs, that for a principle of righteousness should be the one more feed and more followed are always forgiven by the committee and instead the smaller clubs that are the weaker ones are prosecuted and hit by the UEFA like if they are real criminals? The impartiality of the UEFA I think that is the most important thing in order to accomplish the full realization of the FFP, exactly as happens with the laws in general that must be equal for everyone in order to be respected and followed by people.

The Paris Saint-Germain FC case

As I wrote before in the data part about the French team, during the Summer of 2017 the Paris Saint-Germain made the two most expensive acquisition in the history of football, paying them 402 million euro combined (222 millions of Neymar Jr and 180 millions for Kylian Mbappè) that allowed them to add to their roster two of the best players in circulation. As we know well the Financial Fair Play was made to avoid exactly that: super teams that can spend hundreds of millions thanks to their rich owners and that monopolize the players' transfer market only by infusing cash in their team and allowing them to spend far more than what are their real revenues. So how was that possible in the era of Financial Fair Play where all the teams are obligated to respect their break-even among every season?

An investigation was began after these acquisitions and a report was produced in first instance, but for this report everything has been done clearly and *Les Parisiens* didn't made anything against the FFP regulation. After this first investigation was made another one has been started but in this case, more detailed because was clear that there was something wrong and that not a single club in the World could be able to afford such an expenditure, even the Paris Saint-Germain.

The details of such investigation, and also the fight happened after its conclusion, are included in an article of the "New York Times" that has eviscerated the decision by the UEFA to exonerate the PSG and how it has been allowed to do so. The fact that such an important journal, most of all an American journal so that is completely impartial, did an inquiry into the case can make you think on how big this decision for the world of football was and how strange could be the final decision on this case for being analyzed from a non-sporting journal of another continent.

The French team used a "technicality" to avoid the punishments and preserve its place in the European competitions, exactly what did Manchester City as I explained in the previous part and this is another clue that leads to the fact that the Financial Fair Play is always less respected by the richest teams because as you can see is more than one the case in which the FFP has been eluded in a way that is also not so difficult to do and to protect from the accusations.

The defense of the French team indeed is based entirely on the fact that in 2017 a very big part of their income has arrived from their rich sponsorships deals, that in 99% of the cases were related with Qatari entities (I remember to you that the Qatar Sports Investments is the proprietor of the Paris' team) such for the telecom

company Ooredoo, the Qatar National Bank and most crucially as I wrote before in the inflated sponsorships part the Qatar Tourism Authority with its sponsorship valued 100 millions of euro per year (200 millions in the beginning before the intervention of the CFCB) that allowed the team to make possible the purchases of Neymar, Mbappè and other world-class players. The calculations made by the different reports about the case make the Paris Saint-Germain fall just within the ratio of the UEFA's for the accepted losses and I think that this can't be a case.

The details that surround the decision to clear PSG in 2018 from any accuses have been shrouded secretly, but in the documents reviewed by *The Times* it suggests that *Les Parisiens* had an escape. Also, in this case is present the Qatar fund and more specifically the president of PSG Nasser al-Khelaifi⁵⁵ that is the chairman of the French team, and at the same time also sits on the UEFA's executive committee and is also the proprietor of the beIN Media Group, the Qatar-based (as always) broadcaster that every year grants billions to the UEFA to secure television rights for its country.

These sponsorship deals are the one that came under the microscope of the UEFA committee when Paris Saint-Germain made the transfers of Neymar and Mbappè and falling within the limit of only 30 million euro of losses across three years as dictated by the Financial Fair Club regulations. To assess the value of these different sponsorships the UEFA commissioned a third part, the "Octagon", as assessed by the FFP regulation to analyze the agreements. This impartial third part valued the Qatar tourism agreement, a sponsorship that hardly had any visibility at less than 5 million euro while PSG with its analysis conducted by Nielsen came back with the figures that allowed the team to conclude the agreement of 100 millions of euro per year, more than 20 times the value assessed by the version provided by the other (impartial) part. Instead of asking for more clues and further investigation the UEFA simply chose the Nielsen values to be used and decided that the sponsorship with the value of a hundred million of euro per year was fair without giving any regard to the Octagon report and after the *New York Times* investigation the final value of the deal was even higher than the one proposed by the *Nielsen* company.

Even if some members of the panel completely disagreed with this decision, in the end it was announced on 18 June of 2018, just four days before the beginning of the 2018 World Cup and so when all the medias were focused about that more than on the Paris Saint-Germain sponsorship deals, fact that gave less prominence to this final decision and didn't create any consequences to that, at least in the short-term.

⁵⁵ Nasser bin Ghanim Al-Khelaifi is a Qatari businessman and is the chairman of beIn Media Group, chairman of Qatari Sports Investments, president of Paris Saint-Germain and Qatar Tennis Federation and vice president of the Asian Tennis Federation for West Asia. Al Khelaifi is the president and chief executive officer of Paris Saint-Germain in France. He is also a member of the organizing committee for the FIFA Club World Cup. In 2016, *L'Équipe* named him "the most powerful man in French football" and in 2020 he was named the most influential person in football by *France Football*. In 2019, he was elected by the European Club Association as delegate at the UEFA executive committee, becoming the first Asian to hold an UEFA position. *Source:* https://en.wikipedia.org/wiki/Nasser_Al-Khelaifi.

For the UEFA's calculations PSG had, despite having made the two most expensive transfers in the history of football in the same market session, a loss of only 24 million euro over the three-year period, just a few millions inside the mark given by the Financial Fair Play regulation about the break-even requirement and so completely in line with their financial objectives, fact the led this case to a conclusion without any fee or sanction to the French team and the presence of two super champions like Mbappè and Neymar that are still playing in the Paris' team.

Analysis on the execution of the FFP

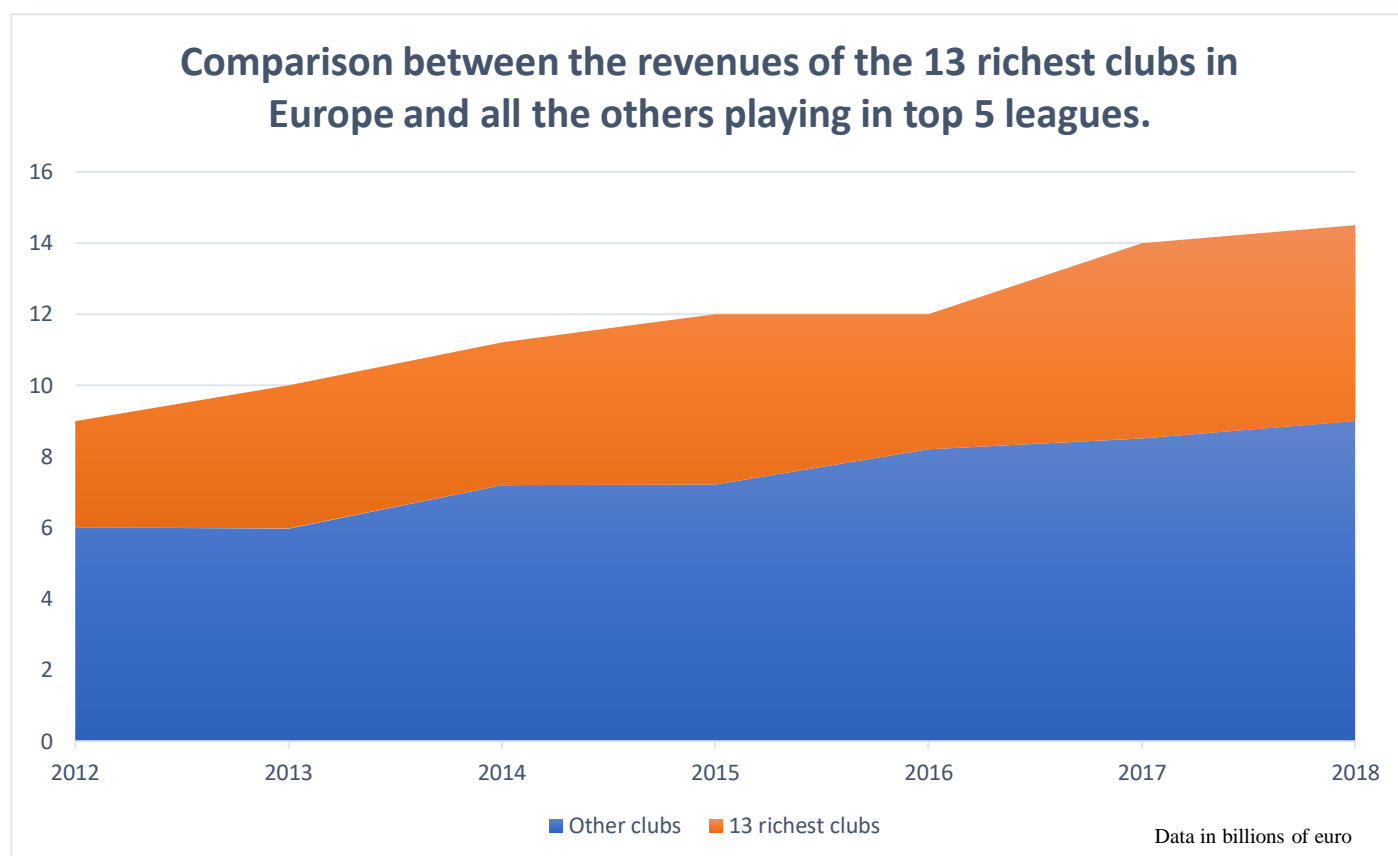
For sure the Financial Fair Play has not been made to satisfy the supporters of the various teams in Europe and not even only to help the smaller clubs and allow them to become the strongest in the World in few years but at least when the club accepted it and also the fans put their trust in this new system for sure they didn't think about these facts happened in the last years could ever be possible. The worst thing is that until now for sure the FFP has helped a lot of clubs to avoid big losses and, at least for a good part, has worked to reach its fundamental principles but the problem is that in some cases, very popular in football, it seemed that the UEFA's efforts to encourage a competitive balance between the different teams in Europe have been completely useless.

In the book *Animal Farm* wrote by the English novelist Eric Arthur Blair, known as George Orwell, he wrote that "some are more equal than others" and I think that this phrase is able to perfectly represent what is happening in European football in the latest years. The UEFA should protect the public interest, in this case the interest of the supporters, and instead for them it seems that they're trying to protect the more powerful groups present in European football, which gain the favor of the UEFA management and can do anything they want only because they're the owners of the most important clubs and so of the clubs that in a way or another grant more money to the UEFA itself.

If by one side the UEFA reached the objective to reduce the losses of the clubs in Europe, and I must give an enormous merit to this because the situation ten years ago wasn't sustainable at all, to another side the rich have become richer and richer and the smaller clubs simply try every year to reach the break-even result and can't do much more due to the constraints given by the UEFA itself. According to a study from Deloitte, one of the most important consultancy agencies, in 2018 the 13 richest clubs in Europe, so in a pre-covid situation when the football panorama was still normal, earned the 41% of the total revenues in the continent "big five"⁵⁶ leagues, when in 2012 they only collected the 34% of the total income. As you can see in the following graph in the long run the effects of the Financial Fair Play create an always growing uncompetitive balance where

⁵⁶ In European football is generally known that the "top five" leagues are the ones of the top championships and are usually identified as the following: those that are present in England, Spain, Germany, Italy and France.

the small clubs will outperform and even dominate the smaller ones due to their always growing incomes in an exponential way compared to the smaller ones.



Source: Deloitte Football Money League 2018

Even if the Financial Fair Play removed the possibility to introduce new very rich owners in football that arrive and spend hundreds of millions of euro in order to make their clubs competitive in few years, that in a certain sense cannot be seen always as a good thing: indeed, if you go back in time these people often helped to create more competitiveness among the championships where they invest their money. This could seem not fair but for example between the 1995 and 2004 the only title-winners in the Premier League have been the Arsenal FC and the Manchester United FC and that duopoly was broken only in 2005 when Roman Abramovich bought Chelsea FC: since his arrival and the later one of the sheikh Mansour in the Manchester City FC at least the Premier League became more fought and in addition to Arsenal and Manchester United also Manchester City and Chelsea started to make a competition for the top positions. Even the “fable” of Leicester FC in 2016 when it was able to win the Premier League with a modest squad had a rich owner that made that possible, and in addition to this they’ve also been fined in 2014 by the UEFA committee for 3,1 millions of pounds because they had a loss of 20,8 millions the same year, when they’ve achieved the promotion from the Premiership. As FFP made such new ownerships less attractive and even less possible to do, the most powerful and still existent teams in Europe have crushed their competitors. For example, in Italy the FC Juventus has won nine straight league titles in the last ten years, in Germany the Bayern München comes from eight straight wins and is still first also this year in the Bundesliga and in the end in France the Paris Saint-Germain has won

five out of the last six championships. In addition to that the only year that PSG didn't win the Ligue 1 it has been won by the Monaco AS and after their victory *Les Parisiens* have bought that best player of that team, the French star Kylian Mbappé for 180 million euro as told many times before in my writings.

What was made by Manchester City was justified at that time for the aspirations of its new proprietor to transform the club into a UEFA Champion's League contender and to do so the only possible way was to inject a lot of cash for the acquisition of players, fact that due to the FFP is not even possible anymore. The positive effects were different and now the smaller clubs cannot achieve them anymore due to the new regulation: indeed there was a positive correlation between a team spending for the best players and their league position; often the best players demand higher wages and transfer fees and these players combined with other of the same team allow it to provide the team possibly an higher chance of attaining to the top positions and at least participate to the UEFA Champion's League and ultimately increase the gains of the club. These gains granted from the participation in the maximum European competition allowed those teams to reinforce and cover the initial costs associated with the creation and the maintenance of a Champion's League standard team, so it is can be feasible also from the economic point of view. If from one side Manchester City has actually bought in facts its trophies, and this is one of the things that at least at the beginning the Financial Fair Play wanted to eliminate, however they were able to remove and change the status quo of some teams in the Premier League, the same made some years before by Roman Abramovich and his Chelsea. If FFP would have been introduced before, and that is exactly the actual situation, they would have never been able to achieve their positions as new Premier League's giants. Their losses indeed would have been a clear violation of the new break-even requirement and they would have been heavily sanctioned by the UEFA because as demonstrated before is worse to invest money on a team than misleading and don't collaborate with the CAS and the CFCB in their investigations.

What Financial Fair Play is actually leaving to us is a vicious cycle of inequality where rich clubs get richer by preventing the poorer ones from spending enough to challenge them. This is making the domestic leagues more predictable, lowering the consideration and the attention of the fans in general in football and allowing the elite teams to concentrate their effort only in the UEFA Champion's League that grants them the real important income and even dominating in the domestic leagues because many times these clubs are too much stronger than the others and cannot be challenged properly.

The actual situation is pretty much simple: the amount of cash that a team could afford to spend is now dependent on how good are the financial deals that they are able to negotiate and it is pretty easy to intend that the smaller clubs could never in any possible way beneficiate of deals that could grant them the income that can give to the bigger clubs. That is a fair and normal thing in a normal world where you have millions of possibilities to earn money, but in the football world that is, at least in this moment, the way that in absolute could make you earn the highest income over time and so it couldn't be possible that some teams are so much more advantaged than others. To achieve this status and gain better sponsorships deals so the only possible way is to be a successful club, but right now is almost impossible for the smaller clubs to do so and so football

in Europe is actually stuck in a situation where the best clubs become always better, becoming in facts “super clubs” while the smaller ones remain the same and couldn’t reach the “next level”.

Financial Fair Play demonstrated that it is focusing most on punishing teams that are in debt, so in a bad financial position and by giving them fees and sanctioning them they call it “sustainable”, while instead teams such as Manchester City and Paris Saint-Germain are punished for overspending but their punishments are far lower than the one of the smaller clubs that have a still existing bad financial situation.

At the moment for the smaller clubs the only way to become bigger and rise in the European football is to find some astute financial or inspirational management, such for the example made some pages before with the Red Bull and its acquisitions in the world of football. If no other teams could find similar solutions to the Red Bull’s one, or possibly other teams don’t imitate them, there won’t be any possible progression or regression in the world of football, but all this stuff will lead only to a general stagnation. As ahead we go with the evolution of football, as far goes the importance of advertising and sponsorship practices by the various teams to raise some allowable revenues and meet the break-even point, by compromising as time passes the ethical and original composition and idea of football related most of all with the sporting part of it.

The biggest issue until now is that the UEFA Financial Fair Play from one side reduced the debt of the teams in Europe allowing them to a more sustainable growth, but on the other side has increased and it is still increasing every year that passes the financial and sporting power of the traditionally bigger clubs and in addition their dominance cannot be longer challenged as easily as before by the new entrants because the smaller clubs now have insurmountable financial barriers. All this stuff for sure helped the economy in general in the world of football, but the fans care more about the sporting results of their teams rather than their finances and so it is creating and ever-growing discontent between those who care much and that make football go ahead. Some years ago, Jose Mourinho⁵⁷ said “what happened really with the Financial Fair Play is a big protection to the historical, old, big clubs, which have a financial structure, a commercial structure, everything in place based on historical success for years and years and years” and unfortunately, I totally agree with him, everything goes in the direction of the bigger clubs and their financial stability and growth instead on the smaller ones that should be helped and protected by the FFP.

The cases of Manchester City FC and Paris Saint-Germain FC leave a big damage to the Financial Fair Play regulation and most of all on its credibility and I think that in the next years, if not months, something will happen in order to change the situation because the discontent is growing every day that passes both behind the clubs but most of all behind the biggest part of the supporters in Europe. The CAS indeed ended its sentence against the *Citizens*, to make an example, by saying that they’ve found “insufficient conclusive evidence” and not “no evidence” and in addition a part of the allegations, that in this case are clues, have been dismissed simply because they were more than five years old and felt on prescription for the actual laws that regulate the

⁵⁷ José Mário dos Santos Mourinho Félix is a Portuguese professional football manager and former player who is the head coach of Premier League club Tottenham Hotspur FC. He is widely considered to be one of the greatest managers of all time and is one of the most decorated managers ever. Source: https://en.wikipedia.org/wiki/José_Mourinho.

European football.

In the next chapter I'm going to propose some new practice solutions but seen the actual situation and how the UEFA is seen at the moment by the European clubs I think that first of all the committee should do something to regain their reputation and be seen by the club as an impartial court that has as first objective the development of football most than the defense and the empowerment of the richest clubs that grant them more income and resources thanks to their status.

Possible improvements for the FFP

The original aim of Financial Fair Play was to create a unanimous regulation between all the European football leagues with two of the principal objectives that are: reducing the general debit and losses that were ever growing and that would have easily destroyed football in the long term, and increasing the competitiveness in order to make more challenging for every club the game inside and between the different nations. In order to achieve the objectives the FFP, I repeat at least in the origin, would have hit the bigger clubs more than the smaller ones, giving this new regulation the ability to balance the competitiveness between the leading European clubs and all the other participating in the UEFA Champions League and in the UEFA Europa League and also the competitiveness within the singular national leagues by allowing the less rich teams to fill up the gap compared to the richest ones.

The different positive effects would have appeared after the introduction of the Financial Fair Play both on a short-run inside the different leagues and in the long-run by enhancing the general competitiveness between the strongest European clubs and reducing the gap with all the others. With respect to the long-run equilibrium it would have happened by a redistribution of the revenues thanks to a reallocation of the total economic resources given by football in a fairer way in order to enhance the growth of the smaller clubs and allowing the bigger ones, that are also those clubs who would have generated more revenues, to maintain their competitiveness and their elite position. In addition, to help the clubs in European football, it should have also allowed a growing competition within a national league but as told in the latest paragraph until now the FFP as made exactly the opposite: by limiting the deficit of a club it has restricted their opportunities to acquire additional money from the property and has enormously decreased their ability to reduce the gap with the national champions or at least with the teams that almost every year qualify for the UEFA Champions League and that can count to this big additional revenue.

As we know the most fundamental part of the Financial Fair Play is the break-even requirement while the primary objectives of the Financial Fair Play are firstly to enhance the long-term financial stability and secondly to restore the competitive balance between the European football clubs. The principal problem in my opinion is that the break-even requirement for sure effective for the clubs to reach an effective financial stability, and the graphic present in the “Brief history of Financial Fair Play” of my thesis demonstrate the reduction over the last year of the general debt level of the various clubs in Europe, but it on the other side strongly limits the possibility for the clubs to invest money and create competitiveness among the strongest and the weaker teams by imposing a limit on their deficits. Indeed, by almost eliminating the possibility for the clubs to have donors, or patrons or other equity participants to inject money, these clubs don’t have any more an important source of income to balance the still existing gap with the other clubs and suffer a unilateral competitive disadvantage.

The result at the moment is that football is creating an increasing monopoly with a perpetual spiral of success for the still winning clubs and a study was made to demonstrate that “success breeds success⁵⁸” and is exactly the situation that is present in the actual football movement. The theory, and in this case also the practice is simple: an initial success leads to higher revenues that are used to invest and strengthen the team, making further success more easily to achieve. This dominance is a huge problem, most of all in professional sport, where it is predetermining the championships and violating the fundamental objectives and the basis of sports in general, ultimately undermining fans and spectators dreams to see their teams winning competitions, fact that is becoming ever more difficult for them due to this new regulation.

The problem of Financial Fair Play is that it sets several objectives, but it doesn't give enough instruments to achieve them. Indeed, according to the “Tinbergen rule”, to achieve a predeterminate economic policy it is necessary that the number of instruments to achieve it must be at least as high as the number of goals, otherwise the outcome of that regulation will be inconsistent or indeterminate and this is exactly the problem of FFP: it makes necessary to achieve different objectives but the ways to achieve them are simply not enough and the only one who loses in this case are the smaller clubs.

In 2016 a study in Bundesliga has been made with an abstract called “Germany's Bundesliga: Does money score goals?⁵⁹” that shows if somehow would be possible to “buy” success in sports, and in this case in football, with money. In many cases the results demonstrated were mixed: starting with a rule of thumb that money always helps for sure, for example to acquire the best coaches and managers, is not always a consequence the victories for that team, but in every case, it helps and makes success more likely to happen. A beautiful part of football is that the results can never be predicted for sure, due to a lot of intangible factors correlated with the sport itself and the different asymmetric information among its participants, but for example the cases of Manchester City FC or Chelsea FC or again the Paris Saint-Germain FC can make you understand how much money can play a very important part in this sport. In my opinion the uncertainty of football has simply been reduced in the latest year since the introduction of the FFP due to the huge reduction of investments from the smaller clubs that are not competitive anymore.

At the moment, for the actual regulation in force, the equilibrium in the long-term can be granted mainly, if not only, by the size of the potential revenues of the teams that depend mostly by the population size, the income and the population's interest in football that grants more or less revenues between the different championships. These factors lead to the conclusion that Financial Fair Play and its current regulation is not appropriate because it is simply incomplete to achieve what are the objective sets by the FFP itself.

All these efforts made to avoid the insolvency of the various clubs could be useful for sure but in my opinion, this is not the biggest problem in the *beautiful game* while the regulation should be concentrated more in other aspect such the competitiveness or the real development of the youth sector and the young and most talented

⁵⁸ “Field experiments of success-breeds-success dynamics”. *Proceedings of the National Academy of Sciences*. A. van de Rijt, S. M. Kang, M. Restivo, A. Patil. (2014)

⁵⁹ “Germany's Bundesliga: Does money score goals?”. C. Snyder, K. Schmadders, S. Tinz. (2016)

players. In the long-term the FFP with its stringent regulation simply protects the still well-established football teams and create more challenges to the less-established ones. The ultimate result is simply the creation of an ever-growing unbalanced competition in the long-term that is exactly the opposite of one of the foundations of the FFP.

A well-done redistribution of the income generated must be the real objective of FFP and in the next paragraphs I'm going to propose some different solutions that can be able to achieve this fundamental goal for the right development of football and make it again the most beautiful sport in the world, the one able to create emotions and feelings and that can entertain people like no other still existing sport.

To fight this situation the UEFA must rethink about the FFP and alter it in a way that unleashes competition while prevent an unlimited spending. The perfect situation would be that they can incentivize the upstarts of team such happened for Manchester City and PSG but at the same time creating a rule system that ensure that such teams will also follow the rules.

The revolution of the deal on television rights

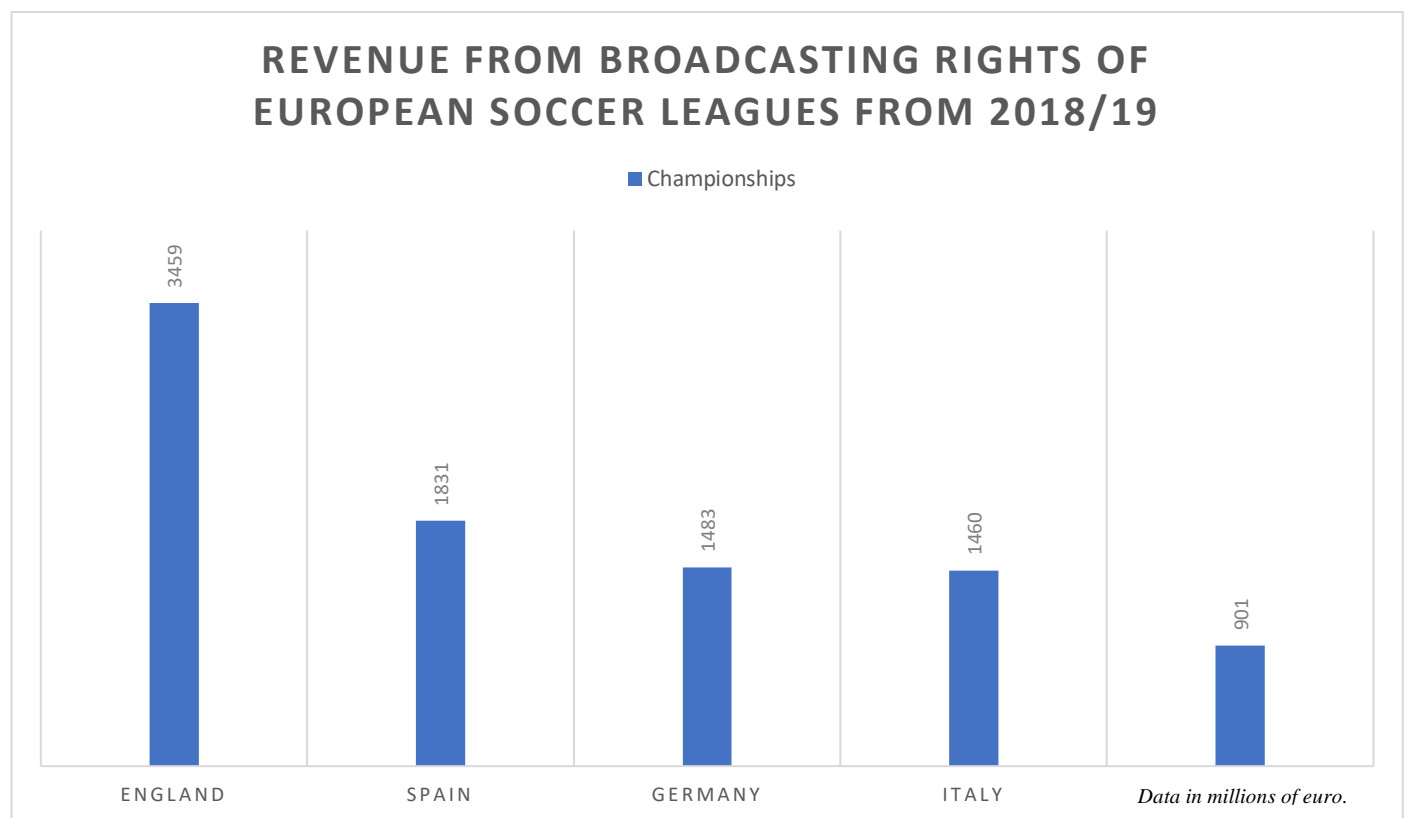
The first problem that arises in my opinion is that the television rights, who determine the broadcasting income of the clubs in Europe, and as you know they are a "relevant income" for the clubs under the regulation of a Financial Fair Play, are totally different among the various football leagues present in Europe. For what are my thoughts, if the Financial Fair Play wants to affect all the clubs present in Europe it is necessary that somehow at least the relevant income must be as much as equal for all these clubs. So, an additional redistribution of income is necessary in order to remedy to the market imperfections present in every case, with or without the FFP, to avoid an unchallenged dominance of few clubs. The problem is that it would be very difficult to do due to the big differences present among the different championships, on the sides of the people who follow them, the revenues generated by them and lastly by the general interest toward them and how much people in the other nations have a willingness to follow these foreign football clubs. Anyway, a redistribution of income is necessary in my opinion to restore the competitive balance and the Premier League and the Bundesliga have some peculiar situation that can be expanded to the whole football in Europe and can be used as a benchmark for future improvements of the television rights.

Before talking about the single cases present in these two championships, I want to let you know some facts about the inequality present among the European football in terms of income granted by the broadcasting and television rights.

Firstly, you must know that every Premier League club, even the last one standing in the ranking, receives more money from the TV deal of the championship than all the other European clubs except Barcelona FC and Real Madrid CF in Spain. During the 2018-2020 season the three-year broadcasting deal of the EPL⁶⁰ was

⁶⁰ EPL stands for "English Premier League".

valued more than 9,3 billion pounds, meaning that divided for the 20 clubs present in that championship, each club would receive 123 million pounds per season, in comparison to La Liga where they gain in media 56 million pounds, the Serie A where the media is 52 million pounds, the Bundesliga that gives also 52 million pounds and in the end the Ligue 1 where the money granted to each team arrives to the ridiculous value (always compared to the other championships) of 27 million pounds, almost one fourth of the value gained by the English championship. In addition, the Premier League makes more than twice than the second classified that is La Liga. Amongst the top teams, Manchester City FC and Liverpool FC are the first classified, leading the way with 151 and 152 million pounds respectively, far more than their European rivals of Barcelona FC that gained 143 million, Real Madrid CF with 138 million, FC Bayern München with 98 million and in the end the Juventus FC and Paris Saint-Germain FC that gained respectively 85 million and 60 million pound.



Source: Deloitte Statista 2020

Even if the amount gained by the different leagues is enormous, the fact that makes the biggest impression is in the amounts received by the smaller clubs perceived in the different leagues: for example the Huddersfield Town FC that arrived last in the 2018-2019 season in Premier League, 10 points behind the penultimate and so being relegated in the second division in England, gained 97 million pounds from their domestic TV deal, more than Juventus FC or Paris Saint-Germain which won both their championships and that were far stronger teams than the English one. Even the FC Bayern München that is one of the greatest team in Europe for history and strength in that season felt under the last team of the Premier League.

A tweet in 2019 of the “Swiss Ramble” let us know that even if the Premier League is the richest championship in Europe for its TV rights, it is also the most equitable with the top club that earns “only” 1,6 times what earns the bottom club. Since the beginning of football, the competitive balance and the maintaining of the overall attractiveness of the overall league product is one of the crucial aspects to ensure the results to be as uncertain as possible, exactly the contrary of what is happening in the general football situation in Europe after the introduction of the Financial Fair Play. Also La Liga knew that more balancing was necessary in order to maintain the overall competitiveness of the championship due to the two historically dominant clubs of Real Madrid and Barcelona, and on the latest years changed its revenue distribution structure by agreeing to move to a collective broadcasting agreement capable to increase the competitive balance and most of all reducing the ever-growing dominance of these two teams. So, my question is: why Financial Fair Play is not thinking at all to a similar solution and simply is making the biggest team become every day that passes stronger thanks to the incomparable income that they have thanks to the FFP itself? I must add that even in La Liga and the other championships the disparity is still high: for example La Liga has the highest top to bottom club revenue ratio at 3,6 while the Serie A has 2,3 and the Ligue 1 and Bundesliga have both 3,3. The actual revenues disparity are 152 for the highest and 97 for the lowest in England while are 78 and 33 in Italy, 54 and 17 in France, 89 and 27 in Germany and 130 and 37 in Spain, of course all of these data are expressed in million euro. But these data seem fair if you compare to those of the Champions League where a team could earn up to 100 million euro in case of victory while a team that doesn’t participate earns 0, so you can understand that the UEFA is creating a cycle where who is winning remains a winner and who can’t participate to its competition encounters an every growing gap between it and the other clubs. As said Harry Redknapp⁶¹ some years ago, if FFP want to worker properly it must be implemented in an ideal world where each team has the same amount to invest in its squad but unluckily we live in a world where the rich rules the poor and also the football is going exactly on this direction.

The premier League broadcasting deal

Right now England is the only major league where are present every year almost six teams that, at least at the beginning of the situation, potentially start with the goal of winning the league and that realistically can do that. The Premier League is also the only championship where almost every year the winner is different while for example in Germany, France or Italy the winner since the introduction of Financial Fair Play is almost been always the same, and in my opinion the deal made by the Premier League can be one of the reasons this

⁶¹ Henry James Redknapp is an English former football manager and player. He has previously managed AFC Bournemouth, West Ham United, Portsmouth, Southampton, Tottenham Hotspur, Queens Park Rangers and Birmingham City. In his second spell at Portsmouth, he managed the side that won the 2008 FA Cup. At the conclusion of the 2009-10 season he guided Tottenham into the UEFA Champions League. Redknapp announced his retirement from football management in 2017. *Source:* https://en.wikipedia.org/wiki/Harry_Redknapp.

is happening and should be taken as example by the Financial Fair Play for further improvements necessary to establish again a real competition in the European football panorama.

In the early 1990s a group made by the England's richest clubs made a breakaway competition from the Football League that had been running since 1888. The new competition, that is the actual Premier League, was integrated with the old system with teams promoted and relegated as before but its real innovation was to introduce a collective-bargaining system for television deals, so that the league shared all the revenues far more than other national competitions did at that time, and indeed after that decision among the years has been followed by almost all the other competitions.

As told before the English Premier League is the most lucrative and commercially attractive football league in the world and the clubs present in that championship are the ones that make the highest revenues from TV rights and other commercial revenues compared to any league in Europe and also in the World.

The revenues distributed by the Premier League include:

- Income generated from the sale of central broadcasting rights (United Kingdom and International);
- Other central commercial rights.

The structure for the distribution of this income is the most equitable compared to any of Europe's major football league, with a highest top to bottom club revenue ratio of 1,6 as told before and is based on the Premier League Founder Members' Agreement signed at the beginning of this football league in 1992 and that is still the basis for any new deal.

The agreement between the clubs with the league for the broadcasting revenues works as follow:

- 50% of the United Kingdom broadcast revenue split equally between the 20 clubs;
- 25% of the United Kingdom broadcast revenue paid in "Merit Payments" that are prize in money that depend on the final position in the table;
- 25% of United Kingdom broadcast revenues paid in "Facility Fees" each time a club's matches are broadcasted in the UK;
- All international broadcast revenue and central commercial revenue split equally among all the 20 clubs.

The club that will classify as first in the league will so expect to earn between 150 to 160 million pounds in TV rights and prize money distribution while the club that will finish at the bottom will expect to earn between 90 and 105 millions of pounds. In the following table is graphed the amount of money earned by the clubs in the Premier League in the season 2018-2019 and how is the income distributed among the various sources.

PAYMENTS FOR TV RIGHTS TO THE PREMIER LEAGUE TEAMS FOR THE 2018/19 SEASON



Premier League

2018/19 Payments to Clubs

Club Name	UK Live	Equal Share	Facility Fees	Merit Payment	International TV	Central Commercial	Total Payment
Manchester City	26	34,361,519	30,104,476	38,370,360	43,184,608	4,965,392	150,986,355
Liverpool	29	34,361,519	33,461,785	36,451,842	43,184,608	4,965,392	152,425,146
Chelsea	25	34,361,519	28,985,373	34,533,324	43,184,608	4,965,392	146,030,216
Tottenham Hotspur	26	34,361,519	30,104,476	32,614,806	43,184,608	4,965,392	145,230,801
Arsenal	25	34,361,519	28,985,373	30,696,288	43,184,608	4,965,392	142,193,180
Manchester United	27	34,361,519	31,223,579	28,777,770	43,184,608	4,965,392	142,512,868
Wolverhampton Wanderers	15	34,361,519	17,794,343	26,859,252	43,184,608	4,965,392	127,165,114
Everton	18	34,361,519	21,151,652	24,940,734	43,184,608	4,965,392	128,603,905
Leicester City	15	34,361,519	17,794,343	23,022,216	43,184,608	4,965,392	123,328,078
West Ham United	16	34,361,519	18,913,446	21,103,698	43,184,608	4,965,392	122,528,663
Watford	10	34,361,519	12,198,828	19,185,180	43,184,608	4,965,392	113,895,527
Crystal Palace	12	34,361,519	14,437,034	17,266,662	43,184,608	4,965,392	114,215,215
Newcastle United	19	34,361,519	22,270,755	15,348,144	43,184,608	4,965,392	120,130,418
AFC Bournemouth	10	34,361,519	12,198,828	13,429,626	43,184,608	4,965,392	108,139,973
Burnley	11	34,361,519	13,317,931	11,511,108	43,184,608	4,965,392	107,340,558
Southampton	10	34,361,519	12,198,828	9,592,590	43,184,608	4,965,392	104,302,937
Brighton & Hove Albion	13	34,361,519	15,556,137	7,674,072	43,184,608	4,965,392	105,741,728
Cardiff City	12	34,361,519	14,437,034	5,755,554	43,184,608	4,965,392	102,704,107
Fulham	13	34,361,519	15,556,137	3,837,036	43,184,608	4,965,392	101,904,692
Huddersfield Town	10	34,361,519	12,198,828	1,918,518	43,184,608	4,965,392	96,628,865
All figures in £		687,230,380	402,889,186	402,888,780	863,692,160	99,307,840	2,456,008,346

Source: <https://www.premierleague.com/news/1225126>

As you can see the broadcasting deal of the Premier League is very rich with a total value only for the 2018/19 season of 2.456.008.346 pounds and still growing but very well distributed with a difference between the first and the last teams standings of “only” 50 millions.

The best part of all of this is that any club has a guaranteed part so that for sure the last team standing will earn for sure at least 90 million pounds.

So, the Premier League Prize Money Pool per season is setup in the following way:

1. Domestic TV Rights Money (1,8 billion pounds);
2. Overseas TV Rights Money (around 1 billion pounds).

In addition, the Domestic TV Rights money is always divided among 20 clubs according to the following model:

- 50% divided equally (approximately 38 million pounds per club) represented by the “Equal Share” column in the graph;
- 25% merit based: divided according to final position in the table (approximately 2 million pounds for the 20th place team rising higher by 2 million pounds for every position all the way to 24 million pounds for the champion) represented by the “Merit Payment” column in the graph;
- 25% in the end is divided as facility fee: to all clubs depending on how many times each club’s matches were shown live on air (approximately 1 million pound for each live game or guaranteed 10 million if a team had only 10 or less live matches) represented by the “Facility Fees” in the graph.

As you can see the general income of all the clubs in the Premier League can be described as fair and should be taken as a benchmark for any further improvements in the Financial Fair Play, particularly for the UEFA Champions League and Europa League and how the total revenues should be divided among all the clubs in Europe.

I must say that from the 2019/20 season the Premier League revenues are going to be distributed in a slightly different way, with a share of current levels of international revenues still equally between the clubs, but with all the increases that are going to be distributed based on the position in the League. This should increase the maximum that a club can receive in total central revenue payments at 1,8 times the amount received by the lowest-earning club but in any case, the English Premier League still remains the fairest and also competitive championship and the one that should be seen and imitated by all the other championships and most of all by the Financial Fair Play regulation.

The Bundesliga broadcasting deal

As told in the latest paragraphs the Bundesliga is facing an ever-growing gap in terms of revenues between the top competing teams and the smaller ones with the first placed club that earns 3,3 times what earns the last team placed in terms of broadcasting and TV right revenues granted by the German Football League (DFL). The last TV rights distribution was based on four pillars that gave the rules to distribute TV money after the deal of 4,64 billion euro that took effect in 2017. The DFL signed a contract worth 1,159 billion euro per season from 2017-2018 with the 85% of that income that was used for the Germany's top two divisions and with one of the four pillars made in order to offer a parachute for the clubs being relegated from the first to the second division.

This new deal was spread in the following way:

- The first pillar assessed that the 70% of the overall income was based on a five-year ranking for each league, with each season weighted with a value that was 5 for the last season and 1 for the first season valuable for the ranking, so the one of the years 2012-13; in addition, the top team in the Bundesliga would have got the 5,8% of the overall income and the last one the 2,9% while in the 2. Bundesliga the top team received 1,69% and the bottom one the 0,75%;
- The second pillar, also called "competition" offered the said before parachute payment for all the relegated clubs, also in this case is based on a five-year weighted ranking and makes up to 23% of the money distributed overall; in addition, no club from the Bundesliga could go under the 24th place and no club from the 2. Bundesliga can go above the 13th place in the ranking;
- The third pillar was called "sporting sustainability" and was valued up to 5% and includes again all the 36 clubs from the first and second division in Germany and its ranking is based on the overall performances in the last 20 seasons of these teams with all the seasons valued the same;

- In the end the fourth and final pillar is linked to the youth teams of each clubs, it is valued only the 2% of the total and was distributed on a ranking based on the time played by the under-23 players that have growth in the association; for the foreign players they must be registered before their 18th birthday in order to be counted for this pillar.

Also three other pillar have been added for the growing foreign TV market and granted to the second tier teams a total of 5 millions per season and 8 in the last season of the deal. The 25% have been distributed among the 18 Bundesliga clubs, another 50% was based on all 36 clubs' performances in the European competitions over the last five years and the last 25% was distributed on a 10-year ranking based on the participation in all the European competitions.

Seen the strength of the FC Bayern München compared to all the other teams you can easily imagine how all these pillars made an enormous advantage for the club that indeed as told before was earning more than 3 times what earned the last team standing in the Bundesliga.

After all this stuff in 2020 the German Football Association finally changed again its TV rights partition in order to make things more equilibrated. To achieve that they took some hints from the Premier League in order to make the distribution more fair and more equal between the clubs playing in the German first and second divisions.

A new plan has been made in order to create a more equalized TV rights distribution, also to helps all the teams in the German championships to fight the crisis born after the covid-19. In 2021/22 and 2022/23 the 53% of the annual fee will be equally divided equally among all the clubs, and after these seasons it will drop to 50%, far more than the 30% adopted with the four pillars regulation and that for sure will equilibrate more the division of money inside German football. In addition, over the course of the first four seasons the additional revenues will be distributed based and weighted by performance (varying between 42 and 43 per cent), youth development (varying between 3 and 4 per cent) and club interest (varying between 2 and 3 percent), the additional percentage will be granted thanks to the equal share that will go from the third season from the 53 to the 50% as told before.

Also the German Football League's international broadcast rights will be distributed more equally among the clubs participating in the Bundesliga, rising from 25% to 35% thanks to this new deal. The rest as before will be granted based on historical performances in European competitions. All these improvements will create maybe not an equilibrated championship seen the times that we're living but for sure can be used for future further improvements for a more equal development and increase in the gains for the smaller and weaker clubs participating in the German championship.

The Eredivisie wealth redistribution

The Eredivisie can be seen as a vanguard championship due to its wealth distribution decided and granted by the most important clubs present in this league. In October 2018 the three Netherlands' teams who played in

European football during that season, that were PSV Eindhoven and AFC Ajax for the UEFA Champions League and Feyenoord for the Europa League, decided to distribute a part of their European gains from these competition to all the other teams present in the Eredivisie. This was the first case in Europe where was present a redistribution of a share of revenue from the continental club competitions among non-participating clubs, and that is exactly one of the states proposed by me before. Why a team that gain 30 or 70 or 100 million euro from the European competitions cannot share a part of it to the other teams of the same nation that gain 0 from these competitions?

Luckily, I wasn't the only one that questioned himself this demand and in November of 2018 the KNVB⁶² proposed a new agenda driven by five main factors:

1. A greater solidarity in order to distribute a part of the revenues between clubs: the most notable change comes with the introduction of non-participating clubs getting, as told before, a part of the shares from Ajax, PSV and Feyenoord and the other clubs that will participate in European competitions. They share the 5% of their income from the group stage and 3,75% of any earnings from UEFA after the group stages;
2. Makes investments in the quality of youth training programs with training compensations fees, rules made for the age at which a player can sign a contract and agreements made to realize the right development of youth players between all the clubs;
3. Change in the format in professional league football made to create a biggest equality for the clubs being promoted and relegated, in particular with the last 2 teams of the Eredivisie that will be relegated to the Eerste Divisie and the first two of this last championship that will be promoted, while the third bottom team of the first championship that will do a playoff against the third of the second division;
4. The achievement of equal match conditions in the Eredivisie and make all the football pitches made with similar materials and not some made with natural grass and other with synthetic one;
5. In the end a rule made just for the continuous development of the professional football sector to "improve the quality and position of the Eredivisie" and "exploit the collective media and commercial rights of Eredivisie clubs".

For sure the most interesting part is the first one and I think that should be followed by many other championships, the problem is that most of time the singular interests of the teams won't allow a full realization of this rule. Imagine a Paris Saint-Germain that gains at least three times more than any other club in the Ligue 1 to share part of his income only to strengthen the competition in its domestic championship. But that's exactly the reason why should intervene in my opinion the Financial Fair Play and create an equal regulation for all the European championships by forcing them to share a part of the revenues and greatly enhancing the competition in European football. It would be great for the game of football if at least the European big leagues

⁶² The Royal Dutch Football Association or KNVB is the governing body of football in Netherlands. It organizes the main Dutch football leagues (Eredivisie and Eerste Divisie), the amateur leagues, the KNVB Cup and the Dutch men's and women's national teams. *Source:* https://en.wikipedia.org/wiki/Royal_Dutch_Football_Association

could take a step further and follow the Dutch example: the competitiveness and with it the engaging created by the championships thanks to the growing rivalries and most of all by the reinforcement of all the teams in the various divisions will create a more fought football; and that for sure will have positive effects for the teams and most of all for the supporters that will see again their teams able to be more competitive and create bigger and better competition for the final champion titles.

The example of American sports

The most radical solution for the improvement of the Financial Fair Play and definitively solve the present and growing inequality between the clubs could be the one to create a fairer system following the virtuous American sports model. The history of the American sports suggests that the most effective way to create an equal system for the competing teams is to divide the wealth evenly, paired with a law to limit irresponsible spending and to ensure that the same sides do not win every year. In my opinion the FFP at least tried to reach these goals but as told before the problem is simply that it didn't give enough instruments and regulations to do so, becoming breached in multiple aspects that until now and most of all until a change won't be proposed are still existing and creating problems in the system. In addition, the biggest club in Europe most of times have given very little incentive to negotiate and trying to help the smaller rivals with teams such as Bayern Munich and the Juventus or again the PSG that want to maintain their status of super giant at every cost, and this is another reason for what the regulation of FFP must be more stringent and harder in order to force these clubs to be more altruists somehow.

The American economic model in sports is based on two fundamental principles, exactly like the Financial Fair Play, and these assumption are fundamental for their way of understanding the sport: the economic stability (in particular with regard to the clubs' owners in order to have an always guaranteed survival of the organizations over time) and the necessary spectacle that stays inside and around the single sporting events, for which the Superbowl is the most representative events where paired with the American Football match there are a lot of stars and shows that accompany it. The quality of the product, that reflects the level of the players playing in the various leagues and the regulation that is updated sometime only with the idea to increase the spectacularism are a very important part of American sports in order to increase the overall quality of the matches and the sports in general and make them most followed and appreciated by the supporters all over the world.

A probative example of the American sports culture is the so-called All Star Games: they are events, most of times transmitted all over the World, where are proposed different challenges played by the singular players

and by the teams (such for example the Three-Point Contest⁶³ or the All Star Game⁶⁴ in basketball) that involve the most talented players in the different major sports leagues and that are chose by the fans themselves, creating an enormous sequel by the fans of these sports all over the world and also incomparable incomes that replenish the various teams' finances through a fantastic marketing strategy. To let you know the scope of these events, the 2019 All Star Game of NBA has been transmitted in 215 nations and in 49 different languages. Another example can be the Superbowl and with this case I'm going to let you know why the European football must follow the American example at every cost. The last year the UEFA Champions League final had 400 million of spectators all over the world while the Superbowl had 180 million of viewers but now arrives the inconceivable: the income of the Superbowl was 3 billion while the one generated by the Champions League final was 1,7 even if the football match had more than twice the spectators of the American football game. Imagine the impact of 6 billion of euro or even only 3 shared inside the European football with only one event, it would create every year an enormous added value for the sports, for its development and for a lot of other sectors related with the world of football.

The actual biggest problem, but that in my opinion with the newest market logics cannot exist anymore in 2021, is that in Europe the sporting result, related with only the pure competition, has always been the way of understanding the sports, most of all football. What happens in America is the creation of an all-encompassing event that is able to attract the most varied types of public and not just fans of the sport or of the teams that are facing in a final. This create an incomparable bargaining power from the different sports associations that leads to enormous income from TV and sponsors that if could be transferred to football and its infinite economic potential due to the much bigger engagement on the fans given by the sport itself could be able to allow enormous revenues to the teams, the UEFA and the infrastructures present in the domestic championships. It is like if football knows its potential and so does nothing to improve it, like a talented player that has no desire to train and work on his talent or at least doing it partially. The UEFA with its power over the European clubs could be able to create different sporting situations that could have that engagement but I have no idea why they don't even try to do something: the European football economic situation maybe couldn't be improved with these sporting entertainments, but at least could be helped and maybe there would be a possible regulation with these helps that could allow the various teams to invest more and be less beware of their expenses and losses that as we know are the biggest problem for the under the FFP regulation. The latest big difference, before entering in the details of some real rules that are present in all the American sports and that can somehow in future could be used in Europe, is the so-called "Draft" and it is an event where

⁶³ The Three-Point Shootout is a National Basketball Association (NBA) contest held on the Saturday before the annual All-Star Game as part of All-Star Weekend. In this contest, participants attempt to make as many three-point field goals as possible from five positions behind the three-point arc in one minute. *Source: https://en.wikipedia.org/wiki/Three-Point_Contest.*

⁶⁴ The National Basketball Association All-Star Game is a basketball exhibition game hosted every February by the National Basketball Association (NBA) and showcases 24 of the league's star players. The starting lineup for each squad is selected by a combination of fan, player, and media voting, while head coaches choose the reserves, seven players from their respective conferences, so each side has a 12-man roster. *Source: https://en.wikipedia.org/wiki/NBA_All-Star_Game.*

the different clubs in the major league of the American sports have the possibility to engage the best youngsters without a contract in a professional company and that most of times come directly from college. The most interesting fact is that the teams that arrive in the last positions in their respective championships, will have more possibilities to acquire the best young players in order to rebalance as much as possible every year the overall competition inside the various sporting leagues. This practice I must say that is very difficult, if not impossible to introduce in Europe, at least in the next years, but it is necessary that you know to understand the importance of a fair and equilibrate competition in American sports that doesn't allow in many cases the creation of super clubs as in Europe that win every year and that broke a the competition in football.

The elements easier to introduce and that are present in the American model are the ones that I'm going to explain in the next paragraphs and that in my opinion can be the base for a further improvement of the regulation by the UEFA.

The Salary Cap

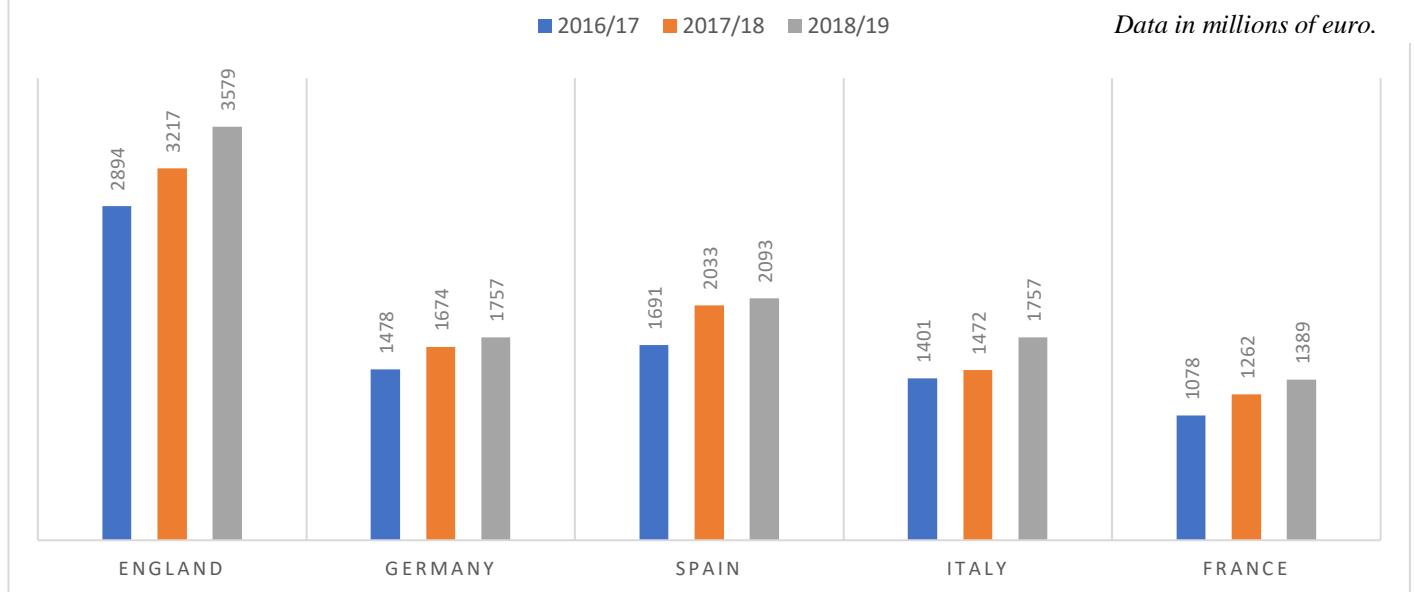
The idea of putting a roof on the maximum number of wages for the football players, the biggest incidence for football clubs and their balances, is an idea that the UEFA took in consideration many times. Aleksander Čeferin⁶⁵ himself many times said that in the next future it is possible to allow such possibility saying that "We will have to consider the possibility of limiting club budgets for footballers' salaries. The introduction of a Salary Cap would force companies to be more rational, preventing, for example, from having very long rosters and infinite payrolls. It will be a battle that we will try to lead; winning it would mean that we have managed to make a historical challenge⁶⁶".

The problem is that until now, despite the UEFA talked times about the introduction of this measure inside the Financial Fair Play regulation, there have been no substantial changes in this direction and instead the salaries have growth inside all the football leagues. An example is the acquisition of Cristiano Ronaldo from FC Juventus with a wage of 30 million euro net per season. This leads also to a general increase of all the wages because also the other players if see that one can gain 30 million per year many times ask inflated wages to the societies thanks to the strength that those type of signings give them. Paired with the constant increase in revenues by the clubs thanks to all the loopholes that I have described before, the situation is that of an ever-growing media of the salaries inside the European football with instead the income that most of time is not real and this can create a bubble that can explode and maybe end with a collapse of the general European football movement. Another downside of this situation is that both the clubs don't want a salary cap because they would lose their status of economic and football giants and also the players will be forced to reduce their wages and so the introduction for all the football workers status will be very difficult.

⁶⁵ Aleksander Čeferin is a Slovenian lawyer and administrator. Between 2011 and 2016 he was President of the Football Association of Slovenia. Since 14 September 2016 he is the president of UEFA. *Source: https://en.wikipedia.org/wiki/Aleksander_Čeferin.*

⁶⁶ *Source: <https://sport.sky.it/calcio/2017/07/01/uefa-ceferin-salary-cap>*

WAGES COSTS OF "BIG FIVE" EUROPEAN FOOTBALL LEAGUE CLUBS FROM 2017 AND 2019, BY LEAGUE.



Source: <https://www.statista.com/statistics/1022140/european-soccer-wage-costs-by-league/>

The graph shows that every championship in the latest year has seen an increase in the overall wages in the leagues and that the increase is not even of a low amount. If the situation continues like that, paired with the overall situation due to Covid-19 the European football could have some serious problems that instead the American leagues, where the Covid situation is even worse, are not having due to their almost perfect organization.

After this introduction I'm going to explain what the Salary Cap is and how and if that model could be introduced inside the European football system. The most famous case is the Salary Cap present in the NBA in America. It has been firstly introduced in the years '40 then abandoned and then reintroduced again in the years '80 and still exists until today and from a lot of people in the world of football it is indicated as the fastest, easiest and most fair way to re-create a balance in European football.

The Salary Cap is the maximum amount that every team could spend every year to pay the wages of its players. So, the total amount summed of all the wages of all the players present in a team must be inside that limit. At the basis of this financial rule there is the idea to guarantee a solid economic base, given by the fact that a team could never exceed its sustainability limits, calculated by the league itself (in our case should be the UEFA or the singular national football associations) on the bases of the wealth of the singular teams at the beginning of each season and with the goal to guarantee the equality in the championship. You can just know that almost every team in Europe after the Covid situation has forced its players to reduce their wages also by the 60% while of course this is not happened in the NBA that also if the wages media is higher than in Europe has a financial force and stability that allowed all the teams to continue to pay the wages to every single player. In addition, this system also doesn't allow the formation of any super team with too many champions that would destroy the competitiveness and so also the interest towards the championship. This system allows to distribute

the competitiveness inside all the leagues, allowing it to have the competitiveness and the equilibrium not as some problem to try to solve as in Europe but instead some points of strength. This is also the sense of the draft that give the possibility to the worst teams to have a right to get the best young players and to rebuild their teams in few years to be competitive again and maybe also fight for the title.

The Salary Cap in the NBA works in a way that can satisfy also the biggest teams in Europe: within its functions there is the possibility to exceed that roof (even with the consequence of the payment of an additional tax, the Luxury Tax of which I will talk about in the next paragraph) and that is defined “Soft Cap”. It is controlled by the Commissioner of the League and from the NBA Players Association which decide, based on the past seasons and the income prospective for the future years for the single teams. It takes in consideration some parts that can be compared with the “relevant income” of the Financial Fair Play such as the TV rights and sponsorships incomes that are the biggest revenues for the NBA societies. This versatility, totally not thought inside the FFP regulation, allows an ever-evolving situation with excellent results from the economic point of view and becoming one of the best practices among all the sports in the world: with this method the teams that want and most of all that can, are able to do an additional expense in order to engage the best players in the league but at the same time respecting the financial and sporting requirements imposed by the NBA association and the Commissioner.

The most interesting fact is that a similar solution can be also compatible with the actual European football situation and the introduction of it could have, after all the necessary changing in the FFP regulation because obviously basketball and football are not the same thing, an immediate positive impact on the European football movement, both from the side of the teams that will have a new challenge and will at least try this new method and also from the supporters’ point of view that finally will see an equal and good rule to re-establish the equilibrium and a more challenging competition among all the football clubs.

The advantages will be multiple from the financial and sporting point of view: firstly, a limit to the wages and the connected savings could be used for a further improvement for example for the infrastructures and the development of the young players, that in the actual FFP regulation don’t count for the final balance but that many times are used only to hidden the real expenditures of the teams and avoid the break-even requirement; and in addition in a few years there will be a redistribution of the talents that can’t be anymore all in few teams but that will be in any case redistributed and that will enormously increase the competition in all the European competitions. This new regulation will also have another positive effect for both the players and the supporters: first of all, the economic ambition of the players will be satisfied and then the supporters will see again their favorites players play in their teams for many years. The reason behind the first assumption is that the best players want to have the highest wage as possible and only the team with sufficient space in their Salary Cap will be able to afford it and so they will have a willingness to join other teams to have the maximum possible wage. In addition, the teams will have an additional input to resign their best players because the salary space allocated for them will almost be the same even after the renewal and will allow the teams to calculate it before and allowing the resigning easier, maybe building their teams around their best player. This will be a great

thing for the supporters that won't see any more their favorites players signing for other teams only because they are richer and have more money for these players and it will increase the probability to see again players such as Francesco Totti, Paolo Maldini or Steven Gerrard playing their entire career in one team.

This is exactly the direction where the Financial Fair Play regulation should try to run across with the Salary Cap that finally could give the definitive turning point to the ever-growing stagnant situation of inequality and non-competitiveness in football that still exist from too many years.

In every case this is not as easy as it seems and for the correct renew of the regulation it is necessary an enormous work from the UEFA to correct and implement the NBA regulation in order to make it fit with the European football situation. It is also necessary in every case to change the rule behind the sponsorship deals because in any case if it remains as today the teams that will earn more money through them will always be able to go over the Salary Cap and in every case sign stronger players than all the other teams. The direction to be followed is the one of the substance and create a regulation that won't make persist or create again the actual situation of European football where until now all the teams are only trying to avoid the FFP regulation instead of accepting and implanting that to ensure a better competition and most of all a better football.

The Luxury Tax

Paired with the Salary Cap, and always in the ambit of application of the NBA, there is an additional possibility to improve the limitation given by the wages roof and that is known as the "Luxury Tax" that allow the regulation to a lesser rigidity and grants to the Cap a wider range of application. The Luxury Tax is the final element that gives equilibrium and more possibility to move around it to the clubs: it grants the possibility to the various teams to slightly exceed the Salary Cap in order to grant the possibility to the various clubs in some seasons to reach out their necessities. For example, if the Salary Cap is 100 million euro per team, with the Luxury Tax only in some seasons and only under some specific conditions some teams are allowed to spend up to 120 millions for the wages.

The rationale behind it is that some teams could have the necessity to spend more money for some seasons in order to complete their growth process and allow them to sign one or more additional players in determinated situations. Seen that in every case this is a violation for the regulation, instead of being feed the various teams such as the any Financial Fair Play violation in this case they have just to pay the Luxury Tax, calculated on the entity of the violation (so how much money is spent over the limit of the Salary Cap) and based also on the profitability of the team that had such behavior. In addition, there is an additional tax if the team in question was still paying the Salary Tax three times out of the last four years.

The most interesting fact is that the money gained with the Luxury Tax is used for the 50% by the NBA to develop and improve the structures or the events or other stuff paired with the American basketball and the other 50% is given to those teams that instead have maintained their expenditures under the Salary Cap. In this way the technical advantage given to the teams that have more and better players than the other thanks to

their utilization of the Luxury Tax is compensated by the income granted to the teams that respected the rules and maintained the respect to the rules, in order to keep the equilibrium among all the societies.

Even if it is complex to implement inside the European football panorama, paired with the football teams that actually don't have so much willingness to adopt this new regulation, in my opinion the Salary Cap and the Luxury Tax can be solutions that can satisfy every team in Europe and that most of all can re-establish a competitive equilibrium that by now is missing by too many years. It would be easier to apply this model with the presence of a European Super League of which I will talk in the next paragraph for different reasons: the first is how it can be applied between the first and the lower divisions teams and again how for example the Premier League could have the same Salary Cup of the Jupiler League where the total gain of the championship is ten times if not lower than the other league.

A solution can be found: at the beginning also the Financial Fair Play seemed to be impossible to apply but in the end, still with all its problems, has been accepted and implemented by all the European teams and in my opinion it must be seen only as the beginning of the regulatory statements for European football. The actual context of football probably is still not prepared for solutions such the ones proposed before but with the right rules, the right goals and the right desire of improvement from the various national football associations and clubs in the next year some solutions towards this way can be found. The most important thing is that the UEFA shouldn't keep the actual regulation only because it and also the clubs are scared of radical changes, but they should find and create again the competitiveness necessary for the right progress of the various domestic and UEFA's leagues.

The European Super League

The idea of the creation of a European Super League is something that people are talking about in European football since at least ten years, but in the last years this idea is taking an ever-growing amount of consent between football teams and players, most of all after the Covid-19 situation that we are living. The idea is to create a closed league, exactly like happens in America with a major part of the sports but the peculiarity and also major problem is that simply are not allowed any promotions or relegations between the different championships. From one side this guarantees the competitive balance and also the economic stability of the system, that at least in theory are the two fundamentals of the UEFA Financial Fair Play, but on the other side it creates a very closed system where the entrance for other clubs is almost impossible. The reason is that to guarantee the economic solidity to the entire movement the system is closed not only to the other clubs that very hardly can join the competition with the absence of promotions and relegations, but also for new eventual investors is very difficult to acquire a so called "franchise". The reason is that for acquiring a society are necessary an number of investments that very few people in the world are able to do and that are finalized to the sporting equilibrium seen that 9 out of 10 time the teams acquired are the ones that are having the worst

seasons or with still existing financial problems and so enormous injection of money are necessary in order to acquire a team.

The actual problem in Europe is that maybe the situation is exactly the opposite with controls that most of time are too gentle and that create an extreme market liberalism that sometimes leads to difficult situations for the clubs, such the ones happened in the last years for Inter and Milan that have seen their properties change many times in a few years. The American system is strong because the franchises can't be relegated and in addition with the presence of the draft and other stuff in few years any team can be competitive again if managed in the right way and so the possibility to lose money or make the franchise to fail is very low and this grants a big bargaining power to the NBA that can do every possible control and be sure that any new proprietor has enough economic power to make such an investment. At the moment this is pure fantasy for the actual situation of European football but with the introduction of this new system and the European Super League something could possibly change towards this direction.

Before making any consideration, I am going to try to explain what should be and how would be organized this new European competition. At the moment the most similar thing to the Super League in the World of football is the UEFA Champions League and the biggest doubt created by this new league is that it can potentially cause the end of domestic football as it is known today, but you must know that the same considerations were done in 1992 when the original European Cup has been replaced by the UEFA Champions League and until now is not happened anything like that.

The journal "Der Spiegel", the one that leaked also the sponsorships deals of Manchester City, reported some documents that he has uncovered from "Football Leaks"⁶⁷. The idea leaked was the creation of the creation of a competition made only for the top European football clubs that would have break away from UEFA and start their own competition by 2021. This created an enormous upheaval in the world of football with clubs and fans that feared the possibility of seeing their team can't compete in this league and also for the creation of another European competition that for most people would have been useless.

The format of the competition would have been very similar to the actual UEFA Champions League with 16 teams chosen for the richest and strongest in Europe to compete between themselves in a group stage followed by knockout rounds to claim a European Super League champion but in this case totally without any inference made by the UEFA. The 16 competitors should have been chosen from the biggest clubs with 11 that were labelled as "core founding" and that can't be relegated from this competition, at least for the first 20 years, while the other 5 positions would have been vacant with relegations and promotions from the other European teams.

If from one side it would hardly hit the domestic leagues and markets due to their "relegation" to championships of secondary category, on the other side the power of this league should be granted by the

⁶⁷ Football Leaks is the largest leak in the history of sports, revealing "murky" financial transactions in the world of European professional football and exposes the tax tricks employed by some of the continent's biggest stars.

Source: https://en.wikipedia.org/wiki/Football_Leaks.

competitiveness inside it. Actually, the UEFA Champions League is the most competitive championship in Europe, but in the group stage the difference of power between clubs are becoming too high and this is creating an ever-growing uninterest into the supporters to watch and follow the first matches and sometimes also the knockout stages of this competition.

Another problem created by the possible creation of the UEFA Champions League is that as told before for Europe the competition and the sporting part is very important and, at least for the 11 clubs that can join this new competition in this new way it would be totally removed, allowing them to participate only for their status and their money and not at all for their sporting merits. Romantic adventures and that have been followed in the latest years from the fans among all the Europe such the ones of Atalanta or Leipzig or again the Borussia Dortmund of some years ago can't be possible anymore and this is another aspect that in my opinion can't be undervalued at all. Probably the actual situation of the UEFA Champions League has gone too far with very modest teams participating in it but I'm not sure that this way of thinking of the European Football League should be the right way to follow: at the beginning the European Cup was played only by the clubs that won their domestic championships and after the creation of the UEFA Champions League the possibility to participate has been extended to many other teams that with the actual regulation don't have any chance to compete in this competition, so an easier solution should be simply to create again a format similar to the old European Cup and creating a new competitive, and also related to the sporting merits of the single clubs, fair competition.

In any case the various teams are pushing towards this direction most of all for economic and status reasons that even the actual UEFA Champions League can't grant to them. The North American professional sports leagues such as Major League Baseball or the NBA are closed sports leagues where there is no promotion and relegation as we are now and the teams in Europe want to try to achieve this status in order to don't be relegated anymore from the competition, regardless from their wins and losses. This Super League would also provide greater financial rewards to its members because all of them obviously would be paid and gain huge income for the matches that they will play and that with any case will be followed by a lot of fans from all over the world. This new league will have the positive aspect that will see the best teams play against each other more often than the UEFA Champions League and it can have an enormous following, like the one that actually has the Superbowl or the NBA finals but with a catchment area even greater thanks to how much is followed football all the World. Actually, the UEFA Champions League indeed is the most followed sporting event in the world and the resonance that could have a European Super League will be for sure even greater and overtake to any still existing competition in popularity.

The actual biggest problem for the realization of such a competition is what will happen to the clubs that will remain outside this new competition. The still existing gap between the European clubs will increase as never before and likely the smaller teams will become only feeder of young talents for the biggest and also richest ones that will have the ultimate goal of winning this new championship and make most money as possible. Someone would argue that this situation is exactly the same that happened in 1992 with the Premier League

where the biggest clubs created it only to earn more money, but the main difference is that in that case the environment and the rules about relegations and promotions remained the same while in this case they wouldn't be only changed but would be totally removed. The domestic competitions in the European nations would still exist but in a downgraded and in my opinion useless form: the clubs should participate and compete in them while one or two clubs will earn four or five times more of the other teams and even if they would win they couldn't even be able to participate to the maximum European competition anyway. The product offered by the domestic league for sure would also lower the general quality offered and also the attention given to them by the fans would be reduced at the same time, creating an even more accentuated imbalance between the clubs.

I don't know if the European Super League leaked by the German journal would never exist or even if it would exist in this way, but in my opinion, this is the totally wrong way to deal with the actual Financial Fair Play regulation. The main objective at the moment is to grant competitiveness and rebalance the general trend of European football and doing so will lead it to the exactly opposite way, increasing enormously exactly what the supporters and a lot of people inside the football world want to eliminate.

I think that a creation of a European Super League can also be engaging but this for sure is not the right way: maybe a good solution can be to take the Salary Cap, pair it with the Luxury Tax and implement them with two competitions based on the income of the various championships. For example can be good to create a competition for the top five leagues where all the teams participating will have a salary cap slightly higher than the media of the various championships and will be allowed to participate to it based on their positioning in the domestic league and another competition for all the other smaller leagues, always with a Salary Cap but made in relation to their possible income and among the years to bring one or another nation to participate on one of these other league based on their results achieved and their general financial positions. This would firstly increase the competitiveness both on domestic and European leagues and on another side, it will create a balance where the good teams will compete with other strong teams and the smaller leagues will have an incentive to grow and try to reach the others and at the same time compete for a trophy that respect more their possibility in order to allow any team participating to win it.

Possible short-term changes for the FFP Regulation

At the moment, it is quite difficult to dramatically change the Financial Fair Play regulation with innovations that would totally change the European model of football such the imitation of the American sports or the introduction of the Salary Cap. The first objective to reach, and it must be pursued as soon as possible is the equality within the application of the rules. Many cases created problems for the credibility and the respect towards the FFP regulation, the Manchester City and PSG cases are the ones that made most resonance but there are also other cases that are mining the whole European movement. It is right in my opinion that the rules should be equal for every team, but their ambit of application should be made based on the various teams and

their economic and sporting strength: the worst fact is that in part this has been made until now but exactly in the opposite way that it should have been done in order to favor somehow the smaller clubs. Until now the biggest clubs have always been helped to the detriment of the weaker ones, with the super giants that have been favored in every way by the FFP regulation allowing them to reach their actual and unattainable status in the elite of football. A such stringent regulation is necessary to be applied with uniformity or at least without allowing to the richest clubs to do anything they want and creating, maintaining and most of all growing the gap that is still existing and that has been made in the latest years since the introduction of FFP and its allowance to generate income in doubtful and not very clear ways.

It is necessary also to put the competitiveness of the various leagues, from the domestic ones to the UEFA Champions League and Europa League, with the equilibrium goal between the clubs to be put at the same level of the economic sustainability of the movement: the competitions generate interest that generates profits for the clubs so a regular and sane competition with an equilibrium within the clubs is necessary to reach a solid and widespread growth of the whole European football. In the latest years are always the same teams which win trophies, creating a closed system but not regulated as a closed system, such for example happens in America, creating a middle ground that actually cannot lead to anything positive for our favorite sport. In the latest chapter I showed you a graph where the 13 richest clubs in Europe create nearly half of the total revenues that derive from football and this is not fair and most of all sustainable anymore, most of all because there are more than 700 clubs in our continent's football and the regulation is made to treat them all at the same way while the truth is totally the opposite and it becomes every day that passes even worse.

The first corrective way that can be found to achieve a solution that would grant a better competitiveness and equilibrium could be to put a roof on the investments for players for one single season. At the moment the only limitation is to fulfill the break-even requirement and don't incur in more than a certain loss over three seasons, but the richest teams if have a capital gain of 300 millions of euro are allowed to spend 300 millions of euro while the smallest team cannot do any important investment, both for their revenues that don't allow them to acquire important players that could re-establish a competitive balance and also because private investments are seen like expenses in the actual regulation and so it is not possible even in this way to do anything. The idea of creating a maximum spending for the clubs firstly will slow down the general trend of players prices that grow every year and it is becoming not sustainable anymore for the greatest part of the clubs, on the other side will allow the smaller clubs to re-establish the competition with all the others. Just imagine a roof of expense of 100 million euro per year per club: any club can spend that money and can finance it with the "relevant income" made with the sponsorship deals or with the selling of other players or in this case will be possible again also the equity investments in my idea. These injections of money can be easily regulated in this case by simply ruling a part of the total fixed possible spending to be financed by the clubs' owners, with the value related to the financial situation of the various clubs and most of all of their proprietors. By doing so, with a fixed amount of expenses the competition will be real: the power of a club will be granted by its ability to choose the right players and not anymore by the quantity of money available

that could finance any possible investment for the richest ones while increasing the still existing gap with all the other European clubs. This will favorite both a financial than also a sporting equality in European football and the most important thing is that the field of application in this case could be far easier: in the case of the Salary Cap indeed a lot of teams, and in this case most of all the richest ones, should completely change their players due to their salaries that will be too high for sure after the reform and in this case the hit given to them would be too big and not fair in any case. With the creation of a roof for the maximum spending instead in the short-run not a single club will be disadvantaged while in the long-run the actual weaker clubs will have the possibility to over perform the richest ones and re-establish a competitive balance with figures such the sport directors and the scouts that will have an ever growing importance and that won't base their work only on the money available granted by the clubs' owners but instead will lead the possible winning for all the teams thanks to their abilities.

Another way to create a more balanced competitiveness could be to impose to the European clubs a limit based non on economical parameters such the Salary Cap or a fixed maximum amount of expenses but instead a limit to the number of operations that the clubs can do in a transfer session. First of all, it would again create more balanced teams, not allowing anymore the Europe giants to buy on a single session several young players and then sending them on loan to other teams, creating value over years and putting their hand on the future of football. In addition, it wouldn't be allowed anymore the possibility of such transfer made by clubs such Inter or Juventus of which I talked about in the chapters before: transfers such the one of Ionut Radu that in 7 days changed its team 4 times couldn't be allowed anymore and so the various balance of the teams in this way could reflect more their real balances of the various teams in Europe.

The solutions available to the improvement of the European football situation so are different, some applicable in the short-term while for others could be necessary more time, but with the actual situation of the Financial Fair Play some changes in my opinion are necessary to give a boost to the European football movement and bring back the old competition and most of all the passion inside the sport and to all the various fans in Europe that don't recognize anymore the football that they loved until some years before. FFP at the moment is following a route that brings only to the financial sustainability but should be concentrated more also in the competitiveness of football that as time passes it is decreasing and if nothing will be do the gap between the European clubs can't be bridged anymore.

The financial results of the various clubs for sure will arrive after a competitiveness will be re-established in European football: financial stability and competitiveness are two faces of the same medal, but the Financial Fair Play regulation simply is focusing on the wrong aspect. For sure with the results for a club in 99% of cases will arrive also the financial stability given by them but on the opposite side the problem is that if a club focus only on financial stability, and this is the way that football is taking for 90% of the European clubs after the FFP introduction, the results will be very difficult to achieve for the smaller clubs that aren't allowed anymore to do the necessary investments to empower their teams.

Conclusion

With the arrival of the Covid-19 the situation in the world of football is slightly changed and since some months the Financial Fair Play has been suspended for the various clubs allowing them to concentrate their efforts to fight the actual crisis generated by this new virus and removing the numerous possible fees that the actual world financial situation would have generated, seen that in whole the European football panorama the clubs that didn't report several losses have been very few. This solution guaranteed by the UEFA in my opinion has been very positive because there aren't any more the basis for the FFP regulation in the actual situation, with the clubs that in this moment are focusing all their efforts only to try to reduce at the minimum the numerous losses that they are facing. I won't analyze all this situation in detail seen that probably I should do another thesis only on this aspect, but I think that this historical point, that led to a pause to the FFP regulation and implementation, can be used for further improvements and maybe to introduce some long-term regulatory revolutions that probably in other situation couldn't have been done. So, what is the actual right way to follow to improve the European football seen as a whole?

Probably only a right way and a single solution still doesn't exist, even with the road cleared by the Covid-19 and the bigger possibility for any new rules. In my opinion the complete removal of the FFP regulation is a solution that must not be gone through. The first reason is that if there are some downsides that I have analyzed before in my work, the positive features integrated by this new regulation are many and can't be ignored, the financial stability given by the FFP is very important, more than ever in the actual situation where even with some clubs that have always respected the FFP are passing through a lot of troubles such for example the FC Barcelona and I can't even imagine what should have happened if a situation like the one that we are living could have happened ten years ago, probably that should have been the end of the European football or at least the football that we know. The second reason in my opinion is that removing the Financial Fair Play regulation would be an important loss and the consequent admission that the regulation didn't work and the loss in practice of almost ten years of works and sacrifices from the UEFA, from the European teams and also of the supporters that in the end have welcomed this new regulation and tried to support it even with all the controversies that it has generated. The work of the UEFA towards the European football must be revolutionary and aim to the future and in my opinion removing completely the FFP regulation will be in any case a step back, a situation that the actual football situation can't afford in any case for the ethical but also practical reasons that I explained some rows before.

Along with these premises the Financial Fair Play and its actual regulation is not sustainable anymore, the various rules helped the team but on the other side they are creating a general discontent in the football panorama between the clubs' properties, the various footballers that don't see any more their winning ambitions realized and in the end the fans that don't recognize anymore the sport that they love and are seeing football just like a business and nothing more. The system at the moment is not as democratic and competitive

as it should be and the various possible reforms must be introduced with an eye, if not both, towards this way. The future perspective, at least from the sporting point of view, is in danger and as for anything if the basis of something is removed then also all the other features related will be in trouble, such for example the economic situation generated by the FFP with a lot of efforts by the various clubs that could have serious problems by reflect of the troubles generated to the whole football movement.

At the moment the most important clubs, obviously, are pushing for the creation of a European Super League that in my opinion, if it will be implemented as explained by “Der Spiegel” is not the proper way for a further improvement of football but simply will increase even more the general disequilibrium and creating a competition more uneven than ever, but on the other side with the right European adjustments and with the right reforms as time passes it can be a good possible future improvement, simply the one proposed by the German journal is not feasible for the actual situation and I sincerely hope that won’t be introduced as stated and leaked from the UEFA files. The critical issues derived by a Super League are numerous, but I hope and I put my faith on the UEFA’s work to re-establish the competitiveness by satisfying also the financial necessities of all the European clubs and not only the biggest ones as they have done until now.

Establishing the creation of a European Super League in the way and with the modalities defined by the UEFA or by the clubs that want to create it, then the regulatory part from the economic and financial point of views can be done by the Salary Cap or the Luxury Tax as proposed before in my work and this is exactly the point when the Covid-19 pandemic can be useful: everything is paused within the FFP regulation so for all the clubs this is the best and easiest moment to introduce some important reforms such the ones I proposed, keeping the regulation and any fees paused and simply giving the clubs some years to introduce these new rules and adapt their teams to the new regulation that will complete the actual existing of the Financial Fair Play, with the UEFA committee that will control the juridic part of football but with a better implemented regulation with the addition of this new revolutionary solution. If the Salary Cap and Luxury Tax can’t be applied yet, simply a roof for the maximum spending on a single year for a team of a cap for the number of transfers available in a single session can be easier to apply but always effective ways to re-establish some competitiveness in the European football panorama without totally revolutionizing the total FFP regulation but simply by introducing some useful reforms.

An additional reform of the whole European TV rights by taking as model the English, German and Dutch championships as example for the right actuation is absolutely necessary: the actual situation where a club plays the UEFA Champion’s League can be rich and invest a lot of money and if another one doesn’t play it can’t be competitive in any way is not sustainable anymore and the UEFA must understand it with the creation of a new distribution system that will include all the European clubs and not only the one participating to European competition always with the aim of an equilibrium that as time passes is becoming always less present in the football of our continent.

My work and my ideas simply are and remain at least at the moment ideas. The objective of my work is not criticizing the UEFA's work or go against the richest clubs, simply as a fan and a passionate student that see his working life inside the world of football tries to suggest some idea for a possible further improvement. Maybe none of my ideas will be never implemented but at least I hope that I have offered food for thoughts and for a better future for the European football movement. I simply tried to look forward to the future, taking present all the good part created by the FFP but always with an eye to further improvements as should be in my opinion in any part of the life, not just in football. The economic scope, with the competitive equilibrium necessary for the right development of football, are the necessary focuses for the future improvement I talked about and I hope that the UEFA or any other organ that will manage the European football in the next years will take these two arguments as the basis for any solution of improvement that they will find to passionate again the fans of our continent's football in the future.

Football right now is not simply a match on a football pitch, it became far more and for the right improvement it must be treated by taking in consideration all the numerous aspects that in the actual world are important such the economic one. After the Covid-19 ends, I hope that there will be an historical revolution for the football that we know that will lead to the final improvement necessary for its right development, that will take in consideration all the aspects related with it but that will consider always what it its essence: sport that gives us the sensations that nothing else could never be able to grant.

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Executive Summary

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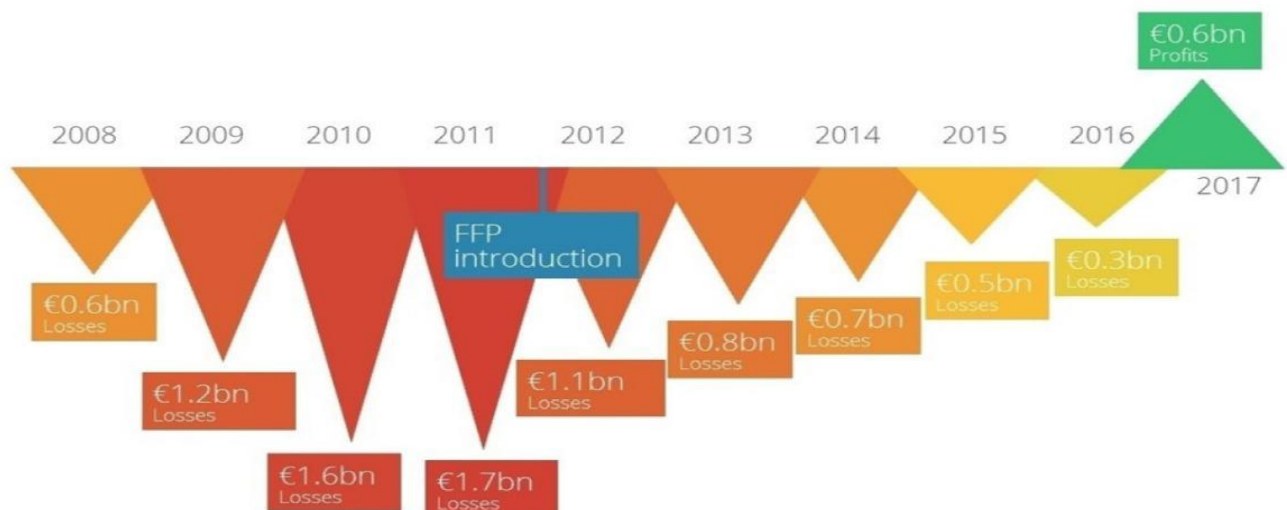
Conclusion

Introduction

Since the introduction of the Financial Fair Play during the 2011/2012 season in Europe, the whole football scenario has totally changed and the teams participating on the continent's competition had a deep transformation from both a financial than a sporting point of view.

From the economic side the European football has seen a situation improving to a more sustainable debt for the various football association, passing from the total net losses of 2011, year before the introduction of the Financial Fair Play, of 1,7 billion euro to a 600 million euro of profits in 2017 as showed by the following graph.

NET RESULTS OF EUROPEAN CLUBS BEFORE AND AFTER THE FINANCIAL FAIR PLAY INTRODUCTION FROM 2008 TO 2017



From the sporting point of view instead, the European situation has seen an increasing gap between the strongest teams playing in the European competitions such the UEFA Champions League or the UEFA Europa League and the other teams participating only in the domestic championships. The reasons are different and go from the income generated by the European competition that allows big flows of money to the teams participating, to the sponsorship deals made with better conditions for the strongest clubs to other methods within the football market sessions used by several teams to grant them bigger income compared to the smaller ones.

The general worsening from a competitive equilibrium of view for the different competitions in Europe, paired with the Covid-19 epidemic and the successive crisis, also from an economic point of view, let me think about the actual functioning of the Financial Fair Play and my thesis is aimed to analyze and propose some solutions to improve the actual European football panorama, using the bad situation that we are living as an engine to

allow the restart of the favorite sport of million people and not as the start of the end as someone is thinking right now with regards to our continent's football.

Chapter I – The Financial Fair Play

The football scenario has seen some different evolution among the years that brought to the final arrival of the Financial Fair Play, but in my opinion, everything started in the first years of the 1990 and in particular with the so-called “Bosman sentence”.

The “1990 UEFA Transfer Regulation”, called also “Principles of cooperation between UEFA member associations and their clubs” was the only regulatory reference point for the sale and purchase of players and its main pillar was that players which have a contract with a club could have a new agreement with a different club if three requirements were met:

4. The signatory company had to immediately inform the one of origin of the signing of the new contract;
5. The company of origin had in turn to inform its national federation of this situation and obtain the issue of the international release certificate;
6. The new club of the footballer must pay an allowance whose amount was determined by multiplying the gross income of the same, during the season ended, for a coefficient between 12 and 1 depending on the age of the player.

The point 3 is the one that created most trouble for the clubs after the Bosman case: indeed, after this case the regulatory system was almost completely revolutionized, eliminating that payment and creating new financial difficulties for the clubs due to the addition of a completely new economic power for the players. In addition to this new rule, the UEFA European Commission created the famous rule of “3+2” according to which the clubs could include in match reports no more than three foreign players, to which can be added 2 other foreign athletes who must have played in the country of origin of the club for at least an interrupted period of 5 years, three of which in the youth teams.

With the fact that the profits could not be divided among football clubs, the societies didn't plan at all an economic-financial plan to ensure solidity over time. This situation led to an immoderate and unsustainable purchase of great champions (almost always foreigners) that thanks to the Bosman judgement could move to the various European championships much more easily. Even after that, because of the elimination of the indemnity in favor of the club of the players with a contractual expiration, after the Bosman judgement is also born the famous formula of the “zero parameter”, without any direct expense for the acquisition of these type of players (only the percentages to the agents got to be paid). So, since this moment foreign players and the expenses for their acquisitions (not allowances anymore but a price that must be paid to get that player or wait and engage him at the end of his contract without paying anything, exactly what happens still today when a football team acquires a player from another club) started growing among the different championships in

Europe. This trend created also other two indirect implications in the management of players for clubs: the tendency to renew the contracts of the players before the expiry (always with an increase in their wages) in order to limit the exits for a zero parameter and consequent economic losses, and the fact that having granted higher average salaries to players purchased for free, led to an inevitable increase also in the salaries of the other athletes in the squad and a consequently increase in the general expenses of the European football clubs. So, the Bosman ruling had a clear and incontrovertible impact on the financial management of European clubs which, released from the allowances, triggered a vicious circle of progressive increase in the hiring of football players which led to more than proportional growth in the indebtedness of the clubs, despite their increases in revenues along the years.

These are the social and economic conditions that after almost 20 years led to the birth of the Financial Fair Play, that indirectly and directly for different reasons can be seen as a consequence of the Bosman ruling and the reaction of the UEFA to it. In the complex panorama of the UEFA licensing system, the introduction, in 2010, of the “Financial Fair Play” criteria, has certainly represented the most impactful reform in the recent history of European clubs and competitions.

Financial Fair Play (FFP) was established by UEFA to make sure that football clubs were not spending more than they earned and, in doing so, to prevent them from falling into financial troubles which may endanger their long-term survival and “about improving the overall financial health of European club football”.

The rules of the FFP have been updated in 2012, 2015 and 2018 but the fundamental principles and objective always remained the same overtime:

- Improve the economic and financial capability of the clubs, increasing their transparency and credibility;
- Place the necessary importance on the protection of creditors and to ensure that clubs settle their liabilities with employees, social/tax authorities and other clubs punctually;
- Introduce more discipline and rationality in football finances;
- Encourage the clubs to operate on the basis of their future revenues;
- Encourage responsible spending for the long-term benefit of football;
- Protect the long-term viability and sustainability of European club football.

The Financial Fair Play is based on two fundamental pillars: the first is the *financial criteria* that describes how must be done the financial statement of the European football clubs and that also sets two fundamental indicators that are the Going Concern and the Negative equity; and the second is the *Break-even requirement* that gives the final economic goal for the European clubs.

The *financial criteria* states that the annual financial statements must consist of:

- F. A balance sheet;
- G. A profit and loss account;
- H. A cash flow statement;
- I. Notes, comprising a summary of significant accounting policies and other explanatory notes;

J. A financial review by management.

These documents are necessary to uniform the balances of the European clubs and allow the UEFA Committee to easily control and most of all compare them in order to analyze and verify if they are in conformity from a form and financial points of view.

In addition, the FFP suggests two fundamental indicators to demonstrate the well-living of a club and its sustainability over time and they are:

- C. *Going concern*⁶⁸: the auditor's report in respect of the annual or interim financial statements includes an emphasis in matter or a qualified opinion/conclusion in respect of going concern.
- D. *Negative equity*: the annual financial statements (including supplementary information) disclose a net liabilities position that has deteriorated relative to the comparative figure contained in the previous year's annual financial statements, or the interim financial statements submitted (including the supplementary information) disclose a net liabilities position that has deteriorated relative to the comparative figure at the preceding statutory closing date.

Within these documents the UEFA can at every time ask for additional documents only with the aim to control and protect the finances of the teams under its regulation.

For the calculation of the break-even requirements are fundamental two sources that define the income and the expenses that are "relevant" for it and they are always defined by the FFP regulation. The *relevant income* is defined as revenue from gate receipts, broadcasting rights, sponsorship and advertising, commercial activities and other operating income, plus either profit on disposal of player registrations or income from disposal of player registrations, excess proceeds on disposal of tangible fixed assets and finance income. It does not include any non-monetary items or certain income from non-football operations. The *relevant expenses* are defined as cost of sales, employees' benefits expenses and other operating expenses, plus either amortization costs of acquiring player registrations, finance costs and dividends. It does not include depreciation/impairment of tangible fixed assets, amortization/impairment of intangible fixed assets (other than player registrations), expenditure on youth development activities, expenditure on community development activities, any other non-monetary items, finance costs directly attributable to the construction of tangible fixed assets, tax expenses or certain expenses from non-football operations.

The monitoring period is the period over which a licensee is assessed for the purpose of the break-even requirement. It covers three reporting periods:

- D. The reporting period ending in the calendar year that the UEFA club competitions commence (period T);
- E. The reporting period ending in the calendar year before commencement of the UEFA club competitions (period T-1);
- F. The preceding reporting period (period T-2)

⁶⁸ Financial statements must be prepared on the assumption that the license applicant is a going concern, meaning it will continue in operation for the foreseeable future. It is assumed that the license applicant has neither the intention nor the necessity to go into liquidation, cease trading or seek protection from creditors pursuant to laws or regulations.

If a licensee's relevant expenses are less than relevant income for a reporting period, then the club has a break-even surplus. If a club's relevant expenses are greater than relevant income for a reporting period, then the club has a break-even deficit.

The acceptable deviation from the break-even point is EUR 5 million. However, it can exceed this level up to 30 million euro over the 3 seasons only if such excess is entirely covered by contributions from equity participants and/or related parties.

So, if a licensee exhibits any of the following conditions, it is considered in breach of the indicator:

- Indicator 1: *Going concern* → The auditor's report in respect of the annual statement (i.e. reporting period T-1) and/or interim financial statements (if applicable) submitted include an emphasis of matter or a qualified opinion/conclusion in respect of going concern.
- Indicator 2: *Negative equity* → The annual financial statements (i.e. reporting period T-1) submitted disclose a net liabilities position that has deteriorated relative to the comparative figure contained in the previous year's annual financial statements (i.e. reporting period T-2), or the interim financial statements submitted disclose a net liabilities position that has deteriorated relative to the comparative figure at the preceding statutory closing date (i.e. reporting period T-1).
- Indicator 3: *Break-even result* → The licensee reports a break-even deficit for either or both of the reporting periods T-1 and 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 reserves the right to ask the licensee to prepare and submit additional information at any time if the annual financial statements reflect that:

- Employees benefits expenses exceed 70% of total revenues;
- The net debt exceeds 100% of total revenues.

The last two indicators are just seen as benchmarks suggested from the UEFA Committee that must be respected for the right functioning of any European football team.

Chapter II – How clubs in Europe avoided FFP

If from a certain point of view the Financial Fair Play dramatically reduced the debt of the various football club in Europe, from the other side it created a vicious circle where the various clubs tried to avoid it in any way in order to increase with any method their "Relevant income" and have more money as possible to acquire players, satisfy in an easier way the break-even requirement and maintain their team's status.

THE SPONSORSHIP DEALS WITH UNFAIR VALUES

Before talking about the various cases, it is necessary to give some definitions given by the UEFA itself to describe and analyze the various deals made by football teams. First of all, according to UEFA a *related party* is "a person or entity connected to the entity that draws up the financial statements. In considering any possible relationship with the related party, attention is paid to the substance of the relationship and not simply the legal

form” and this definition is used to indicate if there are any relationships between the clubs and their sponsorships partners that can alter the final value of the transaction. The Financial Fair Play assess that there is a *significant influence* when a sponsorship is equal or greater than 30% of the total revenues of the company applying for the license and this is the limit at which can be made a sponsorship deal. In the end, “An agreement or transaction is considered *non-negotiated rightly* if it has been done in terms more favorable to both parties, than the agreement that would have been obtained if there had not been a relationship between the parties” and this is the final ratio that indicates if the final value can be stated as fair or not.

The first way in my study used by clubs to avoid the FFP Regulation is the realization of sponsorship deals at an unfair value, seen that the money derived by them counts for the income calculation and making an objective judge of the value of such a transaction can be very difficult in practice for the UEFA Committee. So, various teams in Europe realized among the last ten years different deals that have never been sanctioned by the UEFA and that provided them the necessary funds to allow their growth and their empowerment, with a total income incomparable with most of the other European teams. These are the cases analyzed in my thesis of teams such the Manchester City FC, the Chelsea FC and the Paris Saint-Germain FC.

The most important case in my opinion is the one happened in 2013 when Paris Saint-Germain FC announced a new sponsorship deal with the Qatar Tourism Authority that gave the French team a minimum of 150-160 million euro per year up to 200 million in 2016 related to the team’s sporting results, making the PSG the first club sponsored by a state. In addition to this, the sponsorship was retroactive to 2012, helping the French team to adjust its budget after the acquisitions of the years before. In this case the UEFA’s governing body made an inspection for the club obligation to meet Financial Fair Play regulation: indeed, the operation falls within those “with related parties” as the Qatar Tourism Authority is attributable to the State of Qatar, the same owner of the Qatar Sport Investment, owner between things of the Paris Saint-Germain FC. In the end the third-party body appointed by UEFA assessed that the “fair value” of this transaction was worth at a maximum of 100 million per year, the half of the original value. This can seem a victory for the UEFA due to the application of their general rule that the resources from related parties must be commensurate with the club’s value and the market value of other similar transactions concluded by the competitors, but if you consider that the value was still several millions of euro per year higher than the Manchester City’s one, analyzed more deeply in my thesis and that was the highest ever before the PSG’s deal, actually there is a great doubt on the validation of this sponsorship’s value, exactly because as told before is very difficult for the UEFA to demonstrate what is the real value of any sponsorship deal made.

The rationale behind UEFA is written in the article 85 of the Financial Fair Play and it states that relevant income and expenses from related parties have to be assessed at a fair market value. The issue with related party income, and more specifically when that income arrives from sponsorships, is that it can be difficult to descend what part, if any of the revenue, specifically comes from sponsorships, which part of the revenue is truly intended to be a sponsorship payment and which portion is coming only by the related party to increase the football team’s income without incurring on the regulation of FFP regarding the equity and the self-

financing and in my opinion the three definitions given by the UEFA in the first part of this paragraph to assess if a sponsorship deal is fair or not are simply not enough, with the cases of PSG, Manchester City and Chelsea as clue for my thesis.

THE PROBLEMS OF THE TRANSFER MARKET AND THE “PLUSVALENZA”

The major problem of the fictitious “plusvalenze”⁶⁹ is connected to the accounting benefits deriving from the temporal discrepancy between capital gains and acquisition costs. Normally each club should set gradual growth objectives aimed to the continuity of the technical project, as suggested by the Financial Fair Play fundamental principles, but this can be too easily overridden due to the constraints set by the same FFP, that many times leads to concluding transactions mainly for accounting reasons, rather than by the search for a technical improvement, and for me this is the major problem of the Financial fair play for the right growth of the clubs: indeed if by one side the football teams have to better themselves from the sporting and structural point of view, on the other side they are obligated to meet their financial parameters and to do so these teams have to sell off their players with doubtful methods, and as time passes this happens more often than ever.

First of all, you must know that if a sporting director has a promising young player whose balance sheet value is 25 million euro and receives an offer of 60 million, he could for sure be attracted by the opportunity to realize a capital gain of 35 million euro [$60m - 25m = 35m$] in order to make a capital gain, the “plusvalenza”, and helping his club to meet its Financial Fair Play obligations. In addition, if a team buys a player for 60 million euro and the player signs a 5-year contract, the team can be able to pay him only in the successive years. For example, if the club must pay 20 million per year for the successive 3 years [$20m \times 3y = 60m$], the cost for the exercise will be only of 12 million, indeed the cost will be amortized between 5 years and 60 million divided 5 years gives the result of the 12 million that will be in our yearly account. Imagine a club that needs money in the short-term: it will do with any probability this type of transaction, selling players and acquiring others to replace them with payments in the long term. This practice can be very useful to find money in the short-term, but it creates some troubles in the successive years where the teams can see their financial condition worsening by the numerous amortizations and will create a vicious circle by continuing this practice to satisfy their short-term balances without caring about their long-term strategy.

Another problem derives from the exchanges that actually generate revenues for the football teams as follows: club A owns X's rights at a residual value of 4 million euro (for example the last 2 years of contract of a player valued 10 million with a 5-years contract), while the club B owns Y's rights at a residual value of 7 million euro (for example the last year of a player valued 21 million with a 3-year contract). Starting from this point, A and B agree to swap the players at inflated values: B buys X for 25 million euro, allowing A to realize a capital gain of 21 million [$25m - 4m = 21m$]; as well A buys Y for 25 million euro, allowing B to realize a capital gain of 18 million [$25m - 7m = 18m$]. Assuming that both players sign a 5-years contract, A and B record an

⁶⁹ In the economic language, is the increase in value, positive difference between two values of the same asset referred to different momen

amortization of 5 million [$25\text{m}/5=5\text{m}$] each: A with this strategy makes a final profit of 16 million euro [$21\text{m}-5\text{m}=16\text{m}$] in the year, while B makes one of 13 million euro [$18\text{m}-5\text{m}=13\text{m}$] without spending in cash a single euro, even in the next years after the exchange. The fact that the two transfers take place at figures well above market value guarantees a profit in the year where the agreement is concluded, granting for example to the club the money necessary to reach the break-even point and don't incur in the FFP sanctions, but as before with negative repercussions in the long-term.

The cases analyzed in my thesis are the ones of Genoa, Inter, Juventus and Napoli that among the last year made a lot of transfers and exchanges with the method explained above that allowed them to generate important income that boosted their revenues in order to fulfill the break-even requirement, with a particular regard to the FC Juventus and its exchanges made in the last seasons with Barcelona and Manchester City.

Another method used by European teams during the various market sessions to satisfy the break-even requirement is the so-called “right of repurchase” or “recompra”. The *recompra*⁷⁰ is a very useful tool for clubs that have young football promises at their disposal, not yet mature enough to play with the first team. In these cases indeed, if by one side the players need to tread the fields of smaller realities to train as professionals and maybe finally “explode”, allowing their originating clubs to take back these players and have a new important assets in their teams, on the other side the clubs have the dual opportunity to make money by selling them and to reserve, however, the right to reacquire their sports performances if after a few years they actually prove to live up to their expectations, and that were the reasons for the introduction of this clause, but the problem was that the teams started focusing only on the financial part of it and not anymore on the possible players' development. So, the right to repurchase is a clause that can be inserted in the definitive transfer agreements aimed at attributing to the club of origin a right to repurchase, in the future and definitively, the services of the transferred player, which can be activated upon payment of an amount agreed upon at the time of signing, most of times higher of the first sum paid from the purchasing team. This practice allows the originally transferring company to record an immediate book capital gain at the time of the sale, reserving the possibility of reacquiring the player's right to sports services, which in the meantime had been valued, at a predetermined price. In addition to the benefit for the football performances of the player, the originally transferee company could guarantee itself a significant capital gain upon exercising the subsequent right to repurchase so that has 2 different positive effects for both clubs and that's why during the last years there was a real “boom” of this type of transfers, many times only to avoid the FFP regulation and without taking care of the right development of the player.

DIFFERENT CLUBS OWNED BY THE SAME PROPERTY

Among the last years European football has seen a new phenomenon that allowed different clubs, owned by the same proprietor, to easily bypass the Financial Fair Play regulation and that can be easily seen as the future

⁷⁰ The Spanish way to call the right of repurchase.

and the next chapter of World football thanks to the different advantages that it gives to these football teams if the rule book of FFP doesn't change fast.

Although some rules have been implemented at a national level with the aim to achieve and guarantee the integrity of domestic competitions, in a global landscape of football the case is slightly different. The UEFA's regulation is not severe enough and many clubs' owners have been expanding internationally through the acquisition of subsidiary clubs that are used to establish a broader network with the objective of encouraging the synergies from the sporting and business perspective. Also in this case the one that are hit the most by these strategies are the fans because many times the club's interest, most of time the biggest ones in the cross-club ownership, come at the expense of the smaller ones that are treated only as subsidiary to allow the growth of the main team. The dominant approach is the vertical integration, meaning that some club owners, mostly from the biggest competitions, are acquiring smaller clubs, most of times in smaller league such for the case of Claudio Lotito that owns both the SS Lazio in the Serie A and the US Salernitana 1919 in the Italian Serie B, with the aim to secure some playing time for their young talents, that would otherwise be blocked from getting first team opportunities and that could never have the 100% possibility to play as much as needed in other clubs that aren't owned by the same owner. Once these players reach their full potential, they can return to the parent club or find their permanent position in the secondary club or again can be sold to other clubs outside the group thanks to the time they've played, and the value acquired in these other clubs. If a group structures owns different clubs with different financial and sporting situations, they are able to minimize sports-related risks and optimize the on-pitch (sporting) and off-pitch (financial) performances by transferring and swapping players to specific positions in case of injuries, or shortages or again for FFP requirements or even to strengthen one of the teams owned and that in a particular moment may needs some specific players present in other teams of the same property, methods that can't be achieved in any way by a single club that isn't under a cross-ownership and giving these clubs a competitive advantage incomparable for the other teams under the FFP rules.

In my thesis I tried to analyze in particular the cases of the Red Bull and the Pozzo's family that for different reasons are the most important ones to define this phenomenon and let the reader understand why this sporting approach must be regulated or removed or for sure it will be the future of football with a lot of other owners following the example.

Chapter III – Possible improvements for the FFP

The original aim of Financial Fair Play was to create a unanimous regulation between all the Europeans football leagues with two principal objectives: to reduce the general debit and losses that were ever growing and that would have easily destroyed football in the long term, and to increase the competitiveness in order to make more challenging for every club the game inside and between the different nations.

The principal problem in my opinion is that the break-even requirement for sure is effective for the clubs to reach an effective financial stability, and the graphic present in the first chapter of this summary demonstrate the reduction over the last year of the general debt level of the various clubs in Europe, but on the other side

strongly limits the possibility for the clubs to invest money and create competitiveness among the strongest and the weaker teams by imposing a limit on their deficits. Indeed, by almost eliminating the possibility for the clubs to have donors, or patrons or other equity participants to inject money, these clubs don't have any more an important source of income to balance the still existing gap with the other clubs and suffer a unilateral competitive disadvantage.

The result at the moment is that football is creating an increasing monopoly with a perpetual spiral of success for the still winning clubs and a study was made to demonstrate that “success breeds success⁷¹” and is exactly the situation that is present in the actual football movement. The theory, and in this case also the practice is simple: an initial success leads to higher revenues that are used to invest and strengthen the team, making further success more easily to achieve. This dominance is a huge problem, most of all in professional sport, where it is predetermining the championships and violating the fundamental objectives and the basis of sports in general, ultimately undermining fans and spectators dreams to see their teams winning competitions, fact that is becoming ever more difficult for them due to this new regulation.

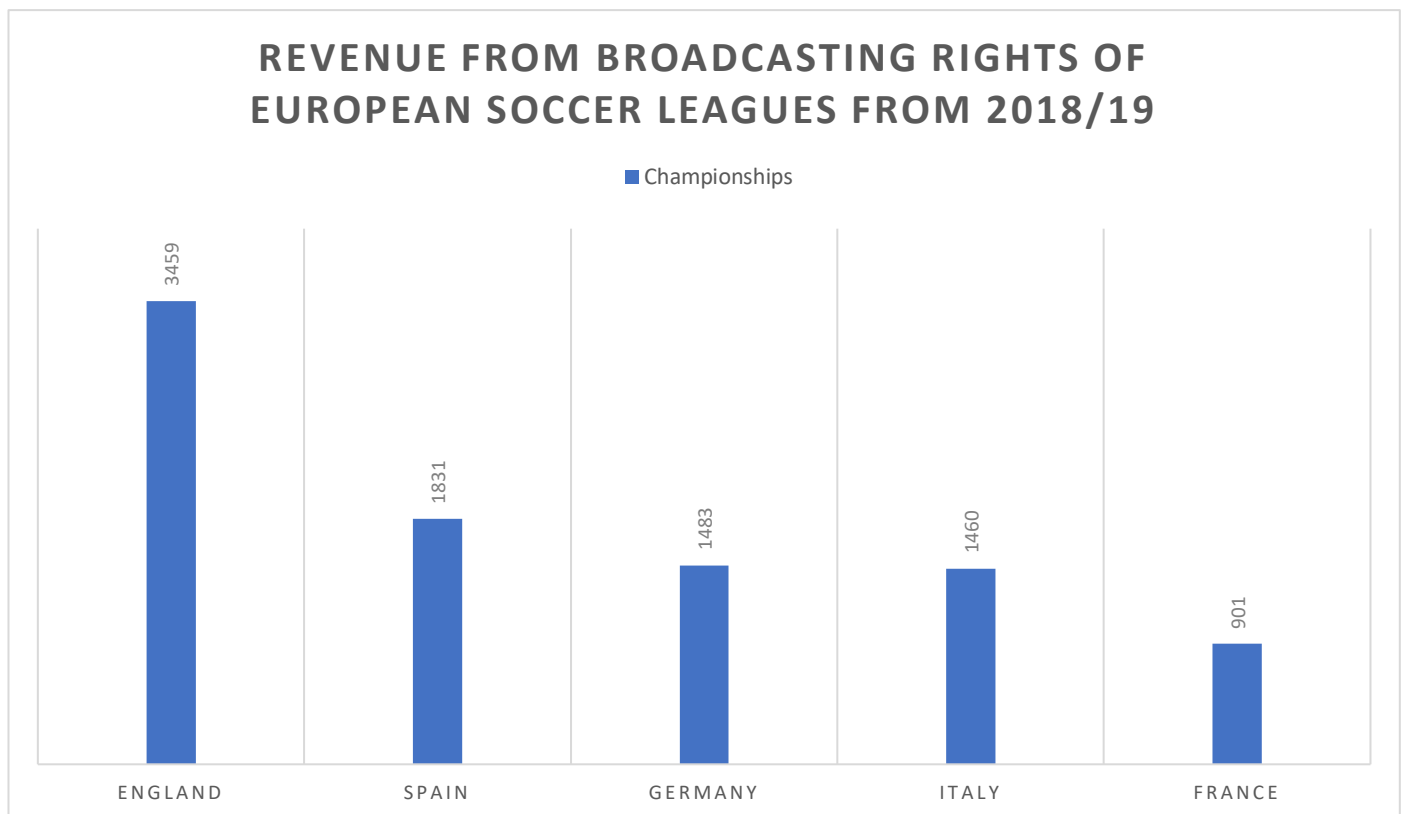
The problem of Financial Fair Play is that it sets several objectives, but it doesn't give enough instruments to achieve them. Indeed, according to the “Tinbergen rule”, to achieve a predeterminate economic policy it is necessary that the number of instruments to achieve it must be at least as high as the number of goals, otherwise the outcome of that regulation will be inconsistent or indeterminate and this is exactly the problem of FFP: it makes necessary to achieve different objectives but the ways to achieve them are simply not enough and the only one who loses in this case are the smaller clubs. At the moment, for the actual regulation in force, the equilibrium in the long-term can be granted mainly, if not only, by the size of the potential revenues of the teams that depend mostly by the population size, the income and the population's interest in football that grant more or less revenues between the different championships. These factors lead to the conclusion that Financial Fair Play and its current regulation is not appropriate because it is simply incomplete to achieve what are the objective sets by the FFP itself. In the long-term the FFP with its stringent regulation simply protects the still well-established football teams and create more challenges to the less-established ones. The ultimate result is simply the creation of an ever-growing unbalanced competition in the long-term that is exactly the opposite of one of the foundations of the FFP.

A well-done redistribution of the income generated must be the real objective of FFP and in the next paragraphs I will propose some different solutions that can be able to achieve this fundamental goal for the right development of football. To fight the actual situation the UEFA must rethink about the FFP and alter it in a way that unleashes competition while preventing an unlimited spending.

⁷¹ “Field experiments of success-breeds-success dynamics”. *Proceedings of the National Academy of Sciences*. A. van de Rijt, S. M. Kang, M. Restivo, A. Patil. (2014)

THE REVOLUTION OF THE TELEVISION RIGHTS DEAL

The first problem that arises in my opinion is that the television rights, who determine the broadcasting income of the clubs in Europe, and they are included in the “relevant income”, are totally different among the various football leagues present in Europe. For my thoughts, if the Financial Fair Play wants to affect all the clubs present in Europe it is necessary that somehow at least the relevant income must be as much as equal for all these clubs. So, an additional redistribution of this income is necessary in order to remedy to the market imperfections present in every case, with or without the FFP, to avoid an unchallenged dominance of few clubs. The problem is that it would be very difficult to do due to the big differences present among the different championships, on the sides of the people who follow them, the revenues generated by them and lastly by the general interest toward them and how much people in the other nations have a willingness to follow the foreign football clubs. The following graph resumes the differences between the revenues generated by the different top European league for the 2018/19 and explains the inequality present among the top European leagues.



Even if the Premier League is the championship that earns the highest amount of money it is the one where the income is distributed more equally: the top club earns only 1,6 what earns the bottom club. The disparities for the other championships are higher with La Liga that has the highest top to bottom club revenue ratio at 3,6 while the Serie A has 2,3 and the Ligue 1 and Bundesliga have both 3,3. The worst of this situation is that the teams participating to the Champions League could earn up to 100 million euro in case of victory while a team that doesn't participate earns 0, creating an additional disparity inside the TV rights revenues stream. So, you can understand that the UEFA is creating a cycle where who is winning remains a winner and who can't participate to its competition encounters an ever-growing gap between it and the other clubs.

I analyzed in my thesis the cases of the Premier League, the Bundesliga and the Eredivisie TV rights distribution but I think that the best suited for the actual needs of UEFA and FFP is the one proposed by the English championship. The agreement between the clubs with the league for the broadcasting revenues works as follow:

- 50% of the United Kingdom broadcast revenue split equally between the 20 clubs;
- 25% of the United Kingdom broadcast revenue paid in “Merit Payments” that are prize in money that depend on the final position in the table;
- 25% of United Kingdom broadcast revenues paid in “Facility Fees” each time a club’s matches are broadcasted in the UK;
- All international broadcast revenue and central commercial revenue split equally among all the 20 clubs.

This revenues distribution allows the Premier League to have every year at least six teams that potentially start with the goal of winning the league and that realistically can do that, resulting with a huge competitiveness that makes it the most followed championship in the World and that must be seen in my opinion as a benchmark for further UEFA TV rights distribution and in general for the FFP improvement.

THE AMERICAN SPORTS EXAMPLE

The most radical solution for the improvement of the Financial Fair Play and definitively solve the present and growing inequality between the clubs could be the one to create a fairer system following the virtuous American sports model. The history of the American sports suggests that the most effective way to create an equal system for the competing teams is to divide the wealth evenly, paired with a law to limit irresponsible spending and to ensure that the same sides do not win every year. The American economic model in sports is based on two fundamental principles, exactly like the Financial Fair Play, and these assumption are fundamental for their way of understanding the sport: the economic stability (in particular with regard to the clubs’ owners in order to have an always guaranteed survival of the organizations over time) and the necessary spectacle that stays inside and around the single sporting events, for which the Superbowl is the most representative events where paired with the American Football match there are a lot of stars and shows that accompany it. An example to understand the scale of such an event, the last year the UEFA Champions League final had 400 million of spectators all over the world while the Superbowl had 180 million of viewers. In addition, the income of the Superbowl was 3 billion while the one generated by the Champions League final was 1,7 even if the football match had more than twice the spectators of the American football game. Imagine the impact of 6 billion of euro or even only 3 shared inside the European football with only one event, it would create every year an enormous added value for the sports, for its development and for a lot of other sectors related with the world of football. The actual biggest problem for the implementation of the American way of doing, but that in my opinion with the newest market logics cannot exist anymore in 2021, is that in Europe the sporting result, related with only the pure competition, has always been the way of understanding the sports, most of all football. What happens in America is the creation of an all-encompassing event that is able

to attract the most varied types of public and not just fans of the sport or of the teams that are facing in a final. This creates an incomparable bargaining power from the different sports associations that leads to enormous income from TV and sponsors that if it could be transferred to football and its infinite economic potential due to the much bigger engagement on the fans given by the sport itself could be able to allow enormous revenues to the teams, the UEFA and the infrastructures present in the domestic championships. Actually, I see European football like a talented player that has no desire to train and work on his talent or at least doing it partially.

The latest big difference, before entering in the details of some real rules that are present in all the American sports and that can somehow in future could be used in Europe, is the so-called “Draft” that is an event where the different clubs in the major leagues of the American sports have the possibility to engage the best youngsters without a contract in a professional company and that most of times come directly from colleges. The most interesting fact is that the teams that arrive in the last positions in their respective championships, will have more possibilities to acquire the best young players in order to rebalance as much as possible every year the overall competition inside the various sporting leagues.

In my opinion the elements easier to introduce for re-balancing the European competitiveness without disrupting the actual system or ideas present in Europe are the following: the Salary Cap and the Luxury Tax. The Salary Cap is the maximum amount that every team could spend every year to pay the wages of its players. So, the total amount summed of all the wages of all the players present in a team must be inside that limit. At the basis of this financial rule there is the idea to guarantee a solid economic base, given by the fact that a team could never exceed its sustainability limits, calculated by the league itself (in our case should be the UEFA or the singular national football associations) on the bases of the wealth of the singular teams at the beginning of each season and with the goal to guarantee the equality in the championship. This system doesn't allow the formation of any super team with too many champions that would destroy the competitiveness and so also the interest towards the championship. It also allows to distribute the competitiveness inside all the leagues, allowing it to have the competitiveness and the equilibrium not as some problem to try to solve as in Europe but instead some points of strength.

The Salary Cap in the NBA works in a way that can satisfy also the biggest teams in Europe: within its functions there is the possibility to exceed that roof with the Luxury Tax. The Luxury Tax is the final element that gives equilibrium and more possibility to move around it to the clubs: it grants the possibility to the various teams to slightly exceed the Salary Cap in order to grant the possibility to the various clubs in some seasons to reach out their necessities. It is controlled by the Commissioner of the League and from the NBA Players Association which decide, based on the past seasons and the income prospective for the future years for the single teams. The rationale behind it is that some teams could have the necessity to spend more money for some seasons in order to complete their growth process and allow them to sign one or more additional players in determinated situations. Seen that in every case this is a violation for the regulation, instead of being feed like happens within the FFP, the various teams have just to pay the Luxury Tax, calculated on the entity of the

violation (so how much money is spent over the limit of the Salary Cap) and based also on the profitability of the team that had such behavior. It takes in consideration some parts that can be compared with the “relevant income” of the Financial Fair Play such as the TV rights and sponsorships incomes that are the biggest revenues for the NBA societies. The most interesting fact is that the money gained with the Luxury Tax is used for the 50% by the NBA to develop and improve the structures or the events or other stuff paired with the American basketball and the other 50% is given to those teams that instead have maintained their expenditures under the Salary Cap. In this way the technical advantage given to the teams that have more and better players than the other thanks to their utilization of the Luxury Tax is compensated by the income granted to the teams that respected the rules and maintained the respect to the rules, in order to keep the equilibrium among all the societies. This versatility allows an ever-evolving situation with excellent results.

The advantages will be multiple from the financial and sporting point of view: firstly, a limit to the wages and the connected savings could be used for a further improvement for example for the infrastructures and the development of the young players, and in addition in a few years there will be a redistribution of the talents that can't be anymore all in few teams but that will be in any case redistributed due to the wages limits of the various clubs and that will enormously increase the competition in all the European competitions.

POSSIBLE SHORT-TERM CHANGES FOR THE FFP REGULATION

In my opinion the most important thing right now is to bring back the competitiveness of the various leagues, from the domestic ones to the UEFA Champions League and Europa League, with the equilibrium goal between the clubs to be put at the same level of the economic sustainability of the movement: the competitions generate interest that generates profits for the clubs so a regular and sane competition with an equilibrium within the clubs is necessary to reach a solid and widespread growth of the whole European football.

The first corrective way that can be found to achieve a solution that would grant a better competitiveness and equilibrium could be to put a roof on the investments for players for one single season. At the moment the only limitation is to fulfill the break-even requirement and don't incur in more than a certain lost over three seasons, but the richest teams if have a capital gain of 300 millions of euro are allowed to spend 300 millions of euro while the smallest team cannot do any important investment, both for their revenues that don't allow them to acquire important players that could re-establish a competitive balance and also because private investments are seen like expenses in the actual regulation and so it is not possible even in this way to do anything. The idea of creating a maximum spending for the clubs firstly will slow down the general trend of players prices that grow every year and it is becoming not sustainable anymore for the greatest part of the clubs, on the other side will allow the smaller clubs to re-establish the competition with all the others. Any club will be able to spend that maximum amount of money and will finance it with the “relevant income” made with the sponsorship deals or with the selling of other players and in this case will be possible again also the equity investments in my idea simply because they will be controlled and limited, with an unlimited spending not allowed anymore.

Another way to create a more balanced competitiveness could be to impose to the European clubs a limit based not on economical parameters such the Salary Cap or a fixed maximum amount of expenses but instead a limit to the number of operations that the clubs can do in a transfer session. It would again create more balanced teams, not allowing anymore the Europe giants to buy on a single session several young players and then sending them on loan to other teams, creating value over years and putting their hand on the future of football. The last possible idea in my opinion is the creation of a European Super League where will participate a closed number of teams, the very best in Europe, and will create a league similar to the NBA or the other major sporting leagues in America, originating a super-competitive and self-regulated competition representing the top of European football. From one side this guarantees the competitive balance and also the economic stability of the system, that at least in theory are two fundamentals of the UEFA Financial Fair Play, but on the other side it creates a very closed system where the entrance for other clubs is almost impossible, somehow increasing even more if possible, the actual disparity between competitions.

If from one side it would hardly hit the domestic leagues and markets due to their “relegation” to championships of secondary category, on the other side the power of this league should be granted by the competitiveness inside it that will be incomparable within the actual football panorama. The major problem with this solution in my opinion is that the still existing gap between the European clubs will increase as never before and likely the smaller teams will become only feeder of young talents for the biggest and also richest ones that will have the ultimate goal of winning this new championship and make most money as possible. The domestic competitions in the European nations would still exist but in a downgraded and in my opinion useless form: the clubs should participate and compete in them while one or two clubs will earn four or five times more of the other teams and even if they would win, they couldn’t even be able to participate to the maximum European competition anyway.

I think that a creation of a European Super League can also be engaging but this maybe is not the right way: a good solution could be to take the Salary Cap, pairing it with the Luxury Tax and implement them with two competitions based on the income of the various championships. For example creating a competition for the top five leagues where all the teams participating will have a salary cap slightly higher than the media of the various championships and will be allowed to participate to it based on their positioning in the domestic league and the creation of another competition for all the other smaller European leagues, always with a Salary Cap but made in relation to their possible income and among the years to bring one or another nation to participate on one of these other leagues based on their results achieved and their general financial positions. This would firstly increase the competitiveness both on domestic and European leagues and on another side, it will create a balance where the best teams will compete with other strong teams and the smaller leagues will have an incentive to grow and try to reach the others and at the same time compete for a trophy that respect more their possibility in order to allow any team participating to win it.

Conclusion

In my opinion the complete removal of the FFP regulation is a solution that must not be gone through. The first reason is that if there are some downsides that I have analyzed before in my work, the positive features integrated by this new regulation are many and can't be ignored, the financial stability given by the FFP is very important, more than ever in the actual situation. The second reason in my opinion is that removing the Financial Fair Play regulation would be an important loss with the consequent admission that the regulation didn't work and the loss in practice of almost ten years of works and sacrifices from the UEFA: the European teams and also the supporters have welcomed this new regulation and tried to support it even with all the controversies that it has generated and eliminating everything wouldn't be fair also for them.

Along with these premises the Financial Fair Play and its actual regulation is not sustainable anymore, the various rules helped the team but on the other side they are creating a general discontent in the football panorama. In addition, the system at the moment is not as democratic and competitive as it should be and the various possible reforms must be introduced with an eye, if not both, towards this way.

The Covid-19 situation that we are living must be used as point to start again the growth of football and not as its end: the FFP is "paused" since the pandemic arrived, so for all the clubs this is the best and easiest moment to introduce some important reforms such the ones I proposed, keeping the regulation and any fees stopped and simply giving the clubs some years to introduce these new rules and adapt their teams to the new regulation that will complete the actual existing of the Financial Fair Play, with the UEFA committee that will control the juridic part of football but with a better implemented regulation with the addition of this new revolutionary solutions.

My work and my ideas simply are and remain at least at the moment ideas. The objective of my work is not criticizing the UEFA's work, simply as a fan and a passionate student that see his working life inside the world of football tries to suggest some ideas for a possible further improvement. Maybe none of my ideas will be never implemented but at least I hope that I have offered food for thoughts and for a better future for the European football movement. I simply tried to look forward to the future, taking present all the good part created by the FFP but always with an eye to further improvements as should be in my opinion in any part of the life, not just in football. The economic scope, with the competitive equilibrium necessary for the right development of football, are the necessary focuses for the future improvement and I hope that the UEFA or any other organ that will manage the European football in the next years will take these two arguments as the basis for any solution of improvement that they will find to passionate again the fans in our continent.

Football right now is not simply a match on a pitch, it became far more and for the right improvement it must be treated by taking in consideration all the numerous aspects that in the actual world are important such the economic one. I sincerely hope that there will be an historical revolution for football as we know it that will lead to the final improvement necessary for its right development, that will take in consideration all the aspects related with it but that will consider always what is its essence: the sport that gives us the sensations that nothing else could never be able to grant.