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Course of Markets Regulations and Law

Financial Sustainability Goal in Football Industry

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EXECUTIVE SUMMARY

Chapter I - How a football club operates: revenues and costs

In this chapter, the analysis of how a football club operates will be presented, along with a sectoral analysis of the variables presented throughout the chapter, taking the ten largest clubs in terms of revenues and costs as a sample.

In the first part, the set of activities and concepts that make up the vast world of football will be defined. Subsequently, the significant revenues and costs that clubs record each year will be analyzed.

Football transfer market

The athletes registered by football clubs, commonly referred to as players, constitute the most valuable assets for these clubs. The activity of buying and selling these assets between clubs is commonly referred to as the 'football market' and represents the most expensive but also the most profitable economic activity for a football club; this obviously depends on many factors: a club's short- and long-term strategy, the management's willingness to pay, sporting results and the changing value of the players registered by the club in question.

From an economic point of view, the recognition of players is defined through the application of IAS 38 concerning intangible assets, and they are subject to the principles of IAS 36 in the case of impairment over the years. In the case of disposal, the provisions of IFSR 5 are applied.

On the other hand, from a legal point of view, the rules regulating the activity of buying and selling players are found in the FIFA Regulations on the Status and Transfer of Players (RSTP), which encompass the set of European and international principles and laws concerning the subject of player registration and the causes of contract termination for just cause, i.e., what is agreed upon in negotiations between two clubs or between club and player.

In the world of football, there are different types of negotiations through which four types of transfer can be identified:

- Permanent
- Loan
- Return from loan
- Without contract

As can be seen from the two graphs in Section 1.1.1, it is the European football market sessions that catalyze worldwide activity. In 2021, a total of 18,068 transfers were recorded, with 4,544 clubs involved and a total expenditure of €4.6 billion.

Operating revenues

Operating revenues constitute the largest source of revenue for football clubs and are divided into three macro-categories:

- Matchday: these are the revenues generated by fans' participation in live events. They have always constituted a large share of revenues for football clubs. In the last two years, however, due to the covid-19 pandemic, they have gone from a 2019 total of €1,023.5 million to a total of €838.5 million with a change of -18.1% in 2020 and a change of -89.4% for a total of €88.8 million from 2020 to 2021.
- Broadcast: revenues that clubs generate by participating in national and continental competitions, particularly in global competitions. They constitute a significant part of the financial management and composition of the clubs' operating revenues, averaging 51.1% in 2021.
- Commercial: include revenues generated through advertising, sponsorship agreements, merchandising sales and other minor commercial operations. They constitute the last significant slice of the operating revenues of football clubs, with an average weight of 47.2% in 2021.

Staff Expenses

Staff expenses are usually the most significant expenditure that clubs incur during each financial year and consist of salaries, signing bonuses, other bonuses, severance payments, social security contributions and other employee benefit expenses. Considering the world's top ten companies by revenue, it accounts for an average of 69.3% of operating revenues. If we add this figure to the 23% average football market expenditure, we see that, on average, 92.3% of revenue is absorbed and reused entirely by sports management. This constitutes a not insignificant problem in terms of financial sustainability, as in this analysis, we are not (for the sake of simplification) considering minor (but still significant) costs for clubs such as, for example, the cost of merchandising or infrastructure management, which could bring that figure to over 100%.

Intermediary costs

An intermediary (or agent) can be defined, according to FIFA, as a natural or legal person who, for payment or free of charge, represents players and/or clubs in negotiations aimed after a contract of employment or represents clubs in negotiations aimed after a transfer agreement.

In 2021, 17.945 international transfers of male professional players were completed, of which 3.545 (19.8%) involved at least one intermediary for a total of €469.3 million in service fees. Furthermore, 494 of the 4,525 clubs (10.9%) that registered an international transfer involved an intermediary in the process, and of the 15,533 players who transferred across borders this year, 2,452 (15.8%) were represented or assisted by an intermediary. European clubs accounted for 95.8% of the €469.3 million spent on brokerage fees.

CHAPTER II - Analysis of the current FIFA and UEFA regulations: pros and cons

In this chapter, the current FIFA and UEFA regulations will be analysed, focusing on the regulations that impact football clubs' financial and economic sustainability. Case studies highlighting the pros and cons of these regulations will also be presented.

FIFA Regulations on the Status and Transfer of Players (RSTP)

Article 5bis, Articles 20 and 21 - Bridge transfer, Training compensation and Solidarity mechanism: A bridge transfer (Art. 5bis) can be defined as a football market operation in which a transfer has an intermediate function: the transferred player does not pass directly from the transferring Club A to the purchasing Club B, but transits through a Club C (for a period of fewer than 16 weeks) that is formally the buyer from A and the transferor to B. Paragraph 1 of the same article prohibits this practice in order to prevent clubs from using this practice to reduce the training compensation (Art.20) and the solidarity mechanism (Art.21), i.e. the redistribution of wealth in favour of the football clubs that have been involved in the training of young players.

Through the case studies reported in Section 2.2.1, it can be seen that the application of Article 5bis has the proper purpose of regulating and limiting football market practices that can compromise the honest management of a club and, together with Articles 20 and 21, ensure that clubs, especially minor clubs, pursue not only financial sustainability but also growth, being rewarded for the time and resources (human and economic) invested in the development of tomorrow's athletes.

Article 19 and 19bis - Protection of minors: this article aims to protect minors, prohibiting international transfers of children under the age of 18, net of the territorial exceptions listed in paragraph 2. It has been the subject of numerous disputes related to the correct interpretation and applicability of the rule, some of the most significant of which are reported in section 2.2.2, partially resolved by the intervention of the CAS. The struggle for supremacy on the part of the world's most successful clubs has led them to compete for young football talents through conduct that is not always regular: the problem of the rising costs associated with the professional football market has forced clubs to equip themselves with a scouting structure capable of 'discovering' and training the best talents from a young age, an activity that has proved to be fundamental in the pursuit of long-term financial sustainability. It is commendable that FIFA has made a considerable commitment to the protection of minors by sanctioning clubs that have tried to circumvent the rules and by not granting exceptions of any kind, trying to counteract a system that could compromise the future of young players. Despite this, there is some points that FIFA should consider both in terms of the protection of minors and in terms of financial protection for clubs, which need, provided the right conditions are in place, to be able to sign up young talent, rather than opening legal feuds and to be sanctioned by their institution of reference. Through the data collected and reported in the concluding section of Section 2.2.2, it has been shown that clubs are genuinely interested in investing in and protecting their young players in order to obtain benefits (in sporting and economic terms) that feed into long-term sustainable financial planning. Furthermore, the regulation prevents many young talents from training with the best clubs in the world, thus depriving them of the opportunity to work with the most competent staff and significantly reducing their chances of emerging in professional football.

The regulation of the role of the agent and FIFA's new proposal

The regulation of the agent's role is linked to the main reason why agents are needed by players, i.e. the existence of information asymmetries in transfer and labour relations between clubs and players. Information asymmetries can give rise to two different types of problems:

- Adverse selection: the risk that the player may enter a contract with an agent who cannot perform the required services or adequately recognize the actual quality of the service.

- Moral hazard: a case in which the agent arbitrarily decides not to offer a service to the best of its ability. Furthermore, the problem arises in conflicts of interest: agents may have tacit agreements with certain club to facilitate the channeling of players to that club for maximum personal benefit.

Although FIFA has tried to limit the issues that can arise from the relationships between players and agents and between clubs and agents with the Regulations on Working with Intermediaries dating back to 2015, the regulations do not define a maximum value that an agent can demand when negotiating commissions. This results in agents using a not inconsiderable bargaining power vis-à-vis clubs, as they are often the proponents of the success of negotiation and therefore could force up the negotiation figures in order to obtain as high a personal benefit as possible, threatening clubs in terms of costs by eroding the ratio of costs to revenues that the club incurs.

FIFA, therefore, in order to resolve this issue, has decided to institute new rules that will come into effect as of July 2022, inserting mandatory caps on the commissions that an agent is entitled to at the end of a negotiation.

UEFA Financial Fair Play (FFP)

Financial Fair Play (FFP) can be defined as a set of rules found in the UEFA Club Licensing and Financial Fair Play Regulations (CLFFP), aimed at improving the overall financial conditions of European football. It is based on two core principles, namely, the principle of business continuity and the ability to be self-financing. It originated in 2009 and was introduced in 2011 as many clubs reported repeated and increasing financial losses. The unstable economic situation created difficult market conditions for European clubs, with negative consequences on profit generation and further problems of financial availability for day-to-day operations.

The regulatory framework that makes up the FFP is set out in the CLFFP from Articles 57 to 68, which are analyzed in detail in Section 2.5.2. The fundamental principle to be respected is that of the attainment of the break-even result (Art. 60), i.e. the difference between relevant income and relevant expenses (Art. 58) in a given monitoring period, i.e. a three-year period consisting of the years T, T-1 and T-2 (Art. 59). The acceptable deviation (Art. 61), i.e. the maximum aggregate break-even deficit possible in compliance with the break-even requirement, is €5 million and can exceed up to €30 million if such excess is entirely covered by contributions from equity participants and/or related parties. Upon the occurrence of certain conditions (Art. 62), including negative equity, unsustainable debt indicator, player transfer deficit greater than €100 million, the club is considered to be in breach of the regulations and therefore liable to the sanctions listed in Article 29 of the Procedural rules governing the UEFA Club Financial Control Body.

FFP disputes

FFP and EU law - One of the first FFP incompatibilities to emerge concerns two fundamental rights guaranteed by the EU, freedom of enterprise and the property right. UEFA would, therefore, not have the authority to restrict ownership to the extent that it independently establishes the concepts of revenue and expenditure relevant for the calculation of the break-even result. Article 21 of the Charter of Fundamental Rights of the European Union regulates the principle of non-discrimination. Although the FFP rules are applied indiscriminately to all clubs participating in UEFA competitions, this regulation does not affect every EU member state in the same way, as each nation has its own utterly autonomous legislation, which, although consistent with supranational principles, produces disparities (e.g. different tax regimes). The ceiling of €100 million in the balance between purchases and disposals included in Article 62 CLFFP would seem to violate Article 63 TFEU, which prohibits all restrictions on the movement of capital between Member States and between Member States and third countries. Another important principle that would be violated is the one enshrined in Article 101 TFEU that regulates restrictive agreements on the competition: by stating the concept "you can only spend as much as you earn", the competitive capacity of teams is limited by restricting the ability of each club to operate in the market. Despite these apparent violations, the EU seems to occupy a relatively neutral position, considering it very important to contextualize the rules to the specificity of sport, always respecting the fundamental principles of its legislation, as an overly fiscal application would risk making any attempt at regulation by sporting institutions such as UEFA impossible. Through the White Paper on Sport, the ECJ:

- recognizes the autonomy of sports organizations and their representative structures (such as leagues) and acknowledges that the management of sport is primarily the responsibility of the sport's governing bodies.
- believes that most challenges can be met through self-regulation that respects the principles of good governance, as long as EU law is respected.
- there are organizational rules for sports which - due to their legitimate objectives - do not seem to violate the antitrust provisions of the EC Treaty.
- recognized that the specificity of sport must be taken into account inherent in the organization and proper conduct of sporting competitions do not infringe EU competition rules, provided that such rules are proportionate to the legitimate sporting interest pursued.

The case of profits on disposals - When a player is sold by club X to club Y, the difference between the transfer price and the net book value of the right itself constitutes a profit or loss on disposal for club X, whether the value of the difference is positive or negative. The net book value changes over time based on two factors that contribute to decreasing the originally recorded cost value, i.e., amortization (distribution of the cost in constant instalments throughout the duration of the contract that binds the player to the club) and any depreciation. The value of the profit on disposal (or loss on disposal) is recognized in the profit and loss account and forms part of the relevant revenues indicated by UEFA in the FFP calculation. Clubs, in order to increase the value of the profit on disposal thus inflate revenues, often employ a series of cross exchanges (with associated overvaluation of players) that do not generate any capital changes, but create a positive effect on the profit and loss account (illustrative example given in Section 2.8.2). This system generates depreciation costs for the newly registered player which are spread over the duration of his contract, creating a new problem to be solved in terms of costs and revenues cyclically each year.

Commercial revenues, related party, significant influence and fair value - Commercial revenues are part of the relevant revenues used to calculate FFP results. Clubs tend to inflate these revenues through agreements with third parties defined as 'related parties' (defined in Annex X CLFFP), i.e. sponsorships with parties related to the club's owner or otherwise interested in linking their brand to that of the club, which do not always correspond to an accurate market value defined as 'fair value'. Such agreements are neither bogus nor illegal, as long as their use is restricted. However, through the PSG and Manchester City FC cases reported in Sections 2.8.3 and 2.8.4, it has been demonstrated how easily the principle of fair value applied to sponsorship agreements with related parties has been circumvented, allowing these clubs in particular (but not the only ones, but it is a common practice) to inflate their revenues significantly and thus to be able to operate with complete freedom in the football market undermining the principles of healthy competition and financial sustainability pursued by UEFA through the FFP.

New UEFA Regulations: Financial Sustainability Regulations

Due to the inadequacy of the FFP system, a new set of regulations, the UEFA Club Licensing and Financial Sustainability Regulations (CLFS), will come into force from July 2022, replacing the outdated CLFFP, which is mainly based on three principles:

- solvency requirements, which relate to the notion of overdue payables as set out in section 2.7.1
- stability requirements introduce football earnings, i.e. the difference between relevant income and relevant expenses. The difference from FFP 2018 lies in the acceptable deviation, which still amounts to €5 million, but can exceed up to €60 million. Another significant change is that the acceptable deviation can be further increased by up to €10 million for each reporting period in the monitoring period in compliance with

principles such as: Positive equity; Quick ratio equal to or above 1; Sustainable debt; Going concern.

- cost control requirements, which introduce the squad cost ratio (calculated based on the criteria set out in section 2.9.3), setting the limit for this indicator at 70%.

The new regulation demonstrates in part that the issue of financial sustainability has become something that is no longer negligible in the management of football clubs. However, concerns persist: the problem related to capital gains is in danger of persisting as clubs could take advantage of that vicious circle to further inflate revenues and thus be able to widen the range of allowable costs included in that 70% that the new regulation indicates; no intervention is aimed at limiting the practice that allowed to inflate revenues through sponsorship agreements with related parties; the maximum acceptable deviation related to the difference between revenues and relevant costs has been doubled, which means allowing clubs to be able to spend even more than they earn.

CHAPTER III - New proposals

This chapter sets out alternative proposals regarding Article 19 of the FIFA RSTP and the UEFA FFP regulatory package for the writer aimed at rectifying, as far as possible, the criticalities they show as described above.

The new Article 19

The reform of Article 19 is mainly based on the granting of international transfers of young players over the age of 12, provided that their personal, sporting, academic and professional development is planned according to the highest quality standards. In order to find the right balance between the protection of minors and the needs of football clubs, several minimum conditions to be fulfilled to obtain the validity of the transfer by FIFA are introduced, which are set out in sections 3.1.1. and 3.1.2.

Alternative Proposal of UEFA Financial Fair Play and Financial Sustainability Regulations

In some respects, this proposal will be similar to the previous ones in that the existing accounting principles must be adhered to, and completely overturning the system would be unrealistic and inappropriate. It should be pointed out that the idea behind it was born before the new UEFA regulations were made public, which in some ways influenced the writer, both in understanding what is already good in the official regulations and in understanding what needs to be done to enable clubs to pursue sustainable football.

Here are the main innovations that make up the new proposal:

- Notion of break-even result: difference between Operating football revenues and Operating football expenses relative to each period T that makes up the three-year period T1, T2 and T3.
  Acceptable deviation of break-even deficit is €10 million for each period T.
- Notion of Operating football revenues - sum of: Matchday revenues; Broadcast revenues; Commercial revenues; Transfer market revenues (profit on disposal on player registration, revenues from temporary transfer of players' registration, bonuses, solidarity contributions, training compensation); Other operating income.
- Notion of Operating football expenses - sum of: Costs of sales/materials; Staff expenses; Transfer market expenses (amortization/impairment of player registrations and/or costs of a player's registration, loss on disposal of player registrations, amortization/impairment of release costs for other personnel or release costs for other personnel); Other operating expenses.
- Notion of player trading sustainability index - an index that provides an understanding of whether player trading operations are sustainable in accounting terms. It is calculated as the ratio of the sum of all costs related to player trading (first amortization of each purchase, ancillary costs, loan costs, loss on disposal) attributable to a single financial year, divided by the sum of all revenues related to player trading (profit on disposal, ancillary revenues, loan revenues) attributable to the financial year in question. This ratio is considered breached if the value of the ratio is greater than

one.

Acceptable deviation is 0.2 for each period T. The ratio may therefore not exceed a value of 1.2 provided that the limits on the break-even result are met.

- Notion of staff expenses cap - staff expenses are limited to 60% of the value of operating football revenues. Acceptable deviation is 5% for each period. The staff expenses cap may therefore not exceed 65% of operating football revenues, provided that the limits on the break-even result are observed.

In this alternative proposal, the Solvency Requirements principles regarding the notion of overdue payables discussed in detail in paragraph 2.10, and the Stability requirements proposed by the new CLFS edition 2022 are considered valid and applicable. Fundamental to the application and proper functioning of the new proposal is the use of the already discussed fair value.

The issue of the vicious circle of profit on disposal, with the associated overvaluation of players, is a problem that neither the previous nor the future regulations seem to be able to solve. The proposal to limit this system as much as possible resides in the establishment of a new UEFA body delegated to define as realistically as possible the fair market value of players through a series of parameters and statistics listed in section 1.1.2 in order to verify and limit transactions that have the sole purpose of generating fictitious profit on disposal.

With this set of new proposals, an attempt has been made to lay the foundations for a new alternative regulation that would attempt to stem as far as possible all the problems presented in the course of the paper concerning club management.

CHAPTER IV - Economic simulation based on the application of the new proposal

In this fourth and final chapter of the paper, an attempt will be made to understand whether the alternative regulations proposed by the writer are plausible in the event of their application.

To do so, it was decided to take the Italian club Juventus FC as an example, as it represents one of the ten companies with the highest revenues and costs in the world, as well as the first in Italy. It starts from a very critical situation, as in 2021 it recorded an operating loss of €209.5 million. It will be simulating its economic and sporting management in the next year, i.e. the 2022/23 season (as of 30 June 2023), in order to verify whether the new regulations will have the desired impact, i.e. make the club financially sustainable.

Criteria used in the simulation

All publicly available information will be used to estimate significant values for the 2021/2022 and 2022/2023 seasons. In order to simplify the analysis and the availability of data, only operations concerning the first team or significant operations concerning the Juventus Under 23 professionals will be considered; the expenses relating to the other components will therefore be considered fixed for the entire duration of the simulation.

The criteria for calculating the starting values for the purposes of the simulation are reported and discussed in detail in section 4.1.

Amortization and impairment of player registrations as of 30 June 2022 and Staff expenses as of 30 June 2022

The amortization quota as of 30 June 2021 is €196.8 million. After calculating the value of all incoming and outgoing players' transactions incurred by the club during the 2021/2022 season, the amortization charge as of 30 June 2022 is €171.8 million.

The value of staff expenses as of 30 June 2021 is €320.8 million. After calculating the value of all incoming and outgoing transfer transactions incurred by the club during the 2021/2022 season, the value of staff expenses as of 30 June 2022 is €291.9 million.

Simulating 2022/2023 season and calculation of break-even result, player trading sustainability index and staff expenses cap season 2022/2023

After calculating the value of all official incoming and outgoing football transactions incurred by the club during previous seasons that will impact the financial statements as of 30 June 2023, the figures will be as follows:

- Total amortization quota as of 30 June 2023 = €157 million
- Total profit on disposals as of June 2023 = €23.8 million
- Total other revenues as of June 2023 = €7 million
- Total staff expenses as at June 2023 €268.2 million

Algorithm used is shown below.

Fixed values (not affected by player trading) calculated by applying the calculation criteria in section 4.1

- Matchday revenues (MR) = €90.6 million

- Broadcast revenues (BR) = €206 million

- Commercial revenues (CR)= €230 million

- Other operating income (OI) = €23.6 million

- Cost of sales/materials (CSM) = €21.9 million

- Other operating expenses (OE) = €81.5 million

Variable values (influenced by player trading)

- Transfer market revenues (x)

- Staff expenses (SE): staff expenses season 2021/2022 +/- staff expenses season 2022/2023 (y) = €291.9 million +/- y

- Amortization (AM): amortization season 2021/2022 +/- amortization season 2022/2023 (z) = €171.8 +/- z

System:

Break-even result: MR + BR + CR + OI + x >= CSM + OE + (SE +/- y) + (AM +/- z)

Staff expenses cap: (SE +/- y)/(MR + BR + CR + OI + x) <= 60%.

Player trading sustainability index: z/x <= 1

The simulation was divided into two separate cases, namely:

1. Juventus FC does not exercise the redemption option on the player Alvaro Morata.
   Break-even result = €21.7 million
   Player trading sustainability index = 0.43
   Staff expenses cap = 49.2%

In this case, therefore, all the stakes of the proposed regulations are largely respected and allow the club to make significant investments in the football market in order to improve the playing staff while maintaining sustainable management

2. Juventus FC exercises the option to buy back the player Alvaro Morata for a historical cost of €35 million and a 3-year contract.
   Break-even result = €3.6 million
   Player trading sustainability index = 0.81
   Staff expenses cap = 50.3%

In this case, all of the proposed regulations are also met and allow the club to make some investments during the football market in order to improve the playing staff while maintaining sustainable management. Due to the higher costs compared to the previous case, the freedom of operation in the football market decreases within the parameters of the new proposal, which are, however, still largely respected.

It was found that not only did it meet the criteria in two separate cases with major cost differences, but that it also had additional room for maneuver to improve the sporting staff without compromising the financial stability of the management. This shows that the new proposals are plausible to reality and represent the meeting point between sustainable sports and financial management. It should be pointed out that the three variables that are significant to the compliance with the new stakes, i.e., transfer market revenues, staff expenses and amortization, are directly correlated with each other. This implies that the variation of one corresponds to the variation of another. Furthermore, a change in one corresponds to a change in the result for the calculation of one of the three sustainability indicators. The combinations that they can assume are indefinite, and this makes the management of the clubs very free, since they are easily able to understand, based on the values that they register, which variable to operate on more through football market operations.

INTRODUCTION

The football game is known as the most famous professional sport in the world, fueled by the passion of those who follow and play it. It was born in England in the late 19th century, and thanks to its cultural and mediatic impact, it quickly spread to the rest of Europe and South America, gradually infecting the whole world. Today, it is not only the most popular sport with an estimated 3.5 billion people but also the most played sport in the world, with more than 250 million players in over 200 countries.

Its enormous and ever-growing fame has also made it one of the most attractive businesses for investors, who have encouraged growth not only in terms of sport and entertainment but also from an economic and financial point of view, turning sports clubs into actual multi-million-dollar companies, where athletes have now taken the form of corporate assets worth tens or hundreds of millions of euros. This growth has undergone a significant vertical push with the advent of the new millennium, fostered by the interest in multi-billionaire entrepreneurs, banks, investment funds and multinationals ready to invest considerable sums in this business. The average costs and revenue figures have only increased over the years, giving rise to a system. However, over time was unsustainable, which began to raise some concerns among those involved in the future.

With the advent of Covid-19, the football sector is one of the most affected, bringing to the surface all the regulatory and management flaws that have characterized the last few years. Because of the pandemic, much of the clubs' revenue has inevitably been lost, forcing the clubs to incur substantial costs not sustainable by revenues, resorting increasingly to debt to third parties.

In the course of the paper, we will see what clubs have done wrong in their sports and financial management through the impact of the pandemic and what in the legislation has not worked. This study aims to try to understand what and why the management and regulations in force have not worked and to propose various solutions to steer the sector towards the search for financial sustainability, an increasingly topical issue and one that is being discussed more and more constantly by those in the industry.

Four chapters make up the study and are organized as follows: the first chapter tries to illustrate as realistically as possible the critical aspects of the management of a football club, highlighting the primary sources of costs and revenues, providing practical examples of the results of recent years, often proposing comparisons between the pre-covid era and the present time. This chapter plays the role of the perimeter of the whole paper as it firstly provides a sort of guide even to the less experienced reader on how football clubs are managed and, in general, what kind of economic interests the sector is in charge of; it also offers numerous insights on which to base the analysis in the rest of the paper. The second chapter gets much more into the heart of the matter, in which the pillars of the current UEFA and FIFA regulations will be analyzed, trying to understand what has worked and what has not. With the premises of the first two chapters, in the third one, a series of proposals will be made to modify the current regulations in order to allow clubs to pursue the objective of financial sustainability; these proposals will always be well explained and motivated, often compared to those hypotheses already expressed by the insiders recently, in order to create a plausible and practical model. In the last chapter, finally, an attempt will be made to simulate the results of a hypothetical application of the parameters proposed in the third chapter, to verify whether they are credible and successful.

CHAPTER I - How a football club works: revenues and costs

1.1 Buying and selling football players

The athletes registered by football clubs, commonly called footballers, are the most valuable assets for these clubs; in fact, they are the ones who have the most significant weight on the balance sheet, both in terms of buying and selling and in terms of maintenance, due to the high salaries they receive (we are talking about the highest levels of professionalism)[1] and to specific clauses in their contracts.

The activity of buying and selling these assets, i.e., the players, between the various clubs is commonly referred to as the "football transfer market". It represents, usually, the most expensive but also the most profitable economic activity for a football club. This depends on many factors: the short and long term strategy of a club, the financial availability of the management, the sports achievements and the changing value of the players registered by the club in question.

From an economic point of view, the capitalization of players is defined through the application of IAS 38 concerning intangible assets, and they are subject to the principles of IAS 36 in the case of impairment over the years. In the case of disposal, the provisions of IFSR 5 are applied.

On the other hand, from a legal point of view, buying and selling players is regulated according to the principles of fair and balanced competition and promotion of youth development. The question of the law applicable to sports disputes can be complex due to the overlap between sports rules and state or international law.

The principle is that rules from private sources must be compatible with the legal system of the state where the federations concerned have their registered office.

[1] Obviously, it is related to the size and importance of a club: a professional club in a minor league will have to deal with lower costs and much lower revenues.

For this reason, the TAS, Tribunal Arbitral du Sport, stated on a 12 July 2006 that 'the purpose of the FIFA Regulations is to establish uniform rules that are valid for all cases of international transfers and to which all players in the football family are subject. This aim could not be achieved if we were to recognize the applicability of different rules adopted in a particular country. This means that, unless the fundamental purpose of the international rules established by FIFA is called into question, agreements or other provisions of national relevance can only be applied if they are following or complementary to FIFA rules, but certainly not if they conflict with them."

The rules governing the buying and selling of players are to be found in the FIFA Regulations on the Status and Transfer of Players (RSTP), which encapsulate the set of European and international principles and laws concerning the subject of player registration and the grounds for termination of contracts for just cause, i.e. what is agreed in negotiations between two clubs or between club and player.

1.1.1 The transfer market

The transfer market can be defined as all negotiations between clubs or between a club and a professional football player, in which the main object is the sporting performance of the athletes (we do not speak only about sporting performance as contracts often include marketing and image rights agreements). It can be considered active throughout the year since negotiations between clubs and players are always permitted. However, the registration and official transfer procedures are only valid during the periods set by the 211 national associations that make up FIFA, the Fédération Internationale de Football Association[2].

These registration periods vary according to the national rules. However, the periods with the most focus and attention are certainly those that include the months of July and August, known as the summer transfer market session, and the month of January, known as the

[2] FIFA, Fifa.com, https://www.fifa.com/about-fifa/associations

winter transfer market session or 'reparation' (as it allows clubs to make operations aimed at fixing the sporting performance of the current season[3]).

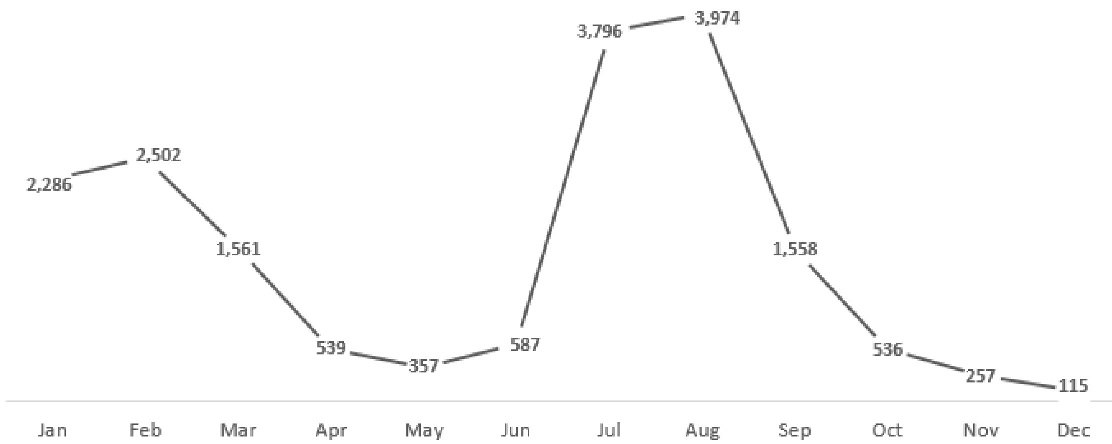
These are the periods when the transfer market is officially active in Europe, i.e. where the wealthiest clubs, with the most following and sporting merit in the history of football, reside.

Transfer market volume concentration map (Fig. 1)

source: FIFA Global Transfer Report 2021[4]

[3] The sporting "season" is defined as the 12-month period beginning on 1 July and ending on 30 June of the following year.
[4] FIFA, 2022, FIFA Global Transfer Report 2021.

Number of transfers by month in 2021 (Fig. 2)



source: FIFA Global Transfer Report 2021

As can be observed from the two graphs above, it is the European football market sessions that catalyze worldwide activity. This, of course, does not prevent clubs from the rest of the world from operating in the sessions allowed to them according to the rules of their host countries. Moreover, clubs are always allowed to sell a player, as long as the buying club is in the period in which the transfer and the player's registration are allowed.

Given the importance of the activity on European territory and the depth of the clubs present in Europe, the analysis during the paper will focus more on clubs registered with UEFA - Union of European Football Associations - which is one of the six confederations that make up FIFA, and which represents the governing body of European football, formed by the 55 national football associations present in Europe[5].

In 2021, 18,068 transfers were recorded worldwide, with 4,544 clubs involved[6].

[5] Uefa, Uefa.com.
[6] FIFA, 2022, FIFA Global Transfer Report 2021.

1.1.2 Types of negotiations and types of transfers

In the world of football, there are several types of negotiations directly linked to the type of transfer of a football player.

Four types of transfer can be identified:

- Permanent
- Loan
- Return from loan
- Without contract

This distinction helps understand what kind of negotiation involves the transfer of a player[7]. The following is a summary of the types of negotiations, mentioning any variants and the transfer category to which they belong[8]:

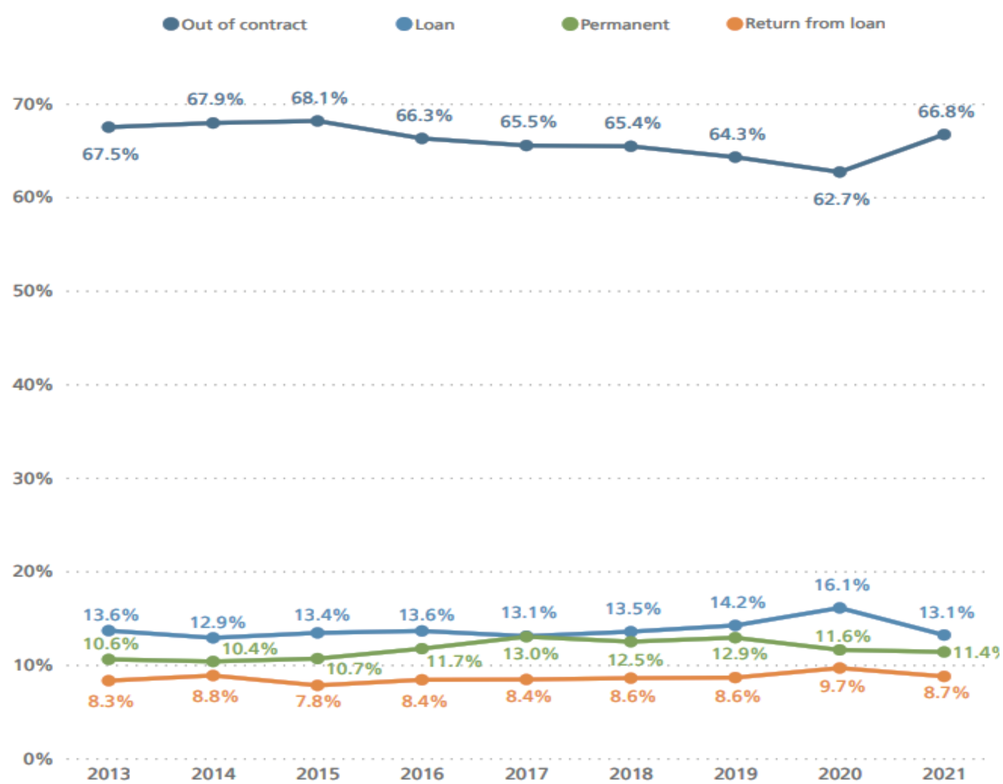
- the permanent purchase or sale of a player: it occurs when the club interested in a player buy (or sells) permanently the right to the athlete's sporting services in exchange for money and/or technical counterparts, i.e. the sale of the tag of one or more players owned by the club;
- temporary purchase or sale (or loan): economic transaction involving the transfer of a player from one club to another for a given period of time. This operation can take place free of charge, with payment of a fee or by payment of a predetermined percentage of the player's salary.
  The football clubs involved can also agree on different solutions at the beginning, during or at the end of the loan once the pre-determined period ends:
  - return from loan;
  - renewal of loan (for which the economic conditions of this operation must also be renewed)
  - permanent purchase/sale through a right or obligation of redemption: at the beginning of the loan, the clubs may agree on a price that establishes the permanent

[7] Purchase or sale of a player means the rights to the athlete's sporting performance.
[8] Plitteri A.,2020, “Il calciomercato: cos’è e come funziona”, La politica del popolo.

transfer of the player;
the term 'right of redemption' is used because the club that obtains the football player on loan has the possibility to choose whether to exercise this clause and thus transform the loan into a permanent transfer;
an "obligation of redemption" refers to the club that obtains the football player on loan having the obligation to pay the predetermined sum on the occurrence of certain conditions included in the agreement (often terms that depend on sporting merit; there are many types of this kind);

- termination of the player's contract: this may take place by mutual consent, or by federal rules. The termination may also occur due to any sanctions applied to the player for failure to respect his contractual duties to his sports club, or for reasons related to the health (illness or injury) of the athlete deemed unfit and/or ineligible;
- the release clause: inserted in a contract between a club and a player, it allows the professional to unilaterally terminate the signed contract upon payment of a sum of money by the player. However, this turns out to be a legal formality: the termination clause is normally paid indirectly by the club that wants to buy the sporting rights of the player;
- out of contract: this usually takes place due to the expiration or termination of the contract with the club; as a result, the player in question can move to another club free of charge (at zero price).

Distribution of transfer types by year (Fig. 3)



source: FIFA Global Transfer Report 2021

In the graph above, we can see that the use of the various types of transfers has remained constant over the last few years, with a slight exception for what happened in 2020: with the outbreak of the covid-19 pandemic, clubs experienced significant losses due to missing revenue from spectator participation in live sporting events (box office revenue); this led to a general decrease in liquidity among the various clubs, as well as psychological shock among managers with great concern about the future management of football clubs. Therefore, to protect themselves, clubs opted for more loan operations that year instead of permanent transfers due to the uncertainty about the near future. In addition, the number of players who remained without a contract decreased, both because of the uncertainty of not being able to find another club ready to put them under contract and because clubs preferred to extend the agreements with the players at their disposal rather than having to lose those players for free and having to look for replacements from other clubs, having to invest large sums.

1.1.3 Football players value

We have defined football players as company assets of massive value for football clubs, which exchange these assets based on sporting and financial needs through the market practices mentioned above.

Defining a player's value accurately and objectively is impossible, as the game of football has a subjective interpretation, and every person, whether an industry insider or not, may have a different opinion and feel about a particular player.

In order to follow a criterion that is as objective as possible, we often talk about the estimated value of a professional player, which is a set of factors[9] that define the "price" that a club has to pay if they want to secure the sporting (and non-sporting) services of that player:

- age
- experience
- nationality
- player´s playing position (i.e., goalkeeper, defender, midfielder, forward);
- physical condition of the athlete over medium to long distances
- factors external to football (e.g., covid pandemic)
- assessment of the media and commercial potential of the player
- market interest and transfers
- level and status of the league (in sporting and financial terms)
- special features of the individual league
- sporting performance with club and national team (in statistical terms)
- growth potential

[9] Transfermarkt, 2021, Valori di mercato.
Football Benchmark, Player Valuation, footballbenchmark.com.

- economic situation in the football world
- market trend and evolution

In addition to this range of factors used to estimate the price of a player, there are others[10] that can influence the already estimated price, and they are:

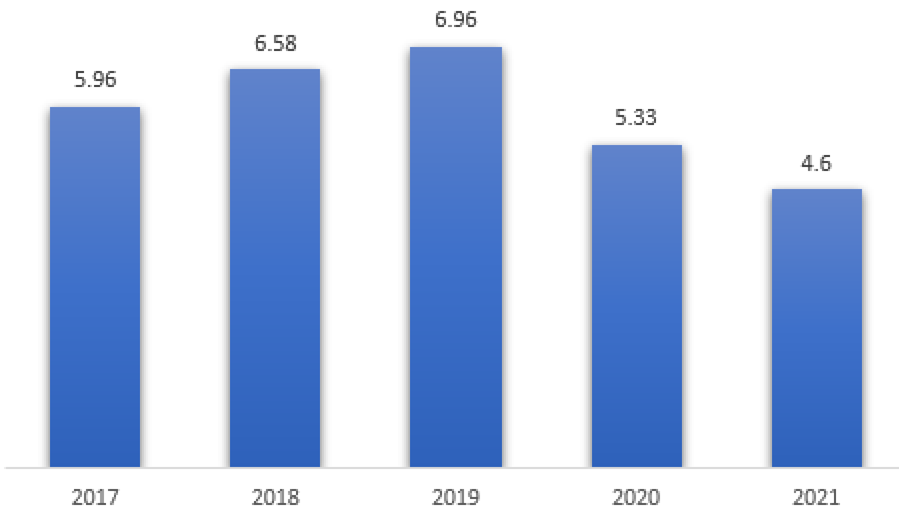
- partial purchase of the player's rights
- bidding wars
- transfer of a percentage on future resale of a player
- rescission clause (not always the same as the valuation)
- exclusion from the technical project of the club
- player expressly requested by the coach
- investment for the future (overvaluation of the player on the estimation of the potential)
- capital gain for budgetary reasons
- contract expires soon (1/2 years)
- exchange with another players/technical counterpart
- conditions forcing a club to sell (financial problems, internal salary cap to be respected, player's decision etc.).
- transfer with right/obligation to buy back or with a future buy-back option in favour of the selling club
- evaluation of bonuses in the signed contract
- team dependence: evaluation of the importance of a given player in his playing team

[10] Cf. note 9

1.1.4 How much clubs spend on the transfer market

Most of the economic activity of football clubs is based on transfer market practices. In recent years, the total expenditure of the transfer market has been increasing due to the growth of the whole industry, which has led to a rise in the value of players. With the advent of Covid-19, however, clubs have had significant shortfalls in revenue, leading to a downsizing of what was happening through the transfer market.

Transfer fees in billion EUR by year (Fig. 4)



source: FIFA Global Transfer Report 2021

As shown in the graph above (Fig. 4), spending in the transfer market has constantly been rising with the peak reached in 2019; with the emergence of the Covid-19, since 2020, the trend has suffered a substantial downturn: in the first year of the pandemic, the lack of revenues and uncertainty about the future led to a reduction in the volume of transfers[11] and of the price that football clubs were willing to pay for a given player, which with a domino effect led to a general decline in the value of the players. In 2021, however, despite the near return to normality, the influence of what had happened the year before has

[11] Cf. fig. 3

remained and may have profoundly changed the world of the transfer market: the value of players has not risen back to pre-Covid-19 values and clubs, still lacking a large part of their revenues, have continued to pursue the path of zero-parameter transfers[12] (in fact, the number of global transfers has returned to pre-Covid-19 averages).

Despite the global downturn in the football market, clubs at the highest sporting levels have continued to invest heavily in the transfer market to keep their teams' sporting competitiveness at an extremely high level and offer their fans top-quality products (i.e. entertainment and show).

The table below (Tab. 1) shows the top ten football clubs (all from Europe; under UEFA law) in terms of revenue.

Two significant aspects come out of this data:

- on average, approximately 23% of the revenues of these clubs are absorbed by transfer fees. Later, when we analyze the different types of expenses that football clubs incur in sports management (personnel costs and management of fees to FIFA agents), we will see that most clubs fail to generate profits, as the clubs' sports management expenses consume more than 100% of their revenues.
- Nine of ten clubs spent much more on the football market than they managed to earn. This is counterproductive for football clubs in terms of economic and financial sustainability, as they should be able to cover the costs of the transfer market with their income.

[12] Cf. fig. 3

Tab 1 – *source: Deloitte Football Money League 2022*[13] *& Transfermarkt.com*

Club	2021 Operating Revenues*	Transfer income*	Transfer expenditure*	Net transfer balance*	% transfer exp. on revenues
Manchester City FC	€644.9	€106.4	€218.8	- €112.4	33,9%
Real Madrid CF	€640.7	€131.4	€44.7	€86.8	6,9%
FC Bayern Munich	€611.4	€32.5	€77.3	- €44.8	12,6%
FC Barcelona	€582.1	€66.8	€90.8	- €24	15,6%
Manchester United FC	€558	€24.5	€130.7	- €106.2	23,4%
Paris Saint-Germain FC	€556.2	€0.4	€62	- €61.6	11,1%
Liverpool FC	€550.4	€17.2	€82.7	- €65.5	15%
Chelsea FC	€493.1	€35.4	€249.4	- €214	50,6%
Juventus FC	€433.5	€44	€137.3	- €93.3	31,7%
Tottenham Hotspur FC	€406.2	€15	€118	- €103	29%

*in million

[13] Deloitte Sports Business Group, 2022, Deloitte Football Money League 2022.

1.2 Operating Revenues

Operating revenues represent the largest source of revenue for football clubs. To make the analysis carried out so far consistent, this type of revenue will be divided into three macro-categories: matchday, broadcast and commercial.

1.2.1 Matchday Revenues

Live attendance at sporting events has always constituted a large portion of revenue for football clubs. It also contributes to the solidification of the relationship between fans and clubs, which is a critical factor in the generation of long-term revenues since a large part of the clubs' commercial activity depends on it, as we can define the fan as a loyal 'customer' of a football club.

In the last two years, however, due to the covid-19 pandemic, the inability of fans to attend football clubs' matches and events due to government-imposed security regulations has led to the lack of realization of a large part of the revenues on which clubs relied in their economic management.

As seen from the table (Tab. 2) below, matchday revenues have progressively collapsed over the last two years. In 2021, they had an average weight of 1.6% of the clubs' revenues, in contrast to 2020, with a weight of 15%, and 2019, i.e. before Covid-19, with a weight of 16%.

The total matchday revenue went from €1.023.5m in 2019 to €838.5m, with a change of -18.1% in 2020 and a change of -89.4% for a total of €88.8m from 2020 to 2021.

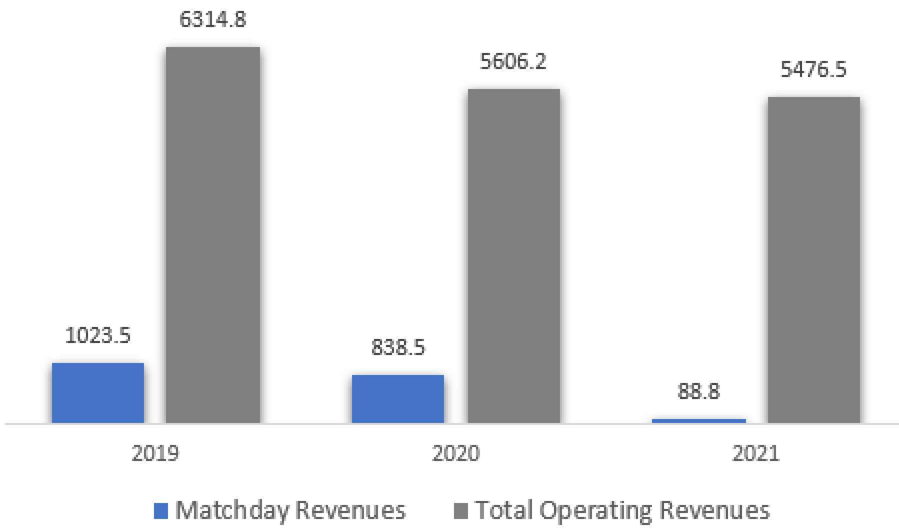
Tab 2 – *source: Deloitte Football Money League*[14]

Club	2021 Operating Revenues*	2021 Matchday Revenues*	2020 Matchday Revenues*	2019 Matchday Revenues*	% 2021 on Operating Revenues
Manchester City FC	€644.9	€0.8	€47.6	€62.4	0,1%
Real Madrid CF	€640.7	€8.6	€108.2	€144.8	1%
FC Bayern Munich	€611.4	€11.7	€70.3	€92.4	2%
FC Barcelona	€582.1	€15.9	€126.4	€159.2	3%
Manchester United FC	€558	€8	€98.8	€120.6	1%
Paris Saint-Germain FC	€556.2	€17	€92.4	€115.9	3%
Liverpool FC	€550.4	€8.3	€82.7	€94.5	2%
Chelsea FC	€493.1	€8.6	€62.1	€75.6	2%
Juventus FC	€433.5	€7.8	€42.3	€65.6	2%
Tottenham Hotspur FC	€406.2	€2.1	€107.7	€92.5	1%

*in million

[14] Deloitte Sports Business Group, 2022, Deloitte Football Money League 2022.
Deloitte Sports Business Group, 2021, Deloitte Football Money League 2021.
Deloitte Sports Business Group, 2020, Deloitte Football Money League 2020.

Total top 10 clubs matchday revenues on operating revenues
in the last three years in millions of EUR (Fig. 5)



source: Deloitte Football Money League[15]

The graph above (Fig. 5) shows the ratio of matchday revenues for the last three years concerning the total operating revenues of the same period. The absence of this type of revenue caused a drop in operating revenue, but not in the same proportion: the clubs were able to 'make up part of the loss, especially in 2021, mainly with broadcast revenues, as fans unable to follow live events were able to compensate through streaming services and/or live TV.

For the clubs, of course, as for the rest of the world, the pandemic was an unexpected and unpredictable shock; therefore, nothing can be blamed on them as far as their management in 2020 is concerned. Their mistake, however, was the pursuit of unsustainable management the following year in the face of such a significant loss that had been predicted because the covid-19 situation in 2021 was still in its prime.

[15] Cf. note 14

1.2.2 Broadcast Revenues

The broadcast revenues category includes those revenues that clubs generate by participating in national competitions, i.e. league and cup, continental competitions, and in particular cases, world competitions. These are most commonly referred to as 'TV rights', as the associations organizing the various competitions, by entering into agreements with the various TV and/or streaming broadcasters, allocate participation fees to the clubs according to criteria set by the associations themselves: in competitions that include elimination stages, for example, the further one competes, the higher the fee will be.

The table below (Tab. 3) shows the broadcasting revenue figure for 2021 compared to the previous year and the companies' total operating revenue in 2021.

This type of revenue constitutes a significant part of the companies' financial management and operating revenue composition, averaging 51.1%.

Significant, however, is the change from 2020: on average, there was an increase of 41.7%. This was since domestic and continental competitions, at home to the outbreak of the Covid-19 pandemic in March 2020, were temporarily suspended, resumed and concluded between July and August 2020. As the football season and the financial year for clubs end on 30 June, the missing broadcast quotas of the 2019/2020 season are overrun in the 2020/2021 season, allowing clubs to account for them in the 2021 financial year, letting them cover a large part of the missing matchday revenue with these extra revenues.

Tab 3 – *source: Deloitte Football Money League*[16]

Club	2021 Operating Revenues*	2021 Broadcast Revenues*	2020 Broadcast Revenues*	% variation on 2020	% 2021 on Operating Revenues
Manchester City FC	€644.9	€335.9	€217	54.8%	52%
Real Madrid CF	€640.7	€310.5	€224	38.6%	49%
FC Bayern Munich	€611.4	€254.5	€203.3	20.1%	42%
FC Barcelona	€582.1	€289.6	€248.5	16.5%	50%
Manchester United FC	€558	€287.8	€159.9	80%	52%
Paris Saint-Germain FC	€556.2	€201.8	€149.6	34.9%	36%
Liverpool FC	€550.4	€303.7	€232.5	30.6%	55%
Chelsea FC	€493.1	€309	€208.2	48.4%	63%
Juventus FC	€433.5	€237	€166.7	42.2%	55%
Tottenham Hotspur FC	€406.2	€233.3	€155	50.5%	57%

*in million

[16] Deloitte Sports Business Group, 2022, Deloitte Football Money League 2022.
Deloitte Sports Business Group, 2021, Deloitte Football Money League 2021.

1.2.3 Commercial Revenues

Commercial revenues represent the last significant slice of the operating revenues of football clubs, with an average weight of 47.2% of the revenues of the biggest clubs. They include all revenue clubs generate through advertising, sponsorship agreements, merchandising sales and other minor commercial operations.

The primary source of this type of revenue comes from sponsorship agreements that clubs enter with third-party companies. They use parts of their official uniforms as advertising space in return for a cash payment, usually based on multi-year agreements.

The main sponsor is usually the leading advertising partner with the most prominent and significant logo and guarantees a significant capital injection for football clubs. On the other hand, the technical sponsor is the manufacturer and supplier of all the club's technical materials.

In recent years, clubs have started using smaller spaces on their official uniforms (sleeves and back) to place additional sponsors on them.

The sale of merchandise is also a crucial factor for clubs in terms of revenue and customer loyalty, i.e. strengthening the club-fan relationship. In 2021, the ten clubs with the highest sales of official shirts sold an average of 1.83 million units[17], with FC Bayern Munich peaking at 3.25 million; these shirts have an average retail price of approximately €77 million[18].

A further notable type of sponsor is the 'naming rights' of the clubs' official facilities, i.e. the stadium and sports center where the teams' training sessions occur. This consists of renaming the facility in question by adding or completely replacing its name with the advertising partner's name[19]: for example, from the 2022/2023 season, FC Barcelona's

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[17] Statista, 2022, Soccer (football) shirt sales worldwide in 2021, by club (in units), Statista.com.
[18] Spaziante M., 2019, "Cara maglia quanto costi: la Serie A la più cara", Calcio e Finanza.
[19] Gillooly L., Medway D., Warnaby G., Grimes T., 2020, "The importance of context in understanding football fans' reactions to corporate stadia naming rights sponsorships", European Journal of Marketing, Vol 54 Issue 7.

renowned stadium will be called "Spotify Camp Nou" due to the agreement with the music streaming service[20].

[20] Ridley R., 2022, "Spotify becomes first naming rights partner for Camp Nou", The Stadium Business News.

Tab 4 – *source: Deloitte Football Money League*[21] *2021 & Calcio e Finanza*[22]

Club	2021 Operating Revenues*	2021 Commercial Revenues*	Main Sponsor Revenues*	Technical Sponsor Revenues*	% 2021 on Operating Revenues
Manchester City FC	€644.9	€308.2	€52.1	€75.3	47.9%
Real Madrid CF	€640.7	€321.6	€70	€120	50%
FC Bayern Munich	€611.4	€345.2	€40	€66	56%
FC Barcelona	€582.1	€276.6	€55	€105	47%
Manchester United FC	€558	€262.2	€74.1	€86.9	47%
Paris Saint-Germain FC	€556.2	€337.4	€60	€75	61%
Liverpool FC	€550.4	€238.4	€46.3	€33.4	43%
Chelsea FC	€493.1	€175.5	€44.5	€69.5	35%
Juventus FC	€433.5	€188.7	€45	€51	43%
Tottenham Hotspur FC	€406.2	€170.8	€40.5	€34.7	42%

*in million

[21] Deloitte Sports Business Group, 2022, Deloitte Football Money League 2022.
[22] Sacchi M., 2020, "I ricavi da sponsor dei top club: il valore delle maglie", Calcio e Finanza, https://www.calcioefinanza.it/2020/12/31/ricavi-sponsor-di-maglia-classifica/

1.3 Staff Expenses

Staff expenses are typically the highest costs that clubs sustain during each financial year, mainly due to the high salaries received by the athletes that make up the sports team, the technical staff, and the administrative staff. The criteria to be considered when calculating personnel costs include salaries, signing bonuses, other bonuses, termination benefits, social security contributions and other employee benefit expenses for all employees.

As we can see in the table below (Tab. 5), personnel costs constitute the highest operating cost for companies: still considering the world's top ten companies by revenue, personnel costs account for 69.3% of the operating revenue generated in a year. Suppose we add this figure to the 23% average football market expenditure. In that case, we can see that, on average, 92.3% of the revenues of these clubs are absorbed and redeployed entirely by sports management. This constitutes a considerable problem in terms of financial sustainability, as in this analysis, we are not (for simplification) considering minor (but essential) costs for clubs such as, for example, the cost of merchandising or infrastructure management, which could bring that figure to over 100%. We see, however, that some clubs taken individually far exceed or come very close to 100% of revenues by combining football market expenses and personnel costs, such as Chelsea FC with a total of 120.6% or Juventus FC with 105.7%.

Remarkable are the gross wages of first-team players, which weigh 59.2% of staff expenses and the gross wages of first-team coaches[23], which weigh 3.3%.

Tab 5 – *source[24]: Deloitte, KPMG Football Benchmark, Capology, Calcio e Finanza, LFP, TotalSportal, Sportekz*

[23] The gross salary shown in the table refers to the current coach at the end of the 2021 season. This clarification is important because if a coach has been relieved of his duties (commonly referred to as sacked) by his club, he still remains salaried by the club until the end of his contract or until his contract is signed with another club, unless the contract in question is terminated by mutual consent.
[24] Deloitte Sports Business Group, 2022, Deloitte Football Money League 2022.

Club	2021 Operating Revenues*	2021 Staff Expenses*	First Team Gross Wages*	First Team Coach Gross Wages*	% 2021 on Operating Revenues
Manchester City FC	€644.9	€399.8	€165.6	€23.7	62%
Real Madrid CF	€640.7	€384.4	€321.2	€17.7	63%
FC Bayern Munich	€611.4	€348.9	€224.6	€8.8	57%
FC Barcelona	€582.1	€488.9	€332.7	€10.7	84%
Manchester United FC	€558	€362.7	€232.7	€8.9	65%
Paris Saint-Germain FC	€556.2	€503.2	€431.2	€10	90%
Liverpool FC	€550.4	€352.2	€163.3	€19.5	64%
Chelsea FC	€493.1	€379.6	€202.9	€5.5	77%
Juventus FC	€433.5	€320.8	€216.1	€13.9	74%
Tottenham Hotspur FC	€406.2	€231.5	€161.8	€17.8	57%

KPMG Football Benchmark, 2022, The European Champions Report 2022.
Totalsportal staff, 2020, “Top 15 Highest Paid Football Managers (Revealed)”, Totalsportal.com
Ligue de foboall professional, Individual accounts of the clubs 2020/2021 season.
Sportekz, 2022, “Highest Paid Football Managers 2022 (Contract Details)”, Sportekz.com
Capology.com

1.4 Intermediary expenses

The intermediary (or agent) can be defined, according to FIFA, as a natural or legal person who, for a fee or free of charge, represents players and/or clubs in negotiations to conclude an employment contract or represents clubs in negotiations to conclude a transfer agreement[25].

Intermediaries have been involved in the football industry since the beginning of professionalism, but their activity has increased exponentially in recent decades. The rapid growth in popularity and media interest in modern football and the concomitant surge in revenues flowing into the sport have multiplied and inflated the commercial opportunities of the football market, making it increasingly attractive to agents seeking to exploit it. Coupled with the increasing internationalization of the sport, football clubs are increasingly looking for new talent in foreign leagues to meet their sporting needs, which has led to a market in which intermediaries are increasingly indispensable in negotiating and concluding contracts between players and clubs.

Initially, they were hired by clubs to act as scouts to identify players the clubs would like to sign. However, as clubs then moved to build their in-house scouting structures, agents began to seek other roles in the industry, which led them to work primarily for players who had limited bargaining power in the transfer market, as well as limited control and influence over the contractual conditions governing their employment, which tended to favour clubs[26].

Therefore, intermediary expenses now account for an essential slice of what clubs spend on the football market.

According to data published by FIFA in the report Intermediaries in International Transfers 2021[27], 17.945 international transfers of male professional players were completed in 2021. Of these, 3,545 (19.8%) involved at least one intermediary, and the

[25] FIFA, 2015, Regulations on Working with Intermediaries.
[26] Bull W. & Faure M., 2021, “Agents in the sporting field: a law and economics perspective”, The International Sports Law Journal.
[27] FIFA, 2021, Intermediaries in International Transfers 2021.

intermediaries received a total of €469.3 million in service fees. Furthermore, 494 of the 4,525 clubs (10.9%) that registered an international transfer involved an intermediary. Of the 15,533 players who transferred across borders this year, 2,452 (15.8%) were represented or assisted by an intermediary.

European clubs accounted for 95.8% of the €469.3 million spent on fees for intermediary services, with clubs from England (€124.9 million), Germany (€79 million), Italy (€68.9 million), Spain (€32.6 million), France (€28.4 million) and Portugal (€27.5 million) alone responsible for 77% of the total worldwide amount.

FIFA divides intermediaries into three categories:

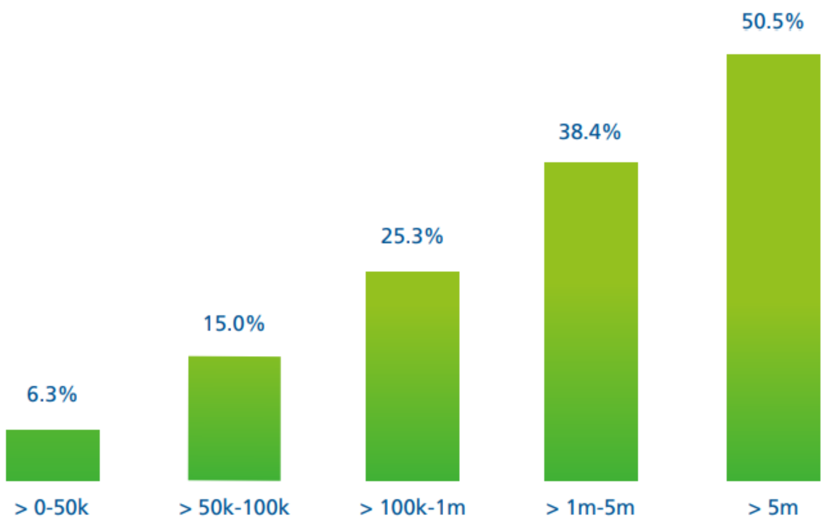
- Engaging club intermediaries, i.e. intermediaries who work for the club to carry out engagement negotiations, involved in 1,251 international transfers.

  Transfers involving intermediaries on the part of the engaging club involved a total of 61 clubs in 2021. English clubs made the most use of intermediaries when signing players: 203 of their 562 incoming transfers had at least one intermediary representing the signing club (36.1%). As of 2020, Italian clubs are in second place with 35.5%. Welsh clubs follow with 25.9% and, with the sole exception of Japan, the top ten is all European.
- Releasing-club intermediaries, i.e. intermediaries working for the club with the purpose of the release or sale of a player, are involved in only 350 international transfers.

  Clubs from Germany and Italy often relied on intermediaries when releasing a player: in both associations, 15.0% of the outgoing transfers involved at least one intermediary representing the releasing club. Brazil is the only non-European association in the top ten, with intermediaries involved in 9.3% of outgoing transfers. In total, 38 associations in which at least one intermediary represented outgoing clubs.
- Player intermediaries, i.e. intermediaries working for the player for market negotiations, were involved in 2,615 international transfers. This is equivalent to 14.6% of all international transfers and makes player brokers the most common type of

intermediary. The data shows that the higher the salary paid to the player, the greater the use of the intermediary in the negotiations.

Percentage of transfers involving a player intermediary,
by total fixed remuneration of the player (Fig. 6)

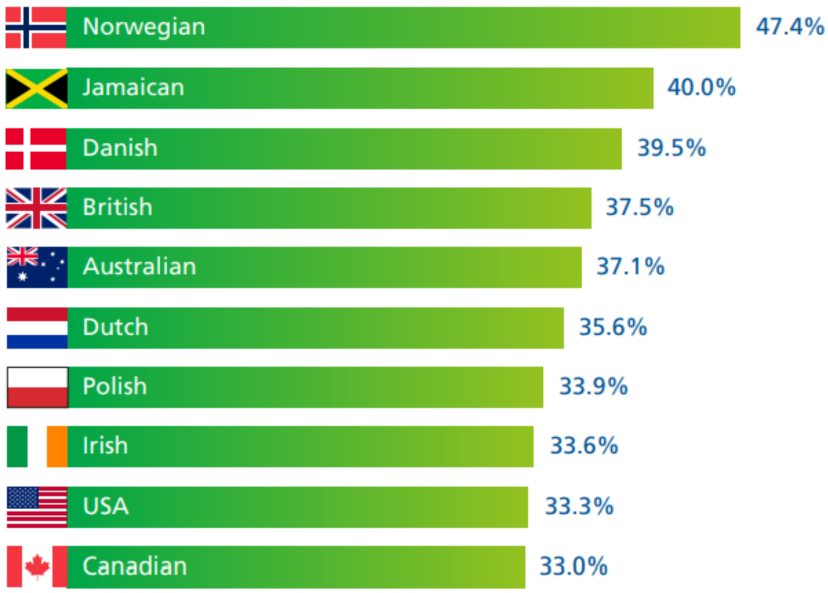


source: FIFA Intermediaries in International Transfers 2021

As in 2020, Norwegian players used intermediaries the most in 2021, being represented by one or more intermediaries in 47.4% of their 65 international transfers. Players from Jamaica (40.0%) and Denmark (39.5%) complete the top three places.

Top ten nationalities by percentage of transfers

with player intermediaries (Fig. 7)



source: FIFA Intermediaries in International Transfers 2021

CHAPTER II - Analysis of current FIFA and UEFA regulations: pros and cons

2.1 Regulatory bodies: FIFA

The Fedération Internationale de Football Association, more commonly known as FIFA, is the international federation that governs the game of football. It is primarily responsible for the organization of football events and the regulation of its members' sporting and administrative activities. In addition, with the IFAB - International Football Association Board, it is responsible for making official changes to the rules of the game of football.

It was founded in Paris in 1904; today, it is based in Zurich, Switzerland, and since 2016 the president has been Gianni Infantino, and the secretary-general is Fatma Samoura.

FIFA's most important decision-making body is the Congress, composed of the representatives of each associate member, which meets annually and is the only body that can make changes to FIFA's Statutes, a document that contains all the body's internal organizational provisions.

FIFA refers to and officially recognizes the six continental confederations that are responsible for administering and organizing football activity at the continental level. They are:

- AFC, *Asian Football Confederation* in Asia;

- CAF, *Confederation Africaine de Football* in Africa;

- CONCACAF, *Confederation of North, Central American and Caribbean Association Football* in North America and Central America;

- CONMEBOL, *Confederacion sudamericana de Futbol* in South America;

- OFC, *Oceania Football Confederation* in Oceania;

- UEFA, *Union of European Football Associations* in Europe

The criterion for belonging to a continental confederation is mainly geographical, despite some exceptions such as Israel's affiliation to UEFA since 1994 for political reasons or Australia's affiliation to the Asian confederation AFC since 2006 to promote the qualitative development of the national representative team.

The membership of one federation rather than another by a country is decisive for the professional clubs based in that country as each continental federation has its own rules, which are also reflected in the clubs' management choices. As mentioned above, national associations are also affiliated members of FIFA, which comprise 211 recognized federations[28].

2.2 FIFA Regulations on the Status and Transfer of Players

One of the milestones of the FIFA regulations is the Regulations on the Status and Transfer of Players (RSTP), which, as described in Article 1 thereof, aims to "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"[29].

In this chapter, only some of the articles that make up this regulation will be analyzed and commented on to remain consistent with the analysis carried out so far.

2.2.1 Articles 5bis, 20 and 21: Bridge transfer, Training compensation and Solidarity mechanism

A bridge transfer can be defined as a transfer market operation in which a transfer has an intermediate function: the transferred player does not pass directly from the transferring

[28] FIFA, 2019, FIFA Statutes: Regulations governing the application of the statutes; standing orders of the congress.
FIFA, Fifa.com, https://www.fifa.com/associations/ifa.com, https://www.fifa.com/associations/
[29] FIFA, 2022, Regulations on the Status and Transfer of Players, art.1

Club A to the purchasing Club B but transits through a Club C, which is formally the purchaser from A and the transferor to B. The player's stay at Club C is usually very short, i.e. a period that must be a maximum of 16 weeks to be defined as a bridge transfer, as stated in Article 5bis comma 2. par. 1 of the same article prohibits this practice[30].

The reason lies in the fact that clubs can use this practice to reduce the fee they should pay according to the criteria laid down in Articles 20 and 21, where the 'training compensation' and the 'solidarity mechanism' are defined, i.e. mechanisms for redistributing wealth in favour of football clubs that have been involved in the training of young players. The transfer must be international in order to make these contributions mandatory.

Article 20 reads: "Training compensation shall be paid to a player's training club(s): (1) when a player is registered for the first time as a professional, and (2) each time a professional is transferred until the end of the calendar year of his 23rd birthday. The obligation to pay training compensation arises whether the transfer occurs during or at the end of the player's contract."[31] Article 21, on the other hand, states that "If a professional is transferred before the expiry of his contract, any club that has contributed to his education and training shall receive a proportion of the compensation paid to his former club (solidarity contribution)."[32]

Annex 4 explains the criteria of Article 20, i.e. 'training compensation': 'A player's training and education takes place between the ages of 12 and 23. Training compensation shall be payable, as a general rule, up to the age of 23 for training incurred up to the age of 21 unless it is evident that a player has already terminated his training period before age 21. In the latter case, training compensation shall be payable until the end of the calendar year when the player reaches 23. However, the calculation of the amount payable shall be based on the years between the age of 12 and the age when it is established that the player

[30] FIFA, 2022, Regulations on the Status and Transfer of Players, art. 5bis
[31] FIFA, 2022, Regulations on the Status and Transfer of Players, art. 20
[32] FIFA, 2022, Regulations on the Status and Transfer of Players, art. 21

completed his training". At the same time, the criteria for payment vary each year and are established by the confederations[33].

Annex 5 instead explains the "solidarity mechanism" mentioned in Art. 21: "If a professional moves during the course of a contract, 5% of any compensation paid within the scope of this transfer, not including training compensation paid to his former club, shall be deducted from the total amount of this compensation and distributed by the new club as a solidarity contribution to the club(s) involved in his training and education over the years." That 5% is, in turn, divided as follows:

- from the season of the 12th until the season of the player's 15th year of age the clubs concerned are entitled, for each whole season, to 0.25% of the transfer cost;
- from the 16th season up to the 23rd season of the player's age, the clubs concerned are entitled to 0.50% of the transfer cost for each entire season[34];

These two types of contributions constitute an expense that clubs must incur. This expense affects a club's profit (or loss) as it comes under the heading 'other expenses', which constitutes the item 'expenses from player rights management' in the income statement. These are often almost irrelevant costs for large clubs, but for smaller clubs, they may constitute an expense that clubs are not always willing to sustain. At the same time, for the beneficiaries of these contributions, which are often smaller clubs, they represent an essential source of revenue, present in the income statement under the item 'other revenue', which constitutes the principal item 'income from players' rights management'.

The first sanction by FIFA concerning the above concerns the affair between Paris FC, a French second division club, and Angers SCO, a French top league club. FIFA's official statement reads:

“The FIFA Disciplinary Committee has sanctioned the French clubs Paris FC and Angers SCO with a fine of CHF 30,000 and a transfer ban, at both national and international level,

[33] FIFA, 2022, Regulations on the Status and Transfer of Players, Annex 4
[34] FIFA, 2022, Regulations on the Status and Transfer of Players, Annex 5

for one registration period for breaches concerning the provisions on bridge transfers included in article 5bis of the Regulations on the Status and Transfer of Players".

This is the first time that FIFA's judicial bodies have imposed a sanction for breaches regarding bridge transfers since the provisions entered into force in 2020. The case relates to a player who signed his first professional contract with Paris FC on 1 July 2020 and registered with the said club on 6 July 2020 after playing in France and Spain as an amateur. Six weeks later, the player was transferred to Angers SCO and duly registered on 18 August 2020.

Following an investigation by the FIFA Regulatory Enforcement Department, the Disciplinary Committee found that the clubs failed to rebut the presumption that a bridge transfer occurred. Considering all the facts and circumstances concerning the case, it was ruled that the transfer to Paris FC had not been arranged for the player playing organized football, but rather to circumvent the rules concerning training compensation"[35].

The player in question turns out to be Kevin Bamanga, registered by Paris FC, to be released after spending three seasons in Spain playing in amateur teams, on 6 July 2020 and sold to Angers SCO on 18 August of the same year, a period that is less than the 16-week restriction imposed by FIFA, for around €250,000.

If the first professional contract had been signed between Bemanga and Angers, the compensation between the clubs would have been around €340,000. Instead, the conclusion of the first contract with Paris FC means that the compensation to be divided between the training clubs is €160,000. Through this scheme, the two French clubs both obtain a positive balance of €90,000, which for Paris FC is the difference between what it received from Angers SCO and what it owes to the training clubs (€250,000 - €160,000) and for Angers SCO is the difference between what it should have paid to the training clubs and what it pays to Paris FC (€340,000 - €250,000)[36]. However, the training clubs

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[35] FIFA, 2021, FIFA Disciplinary Committee sanctions Paris FC and Angers SCO for bridge transfer, Fifa.com.

[36] Russo P., 2021, "La Fifa, i bridge transfer, il sottobosco degli agenti: il caso Bemanga spiegato bene", calciomercato.com

Pruneta L., 2020, "Ligue 2 : le Paris FC et la drôle d'affaire Bemanga", LeParisien.

has an aggregate loss of €180,000. Even if split, a figure is very significant for smaller football clubs.

Article 5bis, therefore, undertakes to regulate and limit football-market practices that could compromise the proper management of a club, and together with Articles 20 and 21, they ensure that clubs, especially the smaller ones, pursue not only financial sustainability but also growth, which also passes through these revenues (or expenses), admittedly of minor importance, but which when added together constitute values that are not insignificant in the economic management of a club, being rewarded for the time and resources (human and economic) invested in the development of tomorrow's athletes.

2.2.2 Articles 19 and 19bis: Protection of minors & Registration and reporting of minors at academies

Article 19 (and consequently also 19bis) of the FIFA RSTPturns out to be one of the most controversial of FIFA regulations. The TAS - Tribunal Arbitral du Sport (Lausanne, Switzerland) - has repeatedly intervened in the controversy of Art. 19, trying to give it an interpretation related to the changing world of international football, in which the fight for supremacy by the world's most titled clubs has led them to compete for young football talents through conduct that is not always regular. The international transfer of footballers under the age of eighteen has led to several problems for several reasons: firstly, the problem of rising costs related to the professional football market has forced the most important European clubs to equip themselves with a scouting structure capable of 'discovering' the best talents from a young age; secondly, the Bosman ruling[37], with which the European Court of Justice established the principle of free movement of professional footballers within the European Union.

Paragraph 1 of that article states “International transfers of players are only permitted if the player is over the age of 18[38]”.

[37] Bosman ruling, 1995, 61993CJ0415, European Court of Justice.
[38] FIFA, 2022, Regulations on the Status and Transfer of Players, Art. 19 Par. 1

The following five exceptions to this rule apply based on Paragraph 2[39]:

a) The player's parents move to the country in which the new club is located for reasons not linked to football.

b) The player is aged between 16 and 18 and:
i. the transfer takes place within the territory of the European Union (EU) or European Economic Area (EEA); or
ii. the transfer takes place between two associations within the same country. The new club must fulfil the following minimum obligations:
iii. It shall provide the player with an adequate football education and/or training in line with the highest national standards (cf. Annexe 4, article 4).
iv. It shall guarantee the player an academic and/or school and/or vocational education and/or training, in addition to his football education and/ or training, which will allow the player to pursue a career other than football should he cease to play professional football.
v. It shall make all necessary arrangements to ensure that the player is looked after in the best possible way (optimum living standards with a host family or in club accommodation, appointment of a mentor at the club, etc.).
vi. It shall, on registration of such a player, provide the relevant association with proof that it is complying with the aforementioned obligations.

c) The player lives no further than 50km from a national border and the club with which the player wishes to be registered in the neighbouring association is also within 50km of that border. The maximum distance between the player's domicile and the club's headquarters shall be 100km. In such cases, the player must continue to live at home and the two associations concerned must give their explicit consent.

d) The player flees his country of origin for humanitarian reasons, specifically related to his life or freedom being threatened on account of race, religion, nationality, belonging to a particular social group, or political opinion, without his parents and is therefore at least temporarily permitted to reside in the country of arrival.

[39] FIFA, 2022, Regulations on the Status and Transfer of Players, Art. 19 Par. 2

e) The player is a student and moves without his parents to another country temporarily for academic reasons in order to undertake an exchange program. The duration of the player's registration for the new club until he turns 18 or until the end of the academic or school program cannot exceed one year. The player's new club may only be a purely amateur club without a professional team or without a legal, financial or de facto link to a professional club.

Paragraph 4[40] stipulates that the same provisions provided so far also apply in case the person is a child under ten years of age, provided that, according to Paragraph 6[41], "it is the responsibility of the association that intends to register the player – as per the request of its affiliated club – to verify and ensure that the circumstances of the player fall, beyond all doubt, under one of the exceptions provided for in paragraph 2, 3, or 4c. Such verification shall be made prior to any registration".

The first controversy generated by Article 19 concerns the lack of distinction the rule makes between professional and amateur players. It was not until Circular No. 1209 of 30 October 2009 that FIFA sanctioned an exemption from the requirement to apply for prior authorization from the Sub-Commission for minor amateur players. Until the circular was issued, there have been cases in which European clubs have registered underage players as "amateurs." The most famous case concerns the Danish club FC Midtjylland[42], which, in 2006, registered some underage boys from Nigeria as amateur players. The TAS, ruling on the case, in Decision No. 2008/A/1485, considered Article 19 applicable to amateur footballers.

The second type of dispute is related to paragraph 2a of Article 19. Carlos Javier Acuña Caballero, a Paraguayan footballer of Olimpia de Paraguay, born on 23 June 1988, who, following his team's participation in an under-20 international tournament held in January 2005 in Colombia, was approached by a FIFA agent to represent him to find him a job with a foreign club, including a European one. On 14

[40] FIFA, 2022, Regulations on the Status and Transfer of Players, Art. 19 Par. 4
[41] FIFA, 2022, Regulations on the Status and Transfer of Players, Art. 19 Par. 6
[42] FC Midtjylland A/S v. Fédération Internationale de Football Association (FIFA), 2009, CAS 2008/A/1485.

February 2005, Carlos Javier Acuña Caballero and his mother moved to Cadiz, Spain. On 17 February, a six-and-a-half-year sports contract was signed between Cadiz CFSAD and the player's mother. On the same date, Cadiz CFSAD and Olimpia de Paraguay formalized the player's transfer with the subsequent request for the issue of the International Transfer Certificate (ITC) by Olimpia de Paraguay. On 20 February 2005, the player's mother signed a work contract with a restaurant in Cadiz. Following the Paraguayan Federation's refusal to issue an ITC in favour of the footballer, the Spanish Federation addressed the request to FIFA, justifying it because the footballer's mother needed to move to Spain for economic reasons. That, having found employment as a waitress in Cadiz, it was the best choice for her son to continue his sporting activity in Cadiz CFSAD. On 27 July 2005, FIFA informed both Federations that the request to issue an international transfer certificate had been rejected. Subsequently, the club sent FIFA further documentation proving the residence permit of the player's mother, a new employment contract signed on 4 August 2005, as well as the declaration of the Cadiz Police that confirmed that the player, his mother, father and brother lived together in a flat in Cadiz. On 26 August 2005, the Single Judge of the Players' Committee developed the following arguments[43]:

- from the documentation submitted by the applicant there is no evidence that the player was in Spain for reasons other than football;
- the employment contract concluded between the footballer's mother and the restaurant does not provide for any salary;
- with respect to the exception in Article 19 par. 2a, the mother only followed the footballer because of the Spanish club's interest in the boy;
- the protection of minors is a fundamental principle of the Rules and its strict application can eliminate possible attempts by clubs to circumvent the rule.

Based on these arguments, The Single Judge of the Players' Committee rejected the player's application for registration.

[43] Natale F., "La protezione dei minori nella FIFA: l'art. 19 delle regulations on the status and trasfer player (RSTP) alla luce delle più rilevanti decisioni del TAS-CAS".

On 8 September 2005, the player and the Spanish club appealed to the TAS. On 30 December 2005, TAS rejected the appellants' applications on the following grounds[44]:

- the appellants cannot benefit from the exceptions under Article 19 paragraph 2a because the footballer's family moved to Spain for football-related reasons
- in compliance with Circular No. 801 of 28.03.2002, FIFA insists on the strict application of the rules for the protection of minors;
- firstly, it is not for TAS to amend the rules but only to apply them; secondly, it is the appellants alone, in particular the club, who are responsible for not complying with the rule.

This means that the protection of the child is not guaranteed if there is even the slightest doubt that the family's relocation to another country is linked to the opportunity for the young person to pursue a career as a professional footballer. Finally, it follows that the TAS does not have the power to replace Article 19 but only to interpret it to respect the founding principle of child protection.

A similar case concerns what happened between a young American football player and the Spanish club Atletico de Madrid[45]. The subject of the dispute is still Article 19 par. 2a, in that the move to Spain by the footballer's family, according to statements made by the player's father, a prominent businessman in the United States, was dictated by a desire to increase his international experience and live outside the United States of America. Considering their good command of the Spanish language, the family decided to go to Spain. The family moved to Madrid on 27 July 2012, and in September of the same year, they moved to the outskirts of the city, to Las Rozas, near the training centre of the club Atlético de Madrid. Between 3 and 28 September 2012, the club Atlético de Madrid organized tryouts for players born between 1999 and 2006. Following the positive outcome of the tryout, as well as the player's request, the Spanish club agreed to register the young player. On 12 October 2012, the club sent an application to FIFA for the first

[44] Càdiz C.F., SAD V/FIFA And Asociación Paraguaya De Fútbol, 2005, CAS 2005/A/955.
Carlos Javier Acuña Caballero V/FIFA And Asociación Paraguaya De Fútbol, 2005, CAS 2005/A/956.
[45] Natale F., “La protezione dei minori nella FIFA: l’art. 19 delle regulations on the status and trasfer player (RSTP) alla luce delle più rilevanti decisioni del TAS-CAS”.

player registration as an amateur for the following reason: 'transfer of the player's parents for reasons unrelated to football'. The Spanish Federation requested FIFA in favour of the club Atlético de Madrid. On 30 November 2012, the Players Committee rejected the request with the following motivation: in light of the reasons given by the player's father and his professional activity, considering the short time between the player's registration with the Spanish club, the family's residence in Spain and the player's audition, especially considering the club's category, the Single Judge considers that doubts persist as to the parents' motivation to move to Spain for reasons unrelated to football. On 4 April 2013, the player filed an appeal before the TAS, which, on 10 October 2013, granted the appellant's request on the following grounds[46]:

- the appellant's family is multicultural and multilingual; the player's mother is of Colombian origin and, therefore, the choice to move to Spain for cultural and language reasons is plausible
- the footballer's family is economically well off thanks to his father, who is a member of the board of directors of the company he founded and subsequently sold. It is therefore possible to choose to live in countries far from the United States; moreover, the family's livelihood does not depend on the young man's football career;
- the Commission considers that the application should be accepted

Also controversial is Paragraph 2b of Article 19, point i. to be exact, which allows clubs to bypass the rule if the transfer occurs between EU or EEA countries or concerns players who hold the nationality of one of the countries included in this area.

After the case between the Argentinian player (but with Italian citizenship) Valentin Vada and the French club FC Girondins de Bordeaux, TAS intervened with the decision 2012/A/2862[47], ruling on the applicability of this exception through the criterion of personality and not only territoriality. Initially, "the Court notes, again, that Article 19(2b) of the FIFA Regulations makes no reference to the criterion of nationality, but focuses

[46] A. v. Club Atlético de Madrid SAD & Real Federación Española de Fútbol (RFEF) & Fédération Internationale de Football Association (FIFA), 2013, CAS 2013/A/3140.
[47] FC Girondins de Bordeaux c. FIFA, 2012, TAS 2012/A/2862

solely on the territory where the transfer occurs". However, "the Court notes that the exception in Article 19 par.2b of the Regulation was included in the agreement concluded in March 2001 between the EU and FIFA/UEFA in order to respect the principle of free movement of workers within the EU/EEA". Finally, "the Court is led to find the existence of an unwritten exception in the Regulations authorizing a player with the nationality of an EU/EEA member country to benefit from the exception provided for in Article 19 par. 2b of the FIFA Regulations on condition that the new club guarantees his schooling and sports training", concerning the principle of free movement of workers within the EU/EEA that could have been waived in respect of young players under the age of eighteen[48].

Also, about Article 19, famous are the sanctions imposed by FIFA in recent years on some of the world's most influential and wealthiest clubs:

- FC Barcelona, 14-month transfer ban for breaking rules on signing international players under 18, with the addition of a fine of CHF 500,000 in 2014[49];
- Club Atletico de Madrid & Real Madrid CF, transfer ban for two complete and consecutive registration periods for breaching articles 5, 9, 19 and 19bis as well as annexes 2 and 3 of the Regulations on the Status and Transfer of Players, and a fine of CHF 900,000 and CHF 360,000 respectively in 2016[50];
- Chelsea Fc and The Football Association for breaches relating to the international transfer and registration of players under the age of 18, with a ban on registering new players at both national and international level for two complete and consecutive registration periods, with the addition of a fine of CHF 600,000. The Football Association was also found to have breached the rules in connection with minors. It was fined CHF 510,000 and given a period of six months to address the situation concerning the international transfer and first registration of minors in football[51];

[48] Natale F., "La protezione dei minori nella FIFA: l'art. 19 delle regulations on the status and trasfer player (RSTP) alla luce delle più rilevanti decisioni del TAS-CAS".
Salvi S., 2021, "FIFA Article 19: Need for Reforms?".
Brennan T. D., 2016, "FIFA Article 19: The Immovable Object", medium.com.
[49] BBC, 2014, "Barcelona transfer ban: Fifa issues 14-month sanction", BBC.com.
[50] FIFA, 2016, Atlético de Madrid and Real Madrid sanctioned for international transfers of minors, Fifa.com.
[51] FIFA, Chelsea FC, The Football Association sanctioned for international transfers of minors, Fifa.com.

- Manchester City FC, for breaches relating to the international transfer and registration of players under the age of 18, with a fine of CHF 370,000[52].

It is commendable of FIFA to make a considerable commitment to the protection of minors, seeking to counter a common and dishonest practice of agents, who, in return for a fee, offer families, more or less well-off, the opportunity to let young families members audition with some of the world's most emblazoned clubs. The protection is therefore aimed at those who move to another country to pursue the dream of becoming an established professional footballer, but who, due to the family's socio-economic conditions or the boy's sporting demerits, could find themselves in difficult situations far from home. As analyzed above, however, Article 19 has several regulatory loopholes, some of which have been resolved by the interventions of the TAS. Despite this, there are some points of reflection that FIFA should consider both in terms of protection of minors and in terms of financial protection for clubs, which need, provided the right conditions exist, to be able to sign up young talents, rather than opening legal feuds and to be sanctioned by their institution of reference:

- Regarding minors, the rule, prevents all those young talents, hopeful of a future as professional footballers, from starting a training program with the best clubs in the world, seeing themselves deprived of the opportunity to work with the most competent staff and significantly reducing the possibility of emerging in professional football in their future. There are many young talents, for example, from South America or Africa, who, due to the socio-economic conditions of their country, the inadequacy of the structures and technical staff that look after their growth, and the difficulty of creating a status for themselves as potential top-level footballers, give up on their dream and often lose themselves to poverty-stricken living conditions.
- Article 19 paragraph 2b is discriminatory because according to point i. "the transfer takes place within the territory of the European Union (EU) or European Economic Area (EEA)". FIFA, being the global football institution, has the task and duty to protect and regulate all members regardless of their country of reference; It is,

[52] FIFA, Manchester City Football Club sanctioned for international transfers of minors, fifa.com.

therefore, discriminatory to only allow minors from a specific continent or geopolitical area to be the subject of transfers, and this constitutes damage both for all clubs outside the aforementioned geopolitical area and for all young footballers, who are penalized because of their nationality or the fact that they are not lucky enough to be able to obtain second citizenship for a country that falls within those parameters, damage that occurs in a very similar way as described in the previous point;

- From the perspective of financial sustainability, for clubs to give up the possibility of expanding the pool of young talent to be recruited, registered, and trained is a major obstacle that has significant economic repercussions. Being able to train footballers allows clubs to integrate the best products of their youth sectors into their first teams, without lowering the level of quality but often raising it:
  - To rejuvenate the average age of the squad and, above all, allow them to save money in the football market concerning incoming transfers. Considering 'club-trained footballers', defined as players who have been at their employer clubs for at least three years between the seasons during which they celebrated their 15th and 21st birthday, the clubs that have used this type of player the most in the 2021/2022 season are Athletic Club (ESP) with 55.8% of the minutes played by 15 players; Real Sociedad de Futbol (ESP) with 43.9% by 17 players; Real Club Celta de Vigo (ESP) with 41.2% by 11 players in terms of the top 3 of the world's top 5 leagues; MŠK Žilina (SVK) is the world's number 1 club in this statistic with 85. 5% of the minutes from 23 players; the world record for clubs having trained the most footballers playing in 31 top divisions of UEFA member countries goes to AFC Ajax (NED), with 81 players produced and an average of 27.3 matches played by such players;[53]
  - to be able to save on the heavy salaries demanded by established professionals (at least initially, since in the early stages of a young player's professional career, the player usually earns a significantly lower salary than an experienced and already established player, in line with the salaries received by members of academies);

[53] CIES Football Observatory, 2022, “Minutes by club-trained players: Athletic Club at the top”, football-observatory.com.

- to be able to generate significant revenues (especially profit on disposal) when transferring a player who has made the step from young talent to professional; since 2015, club-trained footballers have enabled clubs to generate revenues amounting to[54]:
  - €2.03 billion - English clubs;
  - €1.61 billion - French clubs;
  - €1.39 billion - Spanish clubs;
  - €1.11 billion – Italian clubs
  - €951m - Brazilian clubs;
  - €916m – German clubs;
  - €788m - Portuguese clubs;
  - €709m - Dutch clubs;
  - €566m - Argentinean clubs.

2.3 The regulation of the role of the agent

As already mentioned in Chapter I, the intermediary (or agent) can be defined, according to FIFA, as a natural or legal person who, for a fee or free of charge, represents players and/or clubs in negotiations to conclude an employment contract or represents clubs in negotiations to conclude a transfer agreement.

The regulatory intervention is linked to the leading reason players need agents, namely the existence of information asymmetries in transfer and labour relations between clubs and players. Most players have relatively limited knowledge of the transfer market, and working conditions compared to clubs and therefore rely on agents to compensate for this mismatch (at least to a certain extent), as agents (or at least the competent ones) have

[54] CIES Football Observatory, 2022, "Most profitable youth academies worldwide", football-observatory.com.

significantly more knowledge of the negotiation process and wages than other players. For this reason, however, the relationship between agents and their clients is also obviously characterized by asymmetric information. Information asymmetry can give rise to two types of problems[55]:

- Adverse selection - due to information asymmetry, the player cannot recognize relative differences in the quality of services offered by agents because they may lack sufficient competence. Conversely, agents may be inclined to deceive the player by overestimating their competence, which they may do to convince the player to hire them as their representatives and/or to charge higher fees for their services. There is thus a risk that the player may enter into a contract with an agent who is not capable of performing the required services and that, even after entering into the contract, the player may not be able to determine whether the agent is capable. Moreover, if the agent could provide a quality service, it would still have no incentive to do so since the player would not have the competence to recognize a quality service anyway.
- Moral hazard - occurs when the agent arbitrarily decides not to offer a service to the best of his or her ability because he or she believes that the player is not in a position to fully evaluate the quality of the service. Furthermore, the problem arises in cases of conflicts of interest: agents might have tacit agreements with certain clubs to facilitate the channeling of players to that particular club, trying to foil the success of negotiations with other clubs in favour of the one with which they have an agreement. The agent might also derive maximum personal benefit from the success of a negotiation with a particular club rather than with another because that club is willing to offer a higher commission to the agent on the condition that his client is registered. Concerning the conflict of interest, it may be the case that the player's agent is the same as the one chosen by the club for the successful signing and/or by the club transferring the player in question; in these cases, it is referred to as dual or triple

[55] Bull W. & Faure M., 2021, “Agents in the sporting field: a law and economics perspective”, The International Sports Law Journal.

representation, effectively threatening the player's maximum benefit, which is the reason why the latter requires the agent's advice in negotiations.

FIFA has therefore sought to limit the problems that can arise from relationships between players and agents and between clubs and agents with the Regulations on Working with Intermediaries dating back to 2015. The purpose of this regulation is stated in Article 1[56], which mentions that the regulation is concerning the engagement of the services of an intermediary by players and clubs to:

a) conclude an employment contract between a player and a club, or
b) conclude a transfer agreement between two clubs

To avoid information asymmetries between clubs and players, Article 2[57] states that players and clubs are entitled to engage the services of intermediaries when concluding an employment contract and/or a transfer agreement.

According to Article 3[58], for the sake of transparency, every association is obliged to implement a registration system for intermediaries that must be made public. Intermediaries must be registered in the registration system each time they are individually involved in a specific transaction. Paragraphs 3 and 4 states that after the transaction's conclusion, the player and the club using the services of an intermediary within the meaning of Article 1a must submit to the relevant association at least the Declaration of the intermediary and any other documentation requested by the association.

In order to limit moral hazard issues, Article 4[59] requires that the agents chosen by the player and/or the clubs have an "impeccable" reputation and that they do not have any contractual relationships with leagues, associations, confederations or FIFA that could

[56] FIFA, 2015, Regulations on Working with Intermediaries, Art. 1
[57] FIFA, 2015, Regulations on Working with Intermediaries, Art. 2
[58] FIFA, 2015, Regulations on Working with Intermediaries, Art. 3
[59] FIFA, 2015, Regulations on Working with Intermediaries, Art. 4

generate a potential conflict of interest. The issue of conflict of interest is also regulated in Article 8[60]:

1. Prior to engaging the services of an intermediary, players and/or clubs shall use reasonable endeavours to ensure that no conflicts of interest exist or are likely to exist either for the players and/or clubs or for the intermediaries.
2. No conflict of interest would be deemed to exist if the intermediary discloses in writing any actual or potential conflict of interest he might have with one of the other parties involved in the matter, in relation to a transaction, representation contract or shared interests, and if he obtains the express written consent of all the other parties involved prior to the start of the relevant negotiations.
3. If a player and a club wish to engage the services of the same intermediary within the scope of the same transaction under the conditions established in paragraph 2 above, the player and the club concerned shall give their express written consent prior to the start of the relevant negotiations and shall confirm in writing which party (player and/or club) will remunerate the intermediary. The parties shall inform the relevant association of any such agreement and accordingly submit all the aforementioned written documents within the registration process.

Article 7[61] deals with defining the system of recommended compensation to which the agent is entitled:

1. The amount of remuneration due to an intermediary who has been engaged to act on a player's behalf shall be calculated on the basis of the player's basic gross income for the entire duration of the contract.
2. Clubs that engage the services of an intermediary shall remunerate him by payment of a lump sum agreed prior to the conclusion of the relevant transaction. If agreed, such a payment may be made in instalments.

[60] FIFA, 2015, Regulations on Working with Intermediaries, Art. 8
[61] FIFA, 2015, Regulations on Working with Intermediaries, Art. 7

3. While taking into account the relevant national regulations and any mandatory provisions of national and international laws, and as a recommendation, players and clubs may adopt the following benchmarks:

   a) The total amount of remuneration per transaction due to intermediaries who have been engaged to act on a player's behalf should not exceed three per cent (3%) of the player's basic gross income for the entire duration of the relevant employment contract.
   b) The total amount of remuneration per transaction due to intermediaries who have been engaged to act on a club's behalf in order to conclude an employment contract with a player should not exceed three per cent (3%) of the player's eventual basic gross income for the entire duration of the relevant employment contract.
   c) The total amount of remuneration per transaction due to intermediaries who have been engaged to act on a club's behalf in order to conclude a transfer agreement should not exceed three per cent (3%) of the eventual transfer fee paid in connection with the relevant transfer of the player.

4. Clubs shall ensure that payments to be made by one club to another club in connection with a transfer, such as transfer compensation, training compensation or solidarity contributions, are not paid to intermediaries and that the payment is not made by intermediaries. This includes, but is not limited to, owning any interest in any transfer compensation or future transfer value of a player. The assignment of claims is also prohibited
5. Subject to article 7 paragraph 6 below, any payment for the services of an intermediary shall be made exclusively by the client of the intermediary to the intermediary.
6. After the conclusion of the relevant transaction and subject to the club's agreement, the player may give his written consent for the club to pay the intermediary on his behalf. The payment made on behalf of the player shall be in accordance with the terms of payment agreed between the player and the intermediary

It is evident that regarding the fees that agents are entitled to, the legislation does not define a maximum value that an agent may demand during negotiations. The 3% indicated is relative to the values stated in the article. This implies that agents wield considerable bargaining power vis-à-vis clubs, as they are often the advocates of successful negotiation and could therefore force up the negotiation figures to obtain the highest possible personal benefit. This poses a threat to clubs in terms of costs, as the more significant the influence of the agent on the professional choices of the player he represents, the higher the remuneration demanded by the agent might be, forcing clubs to a not indifferent financial outlay, which might erode the ratio of costs to revenues that the club sustains.

2.4 FIFA's new official proposals on the regulation of agents

As seen in paragraph 2.3, the role of agents is crucial in the functioning of the football market.

They could directly influence the success of a negotiation, thus influencing the transfer market strategies of clubs. They wield a powerful bargaining power as, under the old rules, they can demand huge commissions to get their client to conclude a negotiation with a certain club rather than another, as the proposed limits are simply recommended. This resulted in a system where, in 2021 alone, commissions to agents cost around €450 million[62].

FIFA, therefore, in order to solve this problem, has decided to establish new rules that will come into force as of July 2022[63]:

- 3% limit on players' salaries (without bonuses), both for the player's commission and the commission paid by the purchasing club

[62] Redazione, 2021, "La norma FIFA che può rivoluzionare il mercato", Calcio e Finanza.
[63] Vivaldi S., 2020, "FIFA, i procuratori dovranno rendere note le commissioni", Calcio e Finanza.

- in the case of dual representation of both the player and the purchasing club, the maximum percentage is 6% on the player's salary
- limit of 10% on the transfer price for the commission paid by the club selling a player.

Thus, with explicit limits on the commissions that agents can earn when assisting a player in a negotiation, clubs will no longer be held in check by having to comply with the conditions set by agents to close the negotiation.

2.5 Regulatory bodies: UEFA

The Union of European Football Associations, known as UEFA, is the administrative, governing and organizational body of European football. It is part of the six confederations associated with FIFA and is responsible for organizing official competitions involving national and club teams in Europe and for regulating their management. It covers all football federations on European territory, including Azerbaijan, Israel, Kazakhstan and Turkey[64]. The reasons for the inclusion of the latter are mainly geopolitical. A total of fifty-five federations are represented.

It was founded in 1954 in Basel, Switzerland, and today it is still based in Switzerland but in Nyon[65]. The most crucial decision-making body is the UEFA Congress, flanked by the UEFA Executive Committee, UEFA President Aleksander Ceferin and the UEFA Administration and Justice Bodies[66].

UEFA is by far the richest and most influential of the six confederations, both economically and in terms of sport. This is reflected on the sporting side, as both the clubs and the national teams belonging to the confederation have the strongest and highest paid professionals in the world and the most successful clubs in the history of world football. Although the game of football is passionately followed all over the world, especially in South America, football was born in Europe and has developed most there, making

[64] UEFA, uefa.com, https://www.uefa.com/insideuefa/member-associations/
[65] UEFA, uefa.com, https://www.uefa.com/insideuefa/about-uefa/history/
[66] UEFA, uefa.com, https://www.uefa.com/insideuefa/about-uefa/organisation/congress/

European clubs and competitions the most followed in the world, considering that a large part of the teams' supporters come not only from European territory but also from other continents.

2.6 UEFA Club Licensing and Financial Fair Play Regulations

Among the regulations of UEFA, the most important and impactful concerning clubs is the UEFA Club Licensing and Financial Fair Play Regulations (CLFFP), the purpose of which is, as stated in Article 1 par. 2 and 3[67], the regulation of the rights, duties and responsibilities of all parties involved in the UEFA club licensing system and define in particular:

a) the minimum requirements to be fulfilled by a UEFA member association in order to act as the licensor for its clubs, as well as the minimum procedures to be followed by the licensor in its assessment of the club licensing criteria;
b) the licence applicant and the licence required 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 licence by its licensor as part of the admission procedure to enter the UEFA club competitions.

Furthermore, this regulation defines:

a) the role and tasks of the UEFA Club Financial Control Body, the minimum procedures to be followed by the licensors in their assessments of the club monitoring requirements, and the responsibilities of the licensees during the UEFA club competitions;
b) the monitoring requirements to be fulfilled by licensees that qualify for the UEFA club competitions.

[67] UEFA, 2018, UEFA Club Licensing and Financial Fair Play Regulations, Art. 1 par 2,3

However, the objectives of the regulation are defined in Article 2 par. 1[68], as this regulation aspires to:

a) to further promote and continuously improve the standard of all aspects of football in Europe and to give continued priority to the training and care of young players in every club;
b) to ensure that clubs have an adequate level of management and organization;
c) to adapt clubs' sporting infrastructure to provide players, spectators and media representatives with suitable, well-equipped and safe facilities;
d) to protect the integrity and smooth running of the UEFA club competitions;
e) to allow the development of benchmarking for clubs in financial, sporting, legal, personnel, administrative and infrastructure-related criteria throughout Europe.

2.7 UEFA Financial Fair Play (FFP)

Financial Fair Play (FFP) can be defined as a set of rules found in the UEFA Club Licensing and Financial Fair Play Regulations aimed at improving the overall financial conditions of European football.

It is based on two core principles: the principle of going concern and the ability to be self-financed.

UEFA's stated objectives of FFP are set out in Article 2 par. 2 of the regulations as mentioned above and are[69]:

a) to improve the economic and financial capability of the clubs, increasing their transparency and credibility;
b) to 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;

[68] UEFA, 2018, UEFA Club Licensing and Financial Fair Play Regulations, Art. 2 par. 1
[69] UEFA, 2018, UEFA Club Licensing and Financial Fair Play Regulations, Art. 2 par. 2

c) to introduce more discipline and rationality in club football finances;
d) to encourage clubs to operate on the basis of their own revenues;
e) to encourage responsible spending for the long-term benefit of football;
f) to protect the long-term viability and sustainability of European club football.

2.7.1 The establishment of FFP

Financial Fair Play was born in 2009 with the approval of the UEFA Executive Committee, as many clubs reported repeated and increasing financial losses. The unstable economic situation created difficult market conditions for European clubs, with negative consequences on profit generation and additional financial availability problems for day-to-day operations. Many clubs experienced a drop in liquidity, which led to delays in payments to other clubs, employees and social/tax authorities.

FFP was therefore officially introduced as of the 2011/2012 football season with the publication of the updated 2012 edition of the UEFA Club Licensing and Financial Fair Play Regulations.

In addition, in June 2012, the UEFA Executive Committee approved the formation of the UEFA Club Financial Control Body (CFCB) to control the application of the club licensing system and UEFA's financial fair play rules; it is an administrative body of justice, which can impose disciplinary measures if requirements are not met and decide on the eligibility of clubs for UEFA competitions[70].

The leading promoter of Financial Fair Play was former UEFA president Michel Platini, as reflected in his famous note to UEFA's official channels in August 2011: << We have often repeated that football, far from being a mere economic activity, is above all a sport and a game, and that it is popular because it arouses passion. [...]. In football, it is not easy, as some clubs sustain considerable losses due to the bad habit of accumulating them season after season. [...] this undeniable truth must not obstruct reason and mask a harsh

[70] UEFA, 2014, Fair play finanziario, Uefa.com.

reality: if it continues on this path, professional football can go bankrupt; its eventual collapse can only have repercussions at grassroots level and in terms of image. [...]. This message is not meant to be a call for austerity and a return to the budgets of the past. Football moves large sums of money, and that is good. Nor is it a question of demanding a utopian distribution of wealth. There have always been richer clubs than others and undoubtedly there always will be. All we want is that clubs, richer or less rich, do not spend more than they earn and that they achieve budget parity, the only sure way for them to survive. [...]. To this end, with the unanimous support of all stakeholders and with the aim of helping clubs, we have defined financial fair play criteria that we will start applying strictly from this season. In addition to the meetings, which promise to attract a large following, the 2011/12 season will be important for a more particular reason: a goal with far-reaching implications such as the general well-being of football, provided that all clubs play by the rules, meet the financial fair play criteria and achieve a sustainable balance sheet, so that passion rhymes with reason. I wish all clubs, players, directors, referees and fans an exciting new season under the banner of fair play in all its forms.>>[71]

2.7.2 The FFP set of rules

As mentioned above, the Financial Fair Play comprises a set of rules that can be found in the UEFA Club Licensing and Financial Fair Play Regulations, defined by the articles between Art. 57 and Art. 68.

Article 57[72] defines the scope of application and the conditions for exemption, where the most relevant paragraphs are:

[71] Platini M., 2011, "L'importanza del fair play finanziario", UEFA direct.
[72] UEFA, 2018, UEFA Club Licensing and Financial Fair Play Regulations, Art. 57

- All licensees that have qualified for a UEFA club competition, with the exception of the UEFA Women's Champions League, must comply with the monitoring requirements, i.e. with the break-even requirement (Articles 58 to 64) and with the other monitoring requirements (Articles 65 to 68).
- A licensee that demonstrates it has relevant income and relevant expenses (as defined in Article 58) below EUR 5 million in respect of each of the two reporting periods ending in the two years before commencement of the UEFA club competitions is exempt from the break-even requirement. Such an exemption decision is taken by the UEFA Club Financial Control Body and is final.
- Under certain circumstances, as further illustrated in Appendix XII, a licensee can apply to enter into a voluntary agreement with the UEFA Club Financial Control Body for the fulfilment of the break-even requirement.

Article 58[73], together with Annex X[74], defines relevant income and expenses. It should be noted that most companies use the "capitalization and amortization" method of accounting for player registrations. Relevant income is the sum of:

a) Gate receipts (Matchday)
b) Sponsorship and advertising
c) Broadcasting rights
d) Commercial activities
e) UEFA solidarity and prize money
f) Other operating income (Includes all other operating income not otherwise described above, including revenue derived from other sources such as subsidies, grants and other money from the government of the territory of the licensee, rent, dividends and income from non-football operations related to the club)
g) Profit on disposal of player registrations
h) Excess proceeds on disposal of tangible fixed assets
i) Finance income and foreign exchange result

[73] UEFA, 2018, UEFA Club Licensing and Financial Fair Play Regulations, Art. 58
[74] UEFA, 2018, UEFA Club Licensing and Financial Fair Play Regulations, Annex X

Relevant expenses, on the other hand, are the sum of:

a) Cost of sales/materials
b) Employee benefits expenses (staff cost)
c) Other operating expenses (Includes all other operating expenses, such as match expenses, rental costs, lease costs, depreciation charges in respect of right-of-use assets, administration and overhead expenses, and expenses of non-football operations related to the club)
d) Loss on disposal and amortization/impairment of player registrations
e) Finance costs and dividends

Relevant expenses must be increased if any of the elements a) to e) above include the item f) below (defined in part C):

f) Expense transaction(s) with related party(ies) below fair value.

Relevant expenses may be decreased if any of the elements a) to e) above include any of the items g) to m) below (defined in part C):

g) Expenditure on youth development activities
h) Expenditure on community development activities
i) Expenditure on women's football activities
j) Non-monetary debits/charges
k) Finance costs directly attributable to the construction and/or substantial modification of tangible fixed assets
l) Costs of leasehold improvement
m) Expenses of non-football operations not related to the club

Article 59[75] defines the monitoring period, which includes three consecutive reporting periods on which a licensee is assessed for the purpose of the break-even requirement:

[75] UEFA, 2018, UEFA Club Licensing and Financial Fair Play Regulations, Art. 59

a) the reporting period ending in the calendar year that the UEFA club competitions commence (hereinafter: reporting period T), and
b) the reporting period ending in the calendar year before commencement of the UEFA club competitions (hereinafter: reporting period T-1), and
c) the preceding reporting period (hereinafter: reporting period T-2).

As an example, the monitoring period assessed in the license season 2021/22 covers the reporting periods ending in 2021 (reporting period T), 2020 (reporting period T-1) and 2019 (reporting period T-2).

Article 60[76] defines the notion of break-even result, i.e. the difference between relevant income and relevant expenses. If a licensee's relevant expenses are less than relevant income for a reporting period, it has a break-even surplus. If a club's relevant expenses are more significant than relevant income for a reporting period, it has a break-even deficit. The aggregate break-even result is the sum of the break-even results of each reporting period covered by the monitoring period. If the aggregate break-even result is positive, then the licensee has an aggregate break-even surplus for the monitoring period. If the aggregate break-even result is negative, 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 of the two reporting periods prior to the monitoring period (i.e. reporting periods T-3 and T-4).

Article 62[77] provides some guidance on the concept of break-even, mainly by inserting pegs that, if not respected, result in a breach of the regulations under consideration, including:

- Negative equity: The annual financial statements (i.e. reporting period T-1) 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);

[76] UEFA, 2018, UEFA Club Licensing and Financial Fair Play Regulations, Art. 60
[77] UEFA, 2018, UEFA Club Licensing and Financial Fair Play Regulations, Art. 62

- Break-even result: The licensee reports a break-even deficit as defined in Article 60 for either or both of the reporting periods T-1 and T-2;
- Sustainable debt indicator for T-1: At the end of reporting period T-1, the relevant debt is greater than €30 million and it is greater than 7 times the average of the relevant earnings of T-1 and T-2;
- Sustainable debt indicator for T: At the end of reporting period T, the relevant debt is greater than €30 million and it is greater than 7 times the average of the relevant earnings (as defined above for indicator 4) of T, T-1 and T-2;
- Player transfer balance: The licensee reports a player transfer deficit greater than €100 million in any player registration period that ends during the license season.

In the event of a breach of one of the indicators set out in Article 62, Article 63[78] provides details concerning the projected break-even, which quale must cover the 12 months commencing immediately after the statutory closing date of the reporting period T (from now on: reporting period T+1):

a) a budgeted profit and loss account;
b) a projected break-even result based on the budgeted profit and loss account and including adjustments to calculate relevant income and expenses;
c) contributions from equity participants and/or related parties;
d) a budgeted cash flow;
e) a budgeted balance sheet; and
f) explanatory notes, including assumptions that are not unreasonable, risks and a comparison with reporting period T.

Finally, Article 64[79] defines the fulfilment requirements of the break-even, i.e. if the licensee has, for the current monitoring period and, if applicable, for the projected monitoring period:

a) an aggregate break-even surplus; or

[78] UEFA, 2018, UEFA Club Licensing and Financial Fair Play Regulations, Art. 63
[79] UEFA, 2018, UEFA Club Licensing and Financial Fair Play Regulations, Art. 64

b) an aggregate break-even deficit which is within the acceptable deviation

2.7.3 Sanctions for non-compliance with the requirements of the UEFA Club Licensing and Financial Fair Play Regulations

UEFA has provided for several disciplinary sanctions in the event the above parameters are not met. These are set out in Article 29 of the Procedural rules governing the UEFA Club Financial Control Body and are[80]:

a) warning;
b) reprimand;
c) fine;
d) deduction of points;
e) withholding of revenues from a UEFA competition;
f) prohibition on registering new players in UEFA competitions;
g) restriction on the number of players that a club may register for participation in UEFA competitions, including a financial limit on the overall aggregate cost of players registered on the List A for the purpose of UEFA club competitions;
h) disqualification from competitions in progress and/or exclusion from future competitions;
i) withdrawal of a title or award.

It is stated that the disciplinary measures may be combined.

However, UEFA offers the possibility of concluding agreements with monitored clubs that do not fulfil the requirements of the UEFA Club Licensing and Financial Fair Play Regulations. These agreements are of two distinct, but similar types:

- Voluntary agreement, mentioned in Article 57 par. 5 and explained in detail in Annex XII of the UEFA Club Licensing and Financial Fair Play Regulations. In this case, it is the club that applies to the UEFA Club Financial Control Body for an agreement

[80] UEFA, 2021, Procedural rules governing the UEFA Club Financial Control Body, Art. 29

with the aim of complying with the break-even requirement. A voluntary agreement includes a structured set of obligations which are individually tailored to the situation of the club, break-even targets defined as annual and aggregate break-even results for each reporting period covered by the agreement, and any other obligations as agreed with the UEFA Club Financial Control Body investigatory chamber;[81]

- Settlement agreement, mentioned in Article 15[82] of the Procedural rules governing the UEFA Club Financial Control Body. In this case, it is UEFA that approaches the club under investigation for failing to comply with the requirements of the UEFA Club Licensing and Financial Fair Play Regulations. It must be considered that:
  - The First Chamber decides at its discretion whether or not to conclude a settlement agreement.
  - A settlement agreement may be concluded in circumstances that justify an effective, equitable and dissuasive resolution of the case.
  - Settlement agreements set out the obligation(s) to be fulfilled by the defendant.
  - Settlement agreements may include any disciplinary measures listed in Article 29 and, where necessary, a specific timeframe with the objective of bringing the defendant into compliance with the UEFA Club Licensing and Financial Fair Play Regulations. The disciplinary measures may be conditional and/or unconditional.
  - If a defendant breaches its settlement agreement, the First Chamber imposes disciplinary measures in accordance with these rules.

2.8 FFP controversies

The set of rules that makes up the FFP has undergone changes and adjustments over the years to make it consistent and up to date. Despite this, however, the set of articles mentioned above has contributed to the occurrence of some controversies related to the

[81] UEFA, 2018, UEFA Club Licensing and Financial Fair Play Regulations, Art. 57 and Annex XII
[82] UEFA, 2021, Procedural rules governing the UEFA Club Financial Control Body, Art. 15

content of the rule itself and the way it is applied. Some of the most critical issues arising from the FFP will be analyzed below.

2.8.1 FFP and EU law

Article 16 of the Charter of Fundamental Rights of the European Union recognizes the freedom to conduct business according to community law and national laws and practices[83].

Article 17, on the other hand, regulates the property right[84].

One of the first incompatibilities of the FFP that emerge concerns these two fundamental rights guaranteed by the EU: private property can only be regulated by law. UEFA, therefore, does not have the authority to restrict property insofar as it independently establishes the concepts of relevant income and expenditure, the sum of which will provide the break-even result.

Such a restriction on freedom of enterprise does not belong to an international organization that is sporting and has federations as members and not individual clubs, let alone individual owners. The latter are indirectly and unilaterally subjected to the conditions dictated by UEFA, finding themselves unable to fully enjoy private ownership.

Article 21 of the Charter of Fundamental Rights of the European Union regulates the principle of non-discrimination[85]. Although the FFP rules are applied indiscriminately to all clubs participating in UEFA competitions, it appears that this regulation does not affect every EU member state in the same way, as each nation has its own utterly autonomous legislation that, although consistent with supranational principles, produces disparities. For example, the different tax regimes or the advantage of those teams that, through the so-called 'popular shareholding', have additional relevant revenues (the payments made by shareholders or social revenues that in some countries like Italy are not feasible because

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[83] European Union, 2000, Charter of Fundamental Rights of The European Union, Art. 16
[84] European Union, 2000, Charter of Fundamental Rights of The European Union, Art. 17
[85] European Union, 2000, Charter of Fundamental Rights of the European Union, Art. 21

sports clubs - under Law 91/81 and the aegis of the FIGC - can have the legal form of s.p.a. or S.r.l., whose members' payments affect the capital and not the social revenues, thus not falling within the concept of relevant revenues of UEFA).

The cap of €100 million in the balance between purchases and sales included in Article 62 CLFFP would seem to violate Article 63 TFEU, which prohibits all restrictions on capital movements between the Member States and between the Member States and third countries[86].

Moreover, another important principle that would be violated is the one enshrined in Article 101 TFEU that regulates restrictive agreements on the competition. Affirming the concept that 'you can only spend as much as you earn' restricts the ability of clubs to compete by restrictively conditioning each club's ability to operate in the market. The consequence of this is that whereas previously, each club could operate within the football market on an equal footing without any limitation other than its economic availability and ability to fulfil its obligations, today, the player market is restricted by the fact that the most successful clubs can count on significantly higher revenues than smaller clubs (even though they may have passed under the management of wealthy and ambitious owners), and this allows them greater freedom to spend, which could be interpreted as a restriction on competition.

Despite these apparent violations, the EU seems to occupy a relatively neutral position, as it is true that if applied literally, some rules of EU law are violated. However, the European Commission considers it very important to contextualize the rules to the specificity of sport, always respecting the fundamental principles of its legislation, as an overly fiscal application would risk making any attempt at regulation by sporting institutions such as UEFA impossible. Below are the critical points of the European Commission's White Paper on Sport, a document that discusses the impact of sport on all European policies,

[86] European Union, 2012, Consolidated Version of the Treaty on the Functioning of the European Union, Art. 63

identifies the needs and specificities of the world of sport while respecting the principle of subsidiarity, the autonomy of sports organizations and EU law[87]:

- The Commission recognizes the autonomy of sports organizations and their representative structures (such as leagues) and also acknowledges that the management of sport is primarily the responsibility of the sporting bodies in charge and, to a certain extent, of the Member States and social partners, but emphasizes that the dialogue with sports organizations has brought many issues to its attention;
- The Commission believes that most of the challenges can be addressed through self-regulation that respects the principles of good governance, as long as EU law is respected and is ready to support or, if necessary, take appropriate action;
- There are organizational sports rules which - due to their legitimate objectives - do not seem to violate the antitrust provisions of the EC Treaty, provided that their possible anti-competitive effects are relevant and proportionate to the objectives pursued;
- Whether a specific sporting rule is compatible with EU competition rules can only be assessed on a case-by-case basis;
- The Court has recognized that the specificity of sport must be considered in the sense that restrictive effects on competition inherent in the organization and proper conduct of sporting competitions do not infringe the EU competition rules, provided that those rules are proportionate to the legitimate sporting interest pursued. The need to ensure that such proportionality is respected implies the need to consider the specific features of each case and does not allow for general guidance on applying competition rules to the sports sector.

2.8.2 The vicious circle of profit on disposal of player trading

When a player is sold by club X to club Y, the difference between the income associated with the sale of players' registrations and the net book value of the player registration recorded as an intangible asset constitutes for club X:

[87] European Commission, 2007, White Paper on Sport

- A profit on disposal, if the value of the difference is positive
- A loss on disposal, if the value of the difference is negative

The net book value changes over time based on two factors that contribute to a decrease in the originally recognized cost value:

1. amortization, i.e. the participation in operating costs in relation to the residual possibility of utilization. The criterion for the amortization of players' registration rights, in compliance with the principle of prudence, is that of dividing the cost of the right into constant instalments for the entire duration of the contract that binds the player to the club.
2. the possible impairment, i.e. the reconsideration in prudential terms of the residual possibility of utilization of the item. One need only think of lasting reductions in the conditions of future use following a serious injury or even the player's abandonment of competitive activity.

The value of profits on disposal (or losses) is recorded in the income statement and constitutes a part of the relevant revenues indicated by UEFA in the FFP calculation.

Illustrative example[88]:

Club X in the 2017/2018 football season acquires the contract rights of player A from a third club for €10 million by paying a transfer mediation of €1 million. The contract has a duration of five years. In the 2021 summer transfer window, the contract is sold to a third club Y for €8 million, generating a profit on disposal of €5.8 million (transfer price €8 - net book value €2.2), with half of the payment being made in the current season and the other half in the following season.

Balance sheet	**30/06/2018**	**30/06/2019**	**30/06/2020**	**30/06/2021**	**30/06/2022**
Intangible sporting asset (A)	11,000,000	11,000,000	11,000,000	11,000,000	-
Amortization Fund	(2,200,000)	(4,400,000)	(6,600,000)	(8,800,000)	-
Net Value	8,800,000	6,600,000	4,400,000	2,200,000	-

[88] Redazione, 2021, “Spettro plusvalenze: l’analisi degli esperti e impatto a bilancio”, Calcio e Finanza, https://www.calcioefinanza.it/2021/10/29/plusvalenze-calcio-come-funzionano-impatto-bilancio/

Cash	-	-	-	-	4,000,000
Accounts receivable from sporting entities	-	-	-	-	4,000,000

Income Statement	**30/06/2018**	**30/06/2019**	**30/06/2020**	**30/06/2021**	**30/06/2022**
Amortization (A)	(2,200,000)	(2,200,000)	(2,200,000)	(2,200,000)	-
Profit on disposal	-	-	-	-	5,800,000

Now suppose that club X, at the same time as selling the above player, acquires the player B with a contract of 5 years at a value of €8 million from the same club Y.

Balance sheet	**30/06/2018**	**30/06/2019**	**30/06/2020**	**30/06/2021**	**30/06/2022**
Intangible sporting asset (A)	11,000,000	11,000,000	11,000,000	11,000,000	-
Intangible sporting asset (B)	-	-	-	-	8,000,000
Amortization Fund	(2,200,000)	(4,400,000)	(6,600,000)	(8,800,000)	(1,600,00)
Net Value	8,800,000	6,600,000	4,400,000	2,200,000	6,400,000
Cash	-	-	-	-	-
Accounts receivable from sporting entities	-	-	-	-	4,000,000
Payables to sporting entities	-	-	-	-	4,000,000

Income Statement	**30/06/2018**	**30/06/2019**	**30/06/2020**	**30/06/2021**	**30/06/2022**
Amortization (A)	(2,200,000)	(2,200,000)	(2,200,000)	(2,200,000)	-
Amortization (B)	-	-	-	-	1,600,000
Profit on disposal	-	-	-	-	5,800,000

This mechanism, therefore, generates for club X an operation that, on an accounting level, does not produce any movement (€8 million of purchases against €8 million of sales with the same payment method to the same entity) but creates a positive effect on the income statement with an increase in revenue of €4.2 million (€5.8 million profit on disposal -

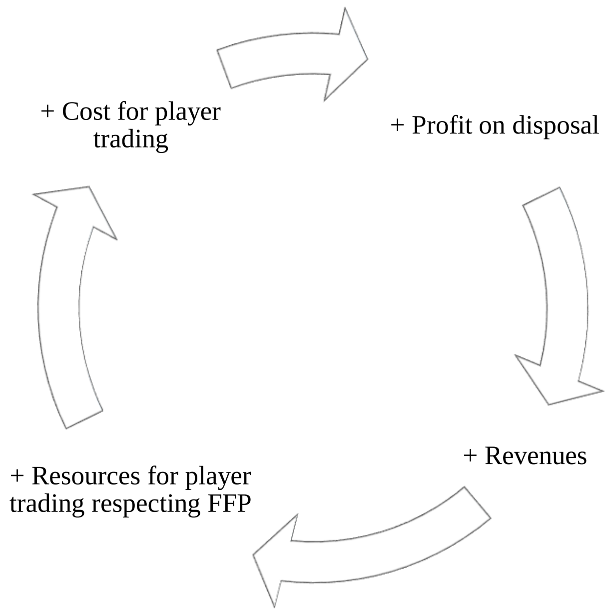
€1.6 million amortization of the new contract). This positive economic effect, helpful to comply with the various parameters required by the FFP, will be balanced by new costs in the next four financial years determined by the amortization of the multi-year contract of player B (1.6 x 4 = 6.4).

This system is often used by clubs, who use this type of cross-selling, and a recurring over-valuation of the players involved in these transactions to inflate their profit on disposal revenues, consequently allowing them to inflate the relevant revenue useful in the FFP calculation. The problem with this kind of management is that profits on disposal are generated for the current financial year. However, the amortization costs of the newly registered player are spread throughout his contract, creating a new problem to be solved in terms of costs and revenues each year.

To summarize, in general terms, however, without relying on cross-exchanges but a mere purchase and sale activity, the problems are twofold:

- the buyer finds himself having to spread the purchase cost for the following financial years according to the duration of the contract of the player in question, obtaining as a result a certain cost for the following year;
- who sells finds himself with a revenue useful to cover the costs of the single financial year, maintaining the problem of future costs that will have to be covered in some way, probably by continuing to resort to the profit on disposal system.

The vicious circle of profit on disposal of player trading (Fig. 8)



2.8.3 Commercial revenues, related party, significant influence and fair value

Commercial revenues, analyzed in the first chapter, are part of the relevant revenues used to calculate the FFP results. They constitute a stable source of revenue as they do not depend on the club's sporting performance. This factor directly influences broadcast revenues and indirectly matchday revenues and those related to players' sports rights management. Obviously, the more excellent the reputation of a club and the better its media perception (influenced by sports performance and sports personnel), the more likely it is to attract significant commercial contracts with third-party companies. A tendency of clubs, however, is to inflate commercial revenues through agreements with third parties defined as "related parties", i.e. sponsorships with parties related to the club's owner or, in any case, interested in linking their brand to that of the club, which do not always correspond to an accurate market value defined as "fair value". Such agreements are not to be considered bogus or illegal, as long as their use is restricted. UEFA, in Article 3 par.

1 of the CLFFP[89] defines significant influence as "Ability to influence but not control financial and operating policy decision-making. Significant influence may be gained by share ownership, statute or agreement. For the avoidance of doubt, a party or in aggregate parties with the same ultimate controlling party (excluding UEFA, a UEFA member association and an affiliated league) is deemed to have significant influence if it provides within a reporting period an amount equivalent to 30% or more of the licensee's total revenue." In addition, Section F of Annex X[90] clarifies any interpretative doubts:

- A related party is a person or entity that is related to the entity that is preparing its financial statements (the ‘reporting entity’). In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.
- A person or a close member of that person’s family (i.e. those family members who may be expected to influence, or be influenced by, that person in his dealings with the entity, including that person’s children and spouse or domestic partner, children of that person’s spouse or domestic partner, and dependents of that person or that person’s spouse or domestic partner) is related to a reporting entity if that person:

  a) has control or joint control over the reporting entity;
  b) has significant influence over the reporting entity; or
  c) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

  - A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price has been charged
  - A related party transaction may, or may not, have taken place at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction. An arrangement or a transaction is deemed to be ‘not transacted on an arm’s length

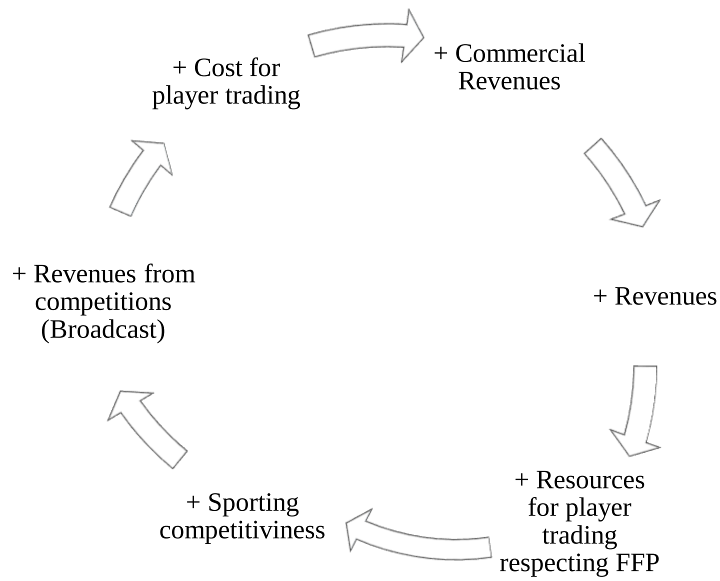
[89] UEFA, 2018, UEFA Club Licensing and Financial Fair Play Regulations, Art. 3 par. 1
[90] UEFA, 2018, UEFA Club Licensing and Financial Fair Play Regulations, Annex X section F

basis' if it has been entered into on terms more favourable to either party to the arrangement than would have been obtained if there had been no related party relationship.

- In situations where the declared fair value of the related party transaction is investigated by the UEFA Club Financial Control Body, an independent third-party assessor will perform a fair value assessment conform to standard market practices and assign a fair value to the related party transaction. The club may choose an independent third-party assessor which has been approved by UEFA. In this case the third-party assessor must not be subject to any conflict of interest with the club (e.g. otherwise currently contracted with the club in any other business). The value assigned by the third-party assessor would then be used for the calculation of the break-even result.

The vicious circle of commercial revenues[91] (Fig. 9)

[91] Raimondo F., 2019, "il circolo vizioso che supera il Fair Play Finanziario", feliceraimondo.it



The case of Paris Saint Germain FC (PSG)[92] - During the 2017 summer football market window, PSG completed the two most expensive transfers in history to add two footballers to its roster: Neymar da Silva Santos Júnior and Kylian Mbappè Lottin, at the cost of €222 million and €180 million respectively. Although the transaction has never been made official, it would appear that PSG's Qatari ownership has decided to use Neymar's image as a symbol of the FIFA World Cup, which will be held in Qatar in 2022: the presidency would therefore pay 300 million directly to the player as compensation for accepting the role of testimonial of the event, and it will be the player who will have directly paid off the termination clause that bound him to the Spanish club FC Barcelona. If this were true (although this scenario has never been taken for granted, neither has it been officially

[92] Panja T., 2019, “In P.S.G. Case, Documents Show UEFA Surrendered Without a Fight”, The NewYork Times.
La Repubblica, 2017, “Neymar al Psg, è ufficiale. Il Barcellona: "Pagata la clausola"”, La Repubblica.
Calciomercato.com, “Neymar-PSG: l'acquisto più costoso di sempre parte del piano geopolitico del Qatar”, calciomercato.com
Raimondo F., 2019, “Ecco come la UEFA ha insabbiato il caso del PSG: l’inchiesta del NYT”, feliceraimondo.it

denied), it would demonstrate the ease with which the FFP stakes have been effectively circumvented legally (but not ethically).

Remaining consistent with the analysis so far, PSG ended up under investigation by UEFA as it was found that the club had signed several sponsorship and association agreements with companies linked to its owners. One, in particular, stood out: a massive deal with the Qatar Tourism Authority for a nebulous concept known as 'nation branding', recorded as PSG's highest sponsorship deal at over €100 million per season. To assess the fair value of PSG's sponsorships, Yves Leterme, UEFA's financial investigator, commissioned sports marketing company Octagon Worldwide to analyze these deals. As stipulated in the regulation above, he conceded that PSG could hire another company to conduct its analysis. Octagon's version provided a verdict that valued the tourism agreement with Qatar, a sponsorship that had virtually no value, at less than €5 million; PSG claimed that its analysis, conducted for the club by the company Nielsen, provided figures very similar to those stated by PSG. Rather than request a third study, Leterme decided, to the consternation of the members of his Commission of enquiry, to use Nielsen's figures. In the end, according to Leterme's calculations, despite the expenses incurred and with the help of the disputed sponsorships, PSG suffered a loss of only €24 million over the three years under analysis.

To date, this affair remains one of the most controversial in terms of compliance and application of the regulations analyzed so far, as well as financial sustainability.

2.8.4 The Manchester City FC case[93] and UEFA's failure

On 14 February 2020, the Judicial Chamber of the Club Financial Control Body ruled the exclusion of the club Manchester City FC from all UEFA competitions with the addition of a €30 million fine due to 'severe violations of the Club Licensing and Financial Fair Play Regulations. UEFA discloses the reasons for these sanctions:

- Manchester City Football Club committed serious breaches of the UEFA Club Licensing and Financial Fair Play Regulations by overstating its sponsorship income in its accounts and breakeven information submitted to UEFA between 2012 and 2016.
- Manchester City Football Club did not cooperate with the investigation of the case by the Judicial Chamber of the UEFA Club Financial Control Body, failing to comply with Article 56 of the CLFFP[94], which cites:
  The licensee must:

  a) cooperate with the licensor and the UEFA Club Financial Control Body in respect of their requests and enquiries;
  b) provide the licensor and the UEFA Club Financial Control Body with all necessary information and/or relevant documents to fully demonstrate that the monitoring requirements are fulfilled, as well as any other document requested and deemed to be relevant for club monitoring decision-making, by the deadline set by the licensor and/or the UEFA administration (the reporting entity or combination of entities in respect of which information is required must be the same as for club licensing);
  c) confirm that all the submitted documentation and information are complete and accurate;

[93] Stock J., 2020, "Ricavi gonfiati e costi nascosti: perché il City è fuori dalla Champions", Calcio e Finanza,
Felice R., 2020, "Manchester City-UEFA: i risvolti della decisione del CAS di Losanna", feliceraimondo.it

[94] UEFA, 2018, Club Licensing and Financial Fair Play Regulations, Art. 56

d) promptly notify the licensor in writing about any subsequent events that constitute a significant change to the information previously submitted to the licensor, including a change of legal form or legal group structure.

In the following will be analyzed why this affair has shocked many in the industry and may in fact result in a “failure” for UEFA's institutional body.

It all began in 2014, when Manchester City FC (and PSG, whose controversial affair we have already analyzed) was sanctioned by UEFA through a Settlement Agreement because the club closed the 2011/12 budget with a negative pre-tax result of €117.9 million and the 2012/13 budget with a pre-tax red of €62.3 million, accumulating an aggregate red of €180.2 million, a figure well beyond the limit allowed by break-even principles (even though in those years the CLFFP provided for a maximum loss of €45 million instead of the current 30). The sanctions obliged the club:

- to fall within an annual deficit of €20 million in the 2013/14 financial year and €10 million in the 2014/15 financial year;
- not to include revenue from the sale of intercompany assets in the calculation of revenue relevant for Financial Fair Play;
- not to increase the cost of the squad over the next two seasons. If Manchester City fulfil their commitment in terms of results, this limit can be removed for the 2015/16 season;
- to see the number of players who can be included in the "A" lists for the 2014/15 UEFA competitions limited to 21. This limit will be removed for the 2015/16 season if Manchester City meet the break-even parameters;
- to limitations in the transfer balance for the 2014/15 and 2015/16 seasons that can be included in the "A" lists for UEFA competitions;
- to the payment of a fine of €60 million from gate receipts from the 2013/14 season. A portion of this fine, amounting to 40 million, may be repaid if the Club fulfils the commitments of the agreement.

In addition to breaching the stakes imposed concerning aggregate operating loss, UEFA was also suspicious of the way the club's revenues had increased significantly in those years; in 2008/09, the first season after Man City's acquisition by the Sheikh of Abu Dhabi, the club's revenues net of player trading was £87.8 million. In 2011/12 and 2012/13, the two seasons initially monitored by UEFA and the focus of the 2014 Settlement Agreement, the club's revenues stood at £243.9m and £318.7m, respectively. Specifically, commercial revenues rose from £23.3m in 2008/09 to £121.1m in 2011/12 and further increased in 2012/13 to £143m.

In 2015, only 16 months after the signing of the Settlement Agreement, the Investigative Chamber of the CFCB, after re-evaluating the circumstances of the case, announced the cancellation of some of the restrictions imposed on the club; as of the 2015/16 season, the two clubs will no longer have the following restrictions:

- Restrictions on the registration of new players in UEFA competitions;
- Restrictions on the number of players that can be included in the A list;
- Restrictions on the cost of the squad.

UEFA announces that the club has << satisfactorily demonstrated to the CFCB that it has met the financial targets related to recruitment costs and a balanced budget, as set out in the settlement agreement signed for the fiscal years 2014 and 2015>> and continues << After further analysis carried out on the relevant documentation, the CFCB has confirmed that the targets have been met. The analysis of the documentation was carried out with particular meticulousness in order to determine the perimeter reporting and the value of the sponsorship contracts. The club is still in the transactional regime and will remain under close observation for the entire 2015/16 season. The exit from the transactional regime is subject to the achievement of further targets related to the balanced budget for the 2016 fiscal year>>. In 2017, the Investigative Chamber of the CFCB reports that << GNK Dinamo Zagreb (Croatia), whose settlement agreement was concluded last year; Manchester City FC (England) and Paris Saint-Germain (France), whose settlement agreements were signed in May 2014, have fully met all the requirements and the overall objective of their agreements. Consequently, they have all exited the settlement regime>>.

In 2018, after a few journalistic enquiries (based on data hacks) into this affair proved that much of the commercial revenue came from capital injections from related parties (from Abu Dhabi, the capital surplus would be £149.5 million. And a further 57 million would have come into Manchester City's coffers from a shareholder but also accounted for sponsorship in 2013. Confirming this in an internal club message from the club's former general manager in 2010) and that the club was using a network of offshore companies to both inflate revenues and pay salaries, thus reducing this cost in the club's official balance sheet, UEFA decided to reopen its investigation into the club, resulting in the previously mentioned sanction of 14 February 2020.

The club appealed to TAS, which in a note issued on 13 July 2020, ruled that the charges and sanctions imposed by UEFA on the club were invalid, considering that: << most of the alleged breaches reported by the Adjudicatory Chamber of the CFCB were either not established or time barred. As the charges with respect to any dishonest concealment of equity funding were clearly more significant violations than obstructing the CFCB's investigations, it was not appropriate to impose a ban on participating in UEFA's club competitions for MCFC's failure to cooperate with the CFCB's investigations alone>>. TAS, however, imposed a fine of €10 million on the club due to its failure to comply with Article 56 of the CLFFP regarding non-cooperation during UEFA's investigations[95].

The club, therefore, managed to "save itself" from very punitive sanctions as the TAS stated the club could not be investigated and judged for facts that had already been the subject of previous investigations and judgments due to the principle of "ne ibis in idem". Furthermore, the TAS considered that UEFA's pre-2014 charges were time-barred. For

[95] TAS, 2020, "Manchester City FC did not disguise equity funding as sponsorship contributions but did fail to cooperate with the UEFA authorities", MEDIA RELEASE
UEFA, 2020, "Dichiarazione della UEFA sulla sentenza del TAS sul Manchester City", UEFA.com, https://it.uefa.com/insideuefa/mediaservices/mediareleases/news/025f-0fe04df72764-2ff32bd56cf8-1000--dichiarazione-uefa-sulla-sentenza-del-tas-sul-manchester-city/

what happened in subsequent years, TAS considered that the evidence obtained from the previously mentioned journalistic investigation did not constitute a sufficient source to support the accusation against the club[96].

This affair demonstrated the ease with which UEFA rules were bypassed, allowing clubs to operate with extreme freedom with wealthy owners and good lawyers. It has also demonstrated the inadequacy of some rules and the lack of competence of the members that make up UEFA itself, effectively silenced by TAS.

2.8.5 Conclusions on FFP

In this section, an attempt has been made to analyze the regulatory framework's weaknesses that make up the Financial Fair Play, with the support of illustrative examples and case studies.

In the first analysis, i.e. the comparison between the principles that make up the FFP and EU law, some discrepancies are more glaring than others. Even though some of the reported articles are more at odds with EU law than others, an actual violation of EU principles is present. Despite this apparent violation, the EU has expressed itself in a neutral stance, recognizing the importance of contextualizing the application of rules and principles to the specificity of sport. It can therefore be argued that, with the EU's blessing, it is correct for UEFA to seek to create a set of regulations aimed at protecting and pursuing the principle of financial sustainability, going against the trend of previous years where the only (noble) limitation was that of having to meet financial obligations. It is clear that UEFA's objective is undoubtedly sensible and rightly imposed, the main problem, as seen in the following analysis, is that the current regulations have allowed clubs to generate vicious circles aimed at solving the problem in the immediate present, de facto transferring the problem to tomorrow, resorting to operations that are not always

[96] Spaziante M., “Il Tas all’Uefa: «Incapaci di fornire prove contro il City»”, Calcio e Finanza.

consistent with the ethics and morals that sport tries to teach and spread throughout the world.

2.9 New UEFA Regulations: Financial Sustainability Regulations

As long discussed in the previous paragraph, precisely in paragraphs 2.5 and 2.6, Financial Fair Play is undoubtedly at the heart of UEFA regulations regarding a football club's economic and financial aspects. In the course of the analysis, however, several problems have been presented that have arisen in recent years from the UEFA regulations, which have led clubs to use practices that are economically and ethically unsustainable, namely the vicious circles that have arisen from the fictitious profit on disposal system (with associated overvaluation of players) and the system of sponsorship through related parties, and finally as demonstrated by the PSG and Manchester City FC cases the ease with which the regulations have been circumvented in order to operate with complete freedom net of inadequate sanctions.

It was obvious to everyone, insiders and outside figures alike that there were some issues. UEFA itself realized that the set of regulations that made up the Financial Fair Play was inadequate and fallacious in some respects, which is why a new regulation, namely the UEFA Club Licensing and Financial Sustainability Regulations (CLFS), will come into effect from July 2022, replacing the outdated Club Licensing and Financial Fair Play Regulations last updated in 2018.

The name itself seems to suggest that UEFA's intentions are increasingly geared toward the financial sustainability of clubs, complicit in both the problems of the old regulations and those arising from the Covid-19 pandemic presented earlier in Chapter 1 in terms of lost revenues for clubs.

UEFA's proposed new regulation is based primarily on three principles[97]:

- Solvency
- Stability
- Cost control

2.9.1 Solvency Requirements

The solvency requirements[98] relate to the notion of overdue payables in paragraph 2.7.1. The underlying principle is still the same: debtors must settle their debts with creditors on time to ensure that the entire industry can continue to operate. In this new version of the regulation, UEFA becomes more stringent with the timeframe:

- As far as obtaining a license for the following year is concerned, clubs must prove that as of 31 March they have no outstanding debts by 28 February to football clubs, employees, social/tax authorities and to UEFA;
- With regard to the current season, clubs must prove that on 15 July, 15 October and 15 January they have no debts due by 30 June, 30 September and 31 December to football clubs, employees, social/tax authorities and to UEFA respectively.

Essentially, the regulation remains very similar to the previous one, tightened given the importance of the subject matter regulated. The concept of overdue payables in respect of UEFA is introduced since, as we shall see later, clubs will have to pay contributions to UEFA under certain sanctions.

[97] UEFA, 2022, UEFA Club Licensing and Financial Sustainability Regulations, Art. 79
[98] UEFA, 2022, UEFA Club Licensing and Financial Sustainability Regulations, Art. 80 and Annex H

2.9.2 Stability requirements

UEFA with stability requirements[99] introduces football earnings, i.e. the difference between relevant income and relevant expenses calculated in respect of a single reporting period. They are comparable to the notion of relevant income and relevant expenses useful for the calculation of break-even in the 2018 edition. The difference lies in the acceptable deviation, i.e. the maximum possible aggregate football earnings deficit for a licensee to be deemed in compliance with the football earnings rule, which still amounts to €5 million. However, it can exceed up to €60 million, compared to the previous 30, if such excess is entirely covered by either contribution in reporting period T or equity at the end of reporting period T.

Another important new feature is that the acceptable deviation can be further increased by up to €10 million for each reporting period in the monitoring period in which[100]:

a) the licensee has not been subject to a disciplinary measure in respect of the club monitoring requirements;
b) the licensee is not subject to a settlement agreement with the CFCB;
c) the licensee complies with the following financial conditions:

- Positive equity;
- Quick ratio equal to or above 1;
- Sustainable debt;
- Going concern.

[99] UEFA, 2022, UEFA Club Licensing and Financial Sustainability Regulations, Art. 84
[100] UEFA, 2022, UEFA Club Licensing and Financial Sustainability Regulations, Art. 87 and Annex J

2.9.3 Cost control requirements

The big change introduced by the new UEFA regulations concerns the squad cost ratio[101], which is calculated as follows:

Sum of:

- employee benefit expenses in respect of relevant persons;
- amortization/impairment of relevant persons' costs;
- costs of agents/intermediaries/connected parties

divided by the sum of:

- adjusted operating revenue;
- net profit/loss on disposal of relevant persons' registrations and other transfer income/expenses.

The squad cost ratio for the license season must be no greater than the defined limit of 70%.

Breaking this limit will make societies subject to a financial disciplinary measure decided by the CFCB based on the extent to which the licensee's squad cost ratio is more than the defined limit and the number of breaches by the licensee in the current and the previous three license seasons.

[101] UEFA, 2022, UEFA Club Licensing and Financial Sustainability Regulations, Art. 92 and Annex K

The level of financial disciplinary measure

as a percentage of the licensee's squad cost ratio excess (Fig. 10)

Squad cost ratio % points above defined limit	First time in breach	Second time in breach	Third time in breach	Fourth time in breach
>0 - ≤10	10%-25%	25%-50%	50%-75%	75%-100%
>10 - ≤20	25%-50%	50%-75%	75%-100%	
>20 - ≤30	50%-75%	75%-100%		
>30	75%-100%			

Source UEFA Club Licensing and Financial Sustainability Regulations, Annex L[102]

2.9.4 Review of UEFA's new proposals

The new regulation partly demonstrates that the issue of financial sustainability has become something that, considering recent events due to the covid-19, is no longer irrelevant in the management of football clubs. However, despite the introduction of the squad cost ratio, UEFA's action does not seem, at least at the moment, to be able to solve the problems arising from the previous regulation.

The problem of profit on disposal is in danger of persisting, as clubs could take advantage of that vicious circle to further inflate revenues and thus succeed in widening the range of permitted costs included in the 70% that the new regulations indicate.

Likewise, no intervention is aimed at limiting the practice of inflating revenues through sponsorship agreements with related parties. The principle of fair value indeed persists in

[102] UEFA, 2022, UEFA Club Licensing and Financial Sustainability Regulations, Annex L

recognizing the actual value of commercial contracts. However, as seen above, this principle was also valid before, but companies still found ways to spend more money.

Finally, the regulation, despite its name relating to financial sustainability, suggests anything except financial sustainability, as the maximum acceptable deviation relating to the difference between relevant revenues and costs has been doubled, which means allowing companies to spend even more than they earn. Furthermore, if a club were to exceed the 70% limit on the squad cost ratio, there is nothing to prevent the club from doing so other than a simple fine relating to overspending.

This means that if a club can afford and wants to spend a lot at the expense of paying some sort of tax, it can safely do so while completely ignoring the principle of a sustainable economy.

These new rules, therefore, carry the serious risk that companies, already wealthy and with owners heedless of the level of spending of the company itself (e.g. PSG and Manchester City FC, which have two of the wealthiest nations in the world behind them), can continue to spend entirely out of line with the competition and ignore the economic and financial health of the company.

This undermines the ethical and morally correct side of sporting competition and ignores why the FFP was created in 2009, namely, to move towards sustainable football that can ensure that clubs compete on an equal opportunity.

However, being a regulation that has not yet entered into force as it will be effective from July 2022, only time will tell whether UEFA's new proposals have contributed to making the sector more sustainable, although the analysis of the premises raises many doubts not only for this writer but for many insiders.

2.10 Overdue payables

One of the cornerstones of current regulations in the football world concerns overdue payables. FIFA and UEFA regulations are stringent on this issue, as the non-payment of overdue payables would represent a huge financial problem that could affect the entire industry. Regulating the settlement of debts in the suitable timeframe, therefore, is an issue that directly concerns the financial management of a club, an issue that, if not appropriately regulated, risks compromising and seriously threatening the financial sustainability of both debt-bearing and credit-bearing clubs. In addition, prohibiting clubs from carrying debts to all players involved in the industry obliges them to be very careful about their financial sustainability, an objective that FIFA and UEFA pursue through their regulations.

The regulations analyzed below are a fundamental component of FIFA and UEFA regulations to make clubs pay attention to financial management with a view to financial sustainability. It is well detailed and provides just sanctions for those who do not comply with it.

2.10.1 Overdue payables in UEFA regulations

Payables are considered overdue if they are not paid according to the contractual or legal terms, as defined in Paragraph 1 of Annex VIII in the CLFFP[103].

The regulation of these payables is fundamental in UEFA's regulations as it is part of both the requirements that a club must have to obtain the UEFA license (Art. 49, 50 and 50bis), the license that allows a club to take part in UEFA competitions, and the monitoring requirements by UEFA that make up the regulatory set of the FFP (Art. 65, 66 and 66bis). Regarding the articles regulating the obtaining of the license, clubs, by 31 March of the

[103] UEFA, 2018, Club Licensing and Financial Fair Play Regulations, Annex VIII par. 1

season preceding the one for which the license is applied, must prove that they have no overdue debts to:

- Other football clubs as a result of transfers undertaken prior to the previous 31 December (Article 49)[104];
- Its employees as a result of contractual or legal obligations that arose prior to the previous 31 December (Article 50)[105];
- Social/tax authorities as a result of contractual or legal obligations in respect of its employees that arose prior to the previous 31 December (Article 50bis)[106].

About the monitoring requirements that make up the FFP, the CLFFP stipulates that on 30 June and 30 September of the year in which UEFA club competitions commence, the licensee must not have any overdue debts to:

- Other football clubs as a result of transfers undertaken up to 30 June and up to 30 September respectively (Article 65)[107];
- Its employees (Article 66)[108];
- Social/tax authorities as a result of contractual or legal obligations in respect of its employees (Article 66bis)[109].

Articles 49 and 65 define that debts to other football clubs are the result of:

a) transfer activities, including any amount due upon fulfilment of certain conditions;
b) training compensation and solidarity contributions as defined in the FIFA Regulations on the Status and Transfer of Players;
c) any joint and several liability decided by a competent authority for the termination of a contract by a player.

[104] UEFA, 2018, Club Licensing and Financial Fair Play Regulations, Art. 49
[105] UEFA, 2018, Club Licensing and Financial Fair Play Regulations, Art. 50
[106] UEFA, 2018, Club Licensing and Financial Fair Play Regulations, Art. 50bis
[107] UEFA, 2018, Club Licensing and Financial Fair Play Regulations, Art. 65
[108] UEFA, 2018, Club Licensing and Financial Fair Play Regulations, Art. 66
[109] UEFA, 2018, Club Licensing and Financial Fair Play Regulations, Art. 66bis

The sanctions for non-compliance with the above conditions are defined in Article 29 of the Procedural rules governing the UEFA Club Financial Control Body.

Paragraph 2 of Annex VIII in the CLFFP defines the exceptions [110] : Payables are not considered as overdue, within the meaning of these regulations, if the license applicant/licensee (i.e. debtor club) is able to prove by 31 March (in respect of Articles 49, 50 and 50bis) and by 30 June and 30 September (in respect of Articles 65, 66 and 66bis) respectively that:

- it has paid the relevant amount in full; or
- it has concluded an agreement which has been accepted in writing by the creditor to extend the deadline for payment beyond the applicable deadline; or
- it has brought a legal claim which has been deemed admissible by the competent authority under national law or has opened proceedings with the national or international football authorities or relevant arbitration tribunal contesting liability in relation to the overdue payables; however, if the decision-making bodies (licensor and/or UEFA Club Financial Control Body) consider that such claim has been brought or such proceedings have been opened for the sole purpose of avoiding the applicable deadlines set out in these regulations (i.e. in order to buy time), the relevant amount will still be considered as an overdue payable; or
- it is able to demonstrate to the reasonable satisfaction of the relevant decision-making bodies (licensor and/or UEFA Club Financial Control Body) that it has taken all reasonable measures to identify and pay the creditor club(s) in respect of training compensation and solidarity contributions (as defined in the FIFA Regulations on the Status and Transfer of Players)".

[110] UEFA, 2018, Club Licensing and Financial Fair Play Regulations, Annex VIII par. 2

2.10.2 Overdue payables in FIFA regulations

UEFA's jurisdiction is limited to European clubs (with some exceptions noted above). However, the regulation of debts is an issue of fundamental importance for the overall financial balance of the football sector. Therefore, UEFA regulations have no influence, this issue is regulated by FIFA, mainly through Article 12bis of the Regulations on the Status and Transfer of Players[111]. This article states that:

- Clubs are required to comply with their financial obligations towards players and other clubs as per the terms stipulated in the contracts signed with their professional players and in the transfer agreements.
- Any club found to have delayed a due payment for more than 30 days without a prima facie contractual basis may be sanctioned in accordance with paragraph 4 below.
- In order for a club to be considered to have overdue payables in the sense of the present article, the creditor (player or club) must have put the debtor club in default in writing and have granted a deadline of at least ten days for the debtor club to comply with its financial obligation(s).
- Within the scope of its jurisdiction (cf. article 22 to 24), the Football Tribunal may impose the following sanctions:

    a) a warning;
    b) a reprimand;
    c) a fine;
    d) a ban from registering any new players, either nationally or internationally, for one or two entire and consecutive registration periods.

- The sanctions provided above may be applied cumulatively.
- A repeated offence will be considered an aggravating circumstance and lead to a more severe penalty.

[111] FIFA, 2022, Regulations on the Status and Transfer of Players, Art. 12bis

CHAPTER III - New proposals

3.1 Protection of minors

In the previous chapter, specifically in Section 2.2.2, we analyzed the regulations regarding the protection of minors reported in Article 19 of the FIFA Regulations on the Status and Transfer of Players. It, as described above, has on several occasions generated legal disputes with clubs, partly resolved by the imposition of certain sanctions and often through the intervention of the TAS.

As highlighted by the writer, however, Article 19 seems to require reform if FIFA wants to pursue the goal of protecting young players by being able to allow clubs to pursue financial sustainability, which, as described above, often passes through the in-house training process of young players: through some data reported in section 2.2.2 young players from the academies of clubs expressing themselves at the highest professional level represent a vital resource both in sporting and economic terms for clubs.

By analyzing the content of the legislation, it has become clear that rather than protecting minors, it seeks to protect them almost obsessively, instead very often ending up penalizing them, both in terms of missed opportunities and in discriminatory terms, since it allows certain transfer operations based on personal and territorial criteria.

3.1.1 The new Article 19

Paragraph 1 - International transfers of players are allowed only if the player is 12 or older.

Paragraph 2 - if the player is under the age of 18, these conditions must be met for the transfer to be validated:

a) FIFA gives consent to the transfer in accordance with Paragraph 3;
b) The club intending to register the minor must guarantee the young player first-level education at its school or at affiliated institutions until the completion of the mandatory educational program required in the club's country.
c) In case the minor moves alone to the new country (thus without being accompanied by a family member or legal tutor), the club must guarantee the young footballer board and lodging at its own facilities/youth accommodation/college/host family where supervision of the daily activities of unaccompanied minors is provided;
d) It must guarantee the young footballer professional education and/or training, in addition to his or her football and school education and/or training, that will enable him or her to pursue a career other than soccer if he or she ceases to play professional football;
e) In case of the young footballer's lack of sporting merit, the club shall be required to ensure the continuation of the young boy's sporting activity through clubs affiliated with the club, as well as to submit to the obligations under b), c) and d);
f) In case of temporary or permanent inability of the young footballer's continuation of sports activity due to health reasons, the club is obliged to comply with the obligations under b), c) and d);
g) The club must bear all expenses related to the young footballer sports and schooling, as well as board and lodging expenses in case the boy's family is unable to bear them as verified in the procedure defined in paragraph 3;
h) The club, once the boy is enrolled, is obligated to comply with the above obligations; these obligations lapse:

    - in the event of a renouncement to the relationship with the club by a joint decision between the young footballer and the family/legal custodian; or

- at the time the young footballer is transferred to another club; or
- if the young footballer moves permanently (and not temporarily) to another country for non-football reasons with the approval of the family/legal custodian; or
- if due to proven disciplinary reasons regarding the young footballer’s sporting, scholastic and/or daily conduct, the club, in agreement with FIFA, determines that there are no longer grounds to sustain an investment in the young footballer’ sporting and educational growth.

Paragraph 3 - To obtain the validity of the transfer, it is necessary to pass the preliminary interviews, i.e., virtual and/or physical meetings at which must be present:

- a representative of the minor (parent, acting family member or legal guardian);
- a representative of the club;
- a delegate of the national association where the club is based;
- a FIFA delegate;
- a lawman (notary, lawyer, etc.) designated by TAS.

The purpose of the preliminary interviews is:

- verify that the club is able to comply with all the conditions and obligations stipulated in paragraph 2;
- to determine whether the minor's family can bear the expenses of a possible international transfer to accompany the minor, avoiding that the club takes care of the boy's board and lodging based on the family's wealth; in case this condition does not occur and/or it is proven that the family is unable to bear an international transfer for extra-economic reasons and/or the family by mutual agreement with the club decides not to accompany the boy, refer to the corporate obligations in paragraph 2;

Preliminary interviews are defined as passed when all participating members agree to the conditions presented. The society shall bear expenses related to the organization of such meetings.

Paragraph 4 - It is the responsibility of the club to verify that the transfer of the minor is consonant with the immigration regulations of the country where the club is located; if not, it is the responsibility of the club to initiate the paperwork to bring the minor within the parameters of the immigration regulations.

Paragraph 5 - Any violations of this provision will be sanctioned by the Disciplinary Committee in accordance with the FIFA Disciplinary Code.

3.1.2 Clarification on the new Article 19

With this new proposal at the writer's hand, an attempt has been made to solve the significant critical issues related to an issue that is, in any case, very sensitive.

First and foremost, an attempt has been made to correct the error that FIFA was committing by penalizing young players and clubs interested in investing in the talents of tomorrow. The club must undergo a series of obligations and necessary arrangements to ensure that the minor is effectively protected and guaranteed the best possible sports and educational growth path.

Subsequently, efforts have been made to protect the families of young players in order to prevent the problems outlined in Section 2.2.2 from recurring.

The rule here states that if the family is unable to assist the minor in the transfer, the protection and care of the minor's upbringing is the responsibility of the club. However, no one (other than possible immigration regulations) prohibits the family from moving to the same country where the minor is being transferred. In this case, unless the family can prove that it has the appropriate wealth to live in that country and take care of the child's board and lodging, the responsibility for the minor's care remains with society under the criteria set out in the new Article 19.

3.2 Alternative Proposal of UEFA Financial Fair Play and Financial Sustainability Regulations

Although UEFA itself is trying to implement changes to move the football sector towards financial sustainability, here, the writer will propose a parallel model to the old and newer regulations. In some aspects, it will be similar in that existing accounting principles must be adhered to, and completely overhauling the system would be unrealistic and inappropriate. Despite this premise, it should be pointed out that the idea behind it was born before the new UEFA regulations were made public, which in some ways influenced the writer, both in understanding what is already good in the official regulations and in understanding what needs to be done to enable clubs to pursue sustainable football.

The articles cited for comparison will relate to the 2018 CLFFP regulation, and in the case of comparison to the 2022 CLFS, the reference will be made explicit.

Moreover, the proposals will mainly focus on the accounting aspects related to the management of a football club, aspects on which the UEFA regulations place the main focus according to the concepts of break-even and sustainability.

3.2.1 Notion of Operating football revenues and Operating football expenses

The attainment of break-even will be determined through the difference between relevant income and relevant expenses. With this proposal, however, an attempt will be made to modify the parameters that are included in the calculation of the relevant revenues and relevant expenses, seeking to place a greater focus on the operational management related to the club's football activities.

For this, the relevant income will be called "Operating football revenues", and will be calculated through the sum of:

- Matchday revenues
- Broadcast revenues
- Commercial revenues
- Transfer market revenues (profit on disposal on player registration, revenues from temporary transfer of players' registration, bonuses, solidarity contributions, training compensation)
- Other operating income

The same applies to the relevant expenses, which will be referred to as "Operating football expenses " and will be calculated through the sum of:

- Costs of sales/materials
- Staff expenses
- Transfer market expenses (amortization/impairment of player registrations and/or costs of a player's registration, loss on disposal of player registrations, amortization/impairment of release costs for other personnel or release costs for other personnel)
- Other operating expenses

3.2.2 Notion of monitoring period

The second proposal concerns the modification of the definition of the monitoring period in Article 59 of the CLFFP.

The writer proposes to redefine the monitoring period to a fixed three-year period and not a variable one as it is at present: under the current and future regulations, a three-year period is composed of year T, i.e. the present one, combined with periods T-1 and T-2: the 2021/2022 season, for example, represents period T in the 2020-2021-2022 three-year period, period T-1 in the 2021-2022-2023 three-year period and period T-2 in the 2022-2023-2024 three-year period.

With the alternative proposal, the three-year periods are fixed, so the 2021/2022 season would only be part of the 2020-2021-2022 three-year period.

From the 2022/2023 season (renamed T1), only the three-year period 2023-2024-2025 would be considered.

Therefore, the subsequent 2023/2024 (T2) and 2024/2025 (T3) seasons would only be part of the same three-year period 2023-2024-2025.

This is motivated by the fact that it could be an advantage for clubs to be based on fixed periods and to know with certainty that if they made losses in one year, they have the task of meeting the set parameters in the following two years.

Similarly, they know that if two years ended with a surplus, they will be able to use that advantage to support greater investments in the last year that makes up the three-year period, obviously fitting within the parameters that we will see later.

This is to protect clubs in the event that a season for various reasons (injuries, loss of a player at free agency, etc.) requires greater investment or produces less revenue than expected (e.g. as happened in the years of the covid-19 pandemic).

Under the old rules, a single season would affect three different monitoring periods, i.e. three separate three-year periods.

3.2.3 Notion of break-even result

The notion of break-even in Article 60 will therefore now be calculated for each reporting period that makes up a three-year period as the difference between Operating football revenues and Operating football expenses:

- If this difference is greater than zero, the company will record a break-even surplus;
- If this difference is less than zero, the company will record a break-even deficit.

The aggregate break-even result is the sum of the break-even results of each monitoring period (T1, T2 and T3) within the three-year period.

If the company records a break-even surplus, it can add it to the break-even result of the following period T, in case the latter records a break-even deficit: e.g. if the company records a break-even surplus in period T1, it is added to the break-even result of period T2 in case the latter registers a deficit so as to balance any operating losses with the previous profits.

At the end of the three-year period, the aggregate break-even result:

- If there is a surplus, it can be used to balance any aggregate deficit generated by the following three-year period;
- In case of a deficit, the company may use the aggregate surplus of the previous three years to offset the loss. If this is not sufficient to cover the current aggregate deficit, the club is liable to the disciplinary sanctions reported by the Club Financial Control Body.

3.2.4 Introduction of the player trading sustainability index

In order to provide useful information on the sustainability of transfer market operations, it was decided to include an index comparing the variables that impact the income statement of a financial year during player trading:

- In costs, when a player is purchased, the amortization fee related to the registration of the player and any accessory costs (commissions to agents, solidarity contributions, training compensation, signing bonus) are entered;
- In costs, when a player is bought on loan, the loan price is entered;
- In costs, when a player is sold, the value of loss on disposal is entered, calculated as the sale price minus the residual book value (difference < 0);
- In revenue, when a player is sold, enter the value of profit on disposal, calculated as the sale price minus the residual book value (difference > 0);
- In revenue, when a player is sold, enter the accessory revenue (bonuses, solidarity contributions, training compensation)
- In revenue, when a player is sold on loan, the loan price is entered.

The index, which will be called the 'player trading sustainability index', will therefore be the result of the ratio between:

- The sum of all costs related to player trading (first amortization of each purchase, ancillary costs, loan costs, loss on disposal) attributable to one financial year;

divided by:

- The sum of all revenues related to player trading (profit on disposal, ancillary revenues, loan revenues) attributable to one financial year.

This ratio will provide an insight into whether player trading operations are sustainable in accounting terms.

If, for example, a club were able to spend as much as it earns on player trading, the index value would be 1.

If a club were able to make its player trading operations remarkably sustainable, earning more than it spends, the index value would be less than 1.

If, on the other hand, a club was not careful about the sustainable management of player trading, the index would be greater than 1.

3.2.5 Staff expenses cap

In paragraph 1.3, it was observed that staff expenses represent the largest cost that clubs incur each year.

In order to place a significant limit on this type of expenditure and direct management towards sustainability, staff expenses are limited to 60% of the value of operating football revenues.

3.2.6 Notion of break-even deficit acceptable deviation

The acceptable deviation is the maximum possible break-even deficit a licensee can record in the monitoring periods.

For the individual monitoring periods that make up the three-year period, the acceptable deviation is €10 million. If the break-even deficit exceeds the threshold of €10 million (also taking into account the addition of any surplus generated by the previous year), the CFCB is called upon to determine the disciplinary sanctions under Article 29 to be imposed on the company for the following year based on the extent to which the limit has been exceeded:

- 1 to 5 million over acceptable deviation – slight;

- 5 to 15 million over acceptable deviation - medium;
- 15 to 30 million over acceptable deviation – high;
- 30 million or more over acceptable deviation - very serious.

The acceptable deviation for the aggregate break-even deficit for the three-year period is €30 million. If the aggregate break-even deficit exceeds the threshold of €30 million (also taking into account the addition of any surplus generated by the previous three-year period), the CFCB is called upon to determine the disciplinary sanctions under Article 29 to be imposed on the company for the following year based on the extent to which the limit has been exceeded:

- 1 to 15 million over acceptable deviation – slight;
- 15 to 50 million over acceptable deviation – medium;
- 50 to 100 million over acceptable deviation – high;
- 100 million or more over acceptable deviation - very serious.

3.2.7 Notion of acceptable deviation player trading sustainability index

The acceptable deviation for the player trading sustainability index is 0.2. The index may therefore not exceed a value of 1.2 provided that the limits concerning the break-even result are respected.

If the index is less than 1 in a monitoring period:

- The value of the difference between the sum of all costs related to player trading and the sum of all revenues related to player trading related to the period where the index less than 1 was recorded is calculated to obtain the excess of revenues over expenses;
- That value is added to the denominator of the next year's index.

This allows clubs to increase the amount they can spend in the football market in the event of sustainable management in the previous year, of course within the limits of the break-even result.

In the event that the player trading sustainability index exceeds the threshold of 1.2, the CFCB is called upon to determine the disciplinary sanctions under Article 29 to be imposed on the club for the following year depending on the extent to which the limit has been exceeded:

- Exceeding the threshold from 0.1 to 0.2 – slight;
- Exceeding the threshold from 0.3 to 0.5 – medium;
- Exceeding the threshold from 0.5 to 0.8 – high;
- Exceeding the threshold from 0.8 or more - very serious.

3.2.8 Notion of acceptable deviation for Staff expenses cap

The acceptable deviation for the staff expenses cap is 5%. The staff expenses cap may therefore not exceed 65% of the operating football revenues, provided that the limits concerning the break-even result are respected.

If the staff expenses cap exceeds the 65% threshold, the CFCB is called upon to determine the disciplinary sanctions under Article 29 to be imposed on the club for the following year according to the extent to which the limit has been exceeded:

- Exceeding the threshold from 1% to 5% - slight;
- Exceeding the threshold from 5% to 15% - medium;
- Exceeding the threshold from 15% to 25% - high;
- Exceeding the threshold from 25% or more - very serious.

3.2.9 Further principles to be considered

In this alternative proposal, are considered valid and applicable the Solvency Requirements principles concerning the notion of overdue payables already extensively discussed in the course of the paper, and the Stability requirements proposed by the new CLFS edition 2022, to which the financial principles of:

- Positive equity;
- Sustainable debt;
- Going concern.

Fundamental to the application and proper functioning of the new proposal is the use of the already discussed fair value.

In order to avoid repeating what has happened in the past (PSG and Manchester City FC cases), UEFA is urged to use mainly the analyses of the companies chosen by UEFA itself for the determination of the fair value of sponsorship contracts between clubs and related parties, and to use the companies chosen by the club under investigation only in extreme cases due to the potential unreliability of the clubs under investigation demonstrated here in the cases analyzed. UEFA is also called upon to introduce stricter sanctions if clubs refuse to cooperate in the proper conduct of investigations.

3.2.10 Player trading values at fair value

As repeated several times throughout the paper, the issue of the vicious circle of profit on disposals, with the associated overvaluation of players to generate accounting benefits through cross-trading operations between clubs, is a problem that neither the previous nor the future regulations seem to be able to solve.

This problem does not cease to exist even in the current alternative proposal submitted by the writer. Having established this, the proposal to limit this system as much as possible lies in establishing a new UEFA body delegated to define the fair market value of players as realistically as possible.

Just as the Club Financial Control was established in 2012 at the time of the introduction of the Financial Fair Play, the need is felt for the introduction of a different body with the task of plausibly defining the fair market value of players.

As already discussed in Section 1.1.2, objectively determining the market value of a player is neither possible nor correct for the reasons already stated above.

It is also true, however, that analysis companies today can collect and correlate a massive amount of data and statistics to provide an accurate and plausible market value of players, based on the parameters set out in section 1.1.2.

The objective evaluations that the new UEFA body would determine would not affect the usual and traditional transfer market activities, where it is often the expert opinions of insiders that evaluate players but would serve as counterevidence to put an end to a sick system that affects the entire football sector and its proper continuation.

The UEFA body should oversee calculating and recording all market values of all players as a function of time so that a player's value can be verified in an exact time frame.

This verification should not be carried out concerning every transfer because, as repeatedly stated, providing an objective evaluation is impossible. It would, however, be helpful to compare the fair value of a player at the time of his transfer against the transfer value declared by the club in case of UEFA, in monitoring clubs' performance, notices that revenues may have benefited from a substantial increase through profit on disposals. In this case, therefore, by comparing the two market values, the fair value and the value recorded in the transfer, it could be understood whether this is an operation carried out for the sole purpose of inflating revenues with the profit on disposal from overvaluation or whether it is a correct operation.

In this way, in the writer's opinion, UEFA might have the right to contest several operations that almost all clubs now carry out in order to give (fictitious) boost to their revenues and try to curb as much as possible this problem that infests club management.

3.2.11 Conclusions on the alternative proposal

With this set of new proposals, an attempt has been made to lay the foundations for a new alternative regulation that would attempt to stem as far as possible all the problems that have been presented in the previous two chapters regarding company management. The solution to the problem of financial sustainability in the football sector must pass through strict rules and regulations because, examples in hand, it has been seen that by allowing the wealthiest clubs the freedom to operate, despite the presence of many rules, they have taken the privilege of completely ignoring the importance of economically and financially sustainable football.

CHAPTER IV - Economic simulation based on the application of the new proposal

Introduction

In this fourth and final chapter of the study, an attempt will be made to see whether the alternative rules proposed by the writer in the previous chapter are plausible in the case of their application in the reality.

In order to do this, it has been decided to take a real club as an example and simulate its economic and sporting management in the coming year, i.e., the 2022/23 season (ending on 30 June 2023), in order to verify whether the new rules will have the desired impact, i.e., make the club financially sustainable.

The simulation will focus on the accounting aspect, i.e., the one on which UEFA regulations place the main focus in verifying compliance with the FFP rules.

With regard to the obligations on the equity side of the club, it is assumed that the club complies with the principles of Positive equity, Sustainable debt and Going concern.

The club chosen for the simulation is the Italian football team Juventus FC, since it represents, as seen in the first chapter, one of the ten clubs with the highest revenues and costs in the world, as well as the first in Italy not only in economic terms, but in terms of sporting merit throughout history and popularity. Moreover, the club starts from a very critical situation as it recorded an operating loss of €209.5 million in 2021[112].

4.1 Criteria used in the simulation

[112] Juventus FC, Annual financial report at 30 June 2021

The first step of the simulation will be to derive the relevant data for the 2022 simulation, i.e., the starting data for next year's simulation. This data is mainly contained in the items of amortization and personnel expenses, as they have a fixed base each year to which changes regarding the purchase and sale of players must be applied each year.

To this end, all publicly available information will be used to estimate the significant values for the 2021/2022 and 2022/2023 seasons[113].

Background: Juventus FC, despite a loss of €209.5 million in 2021, was able to continue to make significant investments in the 2021/2022 season thanks to the suspension of the FFP rules dictated by UEFA due to the loss of revenue caused by the pandemic.

From this moment until the end of the simulation, in order to simplify the analysis (focused on accounting aspects) and the availability of data, only operations concerning the first team or significant operations concerning Juventus' Under 23 professionals will be considered; expenses concerning the other components will therefore be considered fixed for the entire duration of the simulation.

Below are reported the criteria that will be used during the simulation for the 2022/2023 season.

It should be noted that, in order to verify the plausibility of the proposals to be submitted by the writer as set out in the sub-sections that make up paragraph 3.3, only the values useful for this analysis will be calculated using the criteria set out below, i.e., those relating to

- operating football revenues and expenses (paragraph 3.3.1)
- break-even result (paragraph 3.3.3)
- player trading sustainability index (section 3.3.4)

[113] Juventus FC, Consolidated half-yearly financial report at 31 December 2021; Annual financial reports from 30 June 2014 to 30 June 2021

- staff expenses cap (section 3.3.5)

Calculation criteria:

Commercial revenues: will be calculated starting from the value for the 2020/2021 season to which the average percentage variation that this value has recorded over the last five years will be applied. This variation will be applied for each simulated season. Average commercial revenue growth (2016-2021) = 15.9%

Matchday revenue: To define the matchday revenue estimate, the average percentage change this value has experienced over the last five years prior to the covid-19 pandemic will be calculated. This change will be applied for each simulated season; therefore, the starting value is considered to be the last recorded value prior to the covid-19 pandemic, i.e. the last available value in which the maximum allowed capacity in the stadiums was 100%. Audience attendance and pricing policies are therefore considered to register the same growth rate as in the last five years before the covid-19 pandemic. Average matchday revenue growth (2014-2019) = 13.2%

Broadcast revenue: the average placement of the club in the competitions it has entered in the last five years will be calculated to define the estimated broadcast revenue. Depending on the competition and the placement in it, there is a specific amount of prizes awarded to the club by the competition that make up the value of the broadcast revenues. We will therefore use the average revenue of the last five years as the fixed amount throughout the simulation.

- Average finish Serie A (2016-2021): 2nd place
  Average domestic competition revenue (2016-2021) = €114.2 million
- Average UEFA Champions League placing (2016-2021): Round of 8
  Average UEFA competition revenue (2016-2021) = €87.5 million
- Other average broadcast revenues (2016-2021) = €4.3 million

Transfer market revenues:

- The value of players for the purposes of calculating the value of profit on disposals and revenues from temporary transfers will be calculated using the parameters set out in paragraph 1.1.2 unless specifically indicated in the Juventus FC annual reports;
- The value of solidarity contributions and training compensation will be calculated using the parameters reported in paragraph 2.2.1 within the limits of publicly available information.

Other operating income: it will be calculated starting from the value relative to the 2020/2021 season to which the average percentage variation that this value has recorded over the last five years will be applied. This variation will be applied for each simulated season.
Average growth other operating income (2016-2021) = 4.7%.

Cost of sales/materials: will be calculated starting from the value relative to the 2020/2021 season to which the average percentage variation that this value has recorded over the last five years will be applied. This variation will be applied for each simulated season. Average growth cost of sales/materials (2016-2021) = 18.8%.

Staff expenses: will be calculated starting from the value relative to the 2020/2021 season to which will be added and subtracted the estimated values relative to incoming and outgoing operations during the simulated seasons. The estimate of these values will attempt to be as realistic and plausible as possible considering the current market conditions.

Transfer market expenses:

- The value of players for the purposes of calculating the value of amortization/impairment of player registrations and/or costs of a player's registration and loss on disposal of player registrations will be calculated starting from the value relative to the 2020/2021 season, to which will be added and subtracted the estimated values relative to incoming and outgoing operations during the simulated seasons. The estimate of these values will attempt to be as realistic and plausible as possible considering the current market conditions.

- The value of solidarity contributions and training compensation will be calculated using the parameters set out in paragraph 2.2.1 within the limits of publicly available information.

Other operating expenses: will be calculated starting from the value relative to the 2020/2021 season to which the average percentage variation that this value has recorded over the last five years will be applied. This variation will be applied for each simulated season.
Average growth other operating expenses (2016-2021) = 5.3%.

4.1.1 Amortization and impairment of players' registration rights as at 30 June 2022

The first data item useful for simulation purposes is the cost of amortization/impairment of player registrations.

For market transactions concerning members of the main squad, the individual value of the transaction will be explicitly indicated.

The starting value concerning professional players exclusively (as the figure for youth and female players is not included for the purpose of the break-even calculation with regard to both UEFA regulations and alternative proposals) is €196.8 million.

All transactions are reported below[114] as they represent significant changes between the value of the amortization amount as of 30 June 2021 and that as of 30 June 2022.

[114] Transfermarkt.com

Incoming operations during the 2021/2022 season:

- Dusan Vlahovic: historical cost = €81.6 million; 5-year contract; amortization quota = €16.3 million
- Denis Zakaria: historical cost = €8.6 million; 4-year contract; amortization quota = €2.15 million
- Federico Gatti: historical cost = €5.5 million; 5-year contract; amortization quota = €1.1 million
- Mohamed Ihattaren: historical cost = €1.9 million; 4-year contract; amortization quota = €0.475 million
- Moise Kean: historical cost = €37 million; 4-year contract; amortization quota = €9.25 million
- Kaio Jorge: historical cost = €5.3 million; 5-year contract; amortization quota = €1.06 million
- Manuel Locatelli: historical cost = €25 million; 5-year contract; amortization quota = €5 million
- Mattia Compagnon (Juventus U23): historical cost = €3.9 million; 5-year contract; amortization quota = €0.78 million

Total amortization quota to be added to the starting €196.8 million as at 30 June 2022 = €36.1 million

Exit transactions during the 2021/2022 season:

- Rodrigo Bentancur: annual amortization quota saved following disposal = €1.9 million
- Cristian Romero: annual amortization quota saved following disposal = €6.3 million plus €3.3 million recognized at 30 June 2021 adjusted following the disposal in the first phase of the Transfer Campaign of the 2021/2022 financial year. Total savings = €9.6 million
- Cristiano Ronaldo: annual amortization quota saved following disposal = €28.9 million plus €14.5 million recognized at 30 June 2021 adjusted following disposal in

the first phase of the Transfer Campaign of the 2021/2022 financial year. Total savings = €43.4 million

Total amortization quota to be subtracted from the starting €196.8 million as at 30 June 2022 = €54.9 million

Contractual renewals during the 2021/2022 season:

- Juan Cuadrado: annual amortization quota at 30 June 2021 = €2.3 million annual amortization quota following renewal at 30 June 2022 = €1.2 million
- Mattia Perin: annual amortization quota at 30 June 2021 = €4.4 million annual amortization quota following renewal at 30 June 2022 = €1.1 million
- Mattia De Sciglio: share of annual amortization at 30 June 2021 = €2.4 million annual amortization quota following renewal at 30 June 2022 = €0.6 million

Total amortization quota to be subtracted from the starting €196.8 million as at 30 June 2022 = €6.2 million

Amortization and impairment of players' registration value as at 30 June 2022 = €171.8 million

4.1.2 Staff expenses as at 30 June 2022

In this paragraph, the staff expenses relating as of 30 June 2022 will be counted. In order to do so, we will start from the value recorded at 30 June 2021, to which the expenses related to incoming transactions will be added, and those related to outgoing transactions will be subtracted.

The starting value is the amount as of 30 June 2021, i.e. €320.8 million.

From this point until the end of the simulation, only changes related to first-team members or other members of the sports roster that entail a significant change will be considered. In order to simplify the analysis, the expenses relating to the other components of the value 'staff expenses' will be considered fixed for the entire duration of the simulation. In addition, the salaries of players on loan are assumed to be borne entirely by the club hosting the player on a temporary basis.

All transactions are reported below[115] as they represent significant changes between the value of staff expenses as at 30 June 2021 and those as at 30 June 2022.

Incoming operations during the 2021/2022 season:

- Dusan Vlahovic: gross annual salary = €12.9 million.
  Salary to be paid by Juventus FC starting from January 2022 = €6.45 million
- Denis Zakaria: gross annual salary = €3.6 million.
  Salary to be paid by Juventus FC starting from January 2022 = €1.8 million
- Federico Gatti: on loan (paid by Frosinone Calcio)
- Mohamed Ihattaren: on loan (paid by UC Sampdoria and AFC Ajax)
- Moise Kean: gross annual salary = €3.2 million
- Kaio Jorge: gross annual salary = €1.5 million
- Manuel Locatelli: gross annual salary = €5.5 million

Total staff expenses to be added to the starting €320.8 million as at 30 June 2022 = €18.5 million

[115] Capology.com

Returning from loan during the 2021/2022 season:

- Luca Pellegrini: gross annual salary = €2.4 million
- Mattia De Sciglio: gross annual salary = €5.6 million
- Mattia Perin: gross annual salary = €4.3 million
- Daniele Rugani: gross annual salary = €6.5 million

Total staff expenses to be added to the starting €320.8 million as at 30 June 2022 = €18.8 million

Outgoing operations during the 2021/2022 season:

- Rodrigo Bentancur: gross annual salary = €4.4 million.
  Salary to be paid by Juventus FC until January 2022 = €2.2 million
- Dejan Kulusevski: gross annual salary = €4.6 million.
  Salary to be paid by Juventus FC until January 2022 = €2.3 million
- Aaron Ramsey: gross annual salary = €10.6 million.
  Salary to be paid by Juventus FC until January 2022 = €5.3 million
- Cristiano Ronaldo: gross annual salary = €54.3 million
- Cristian Romero: on loan (paid by Atalanta BC)

Total staff expenses to be subtracted from the starting €320.8 million at 30 June 2022 = €64.1 million

Contractual expirations as of 30 June 2021:

- Gianluigi Buffon: gross annual salary = €2.6 million

Total staff expenses to be subtracted from the starting €320.8 million starting 30 June 2022 = €2.6 million

Outgoings on loan during the 2021/2022 season:

- Merih Demiral: gross annual salary = €3.2 million

Total staff expenses to be subtracted from the starting €320.8 million as at 30 June 2022 = €3.2 million

Outgoing first team coach at the start of the 2021/2022 season:

- Maurizio Sarri: gross annual salary = €10.3 million

Total staff expenses to be subtracted from starting €320.8 million as at30 June 2022 = €10.3 million

Incoming first team coach at the start of the 2021/2022 season:

- Massimiliano Allegri: gross annual salary = €14 million

Total staff expenses to be added to the starting €320.8 million as at 30 June 2022 = €14 million

Value of staff expenses as at 30 June 2022 = €291.9 million

4.3 Simulating season 2022/2023

4.3.1 Match, Broadcast, Commercial and other operating revenues 2022/2023 season

Matchday revenues = €90.6 million

Broadcast revenues = €206 million

Commercial revenues = €230 million

Other operating revenues = €23.6 million

4.3.2 Cost of sales/materials and other operating expenses 2022/2023 season

Cost of sales/materials = €21.9 million

Other operating expenses = €81.5 million

4.3.3 Incoming player trading during the 2022/2023 season

Permanent transfer deal:

- Federico Chiesa (obligation of redemption): historical cost = €40 million; 3-year contract; amortization quota = €13.3 million; annual gross salary = €9.3 million

Returning from loan:

- Radu Dragusin (end of loan without redemption): amortization quota already included in the values at 30 June 2022 calculated in section 4.1.1;
  gross annual salary = €0.9 million

- Federico Gatti (end of loan without redemption): amortization quota already included in the values at 30 June 2022 calculated in paragraph 4.1.1;
  gross annual salary = €0.4 million
- Marko Pjaca (end of loan without redemption): amortization quota already included in the values at 30 June 2022 calculated in paragraph 4.1.1;
  gross annual salary = €2.8 million
- Nicolò Fagioli (end of loan without redemption): amortization quota already included in the values at 30 June 2022 calculated in paragraph 4.1.1;
  gross annual salary = €0.4 million
- Aaron Ramsey (end of loan without redemption): amortization quota already included in the values at 30 June 2022 calculated in paragraph 4.1.1;
  gross annual salary = €10.6 million

Total amortization quota to be added to the starting €171.8 million as at 30 June 2023 = €13.3 million

Total staff expenses to be added to the starting €291.9 million as at 30 June 2023 = €23.8 million

4.3.4 Outgoing player trading during the 2022/2023 season

Permanent transfer deal:

- Merih Demiral (obligation of redemption): transfer price = €28 million;
  residual book value = €7.8 million;
  profit on disposals = €20.2 million;
  amortization quota = €3.9 million;
  gross annual salary reduction already included in the values as at 30 June 2022 calculated in section 4.1.2 due to loan.
- Mohamed Ihattaren (obligation of redemption): transfer price = €5 million;
  residual book value = €1.4 million;
  profit on disposals = €3.6 million;

amortization quota = €0.5 million;

gross annual salary already reduction included in the values as at 30 June 2022 calculated in section 4.1.2 due to loan.

- Douglas Costa (contract expires): transfer price = /;
  residual book value = /;
  profit on disposals = /;
  amortization quota = €5.5 million;
  gross annual salary already included in the values as at 30 June 2022 calculated in paragraph 4.1.2
- Giorgio Chiellini (contract expires): transfer price = /;
  residual book value = /;
  profit on disposals = /
  amortization quota = /;
  gross annual salary = €5.6m
- Paulo Dybala (contract expires): transfer price = /;
  residual book value = /;
  profit on disposals = /;
  amortization quota = €4.9 million
  gross annual salary = €13.5 million

Outgoing on loan:

- Dejan Kulusevski: loan price = €7 million; gross annual salary = €4.6 million

Total amortization quota to be subtracted from the starting €171.8 million as at 30 June 2023 = €14.8 million

Total profit on disposals = €23.8 million

Total other transfer market revenues = €7 million

Total staff expenses to be subtracted from the starting €291.9 million starting as at 30 June 2023 = €23.7 million

In this way, all useful values for the indicators in the alternative proposal were calculated.

4.3.5 Calculation of break-even result, player trading sustainability index and staff expenses cap season 2022/2023

Algorithm used:

Fixed values (not affected by player trading):

- Matchday revenues (MR) = €90.6 million
- Broadcast revenues (BR) = €206 million
- Commercial revenues (CR)= €230 million
- Other operating income (OI) = €23.6 million
- Cost of sales/materials (CSM) = €21.9 million
- Other operating expenses (OE) = €81.5 million

Variable values (influenced by player trading):

- Transfer market revenues (x)
- Staff expenses (SE): staff expenses season 2021/2022 +/- staff expenses season 2022/2023 (y) = €291.9 million +/- y
- Amortization (AM): amortization season 2021/2022 +/- amortization season 2022/2023 (z) = €171.8 +/- z

System:

- Break-even result: MR + BR + CR + OI + x >= CSM + OE + (SE +/- y) + (AM +/- z)
- Staff expenses cap: (SE +/- y)/(MR + BR + CR + OI + x) <= 60%

- Player trading sustainability index: z/x <= 1

Case number 1: Juventus FC does not exercise the right of redemption option for the player Alvaro Morata

In this case, the positive effect is obtained in the saving of the player's gross salary of €6.4 million. The amortization quota remains unchanged as the historical cost of the player had not been recorded at 30 June 2021 and therefore does not fall within the previously calculated starting values.

Operating football revenues 2022/2023	
Matchday	€90.6
Broadcast	€206
Commercial	€230
Other operating	€23.6
Transfer market	€30.8
Total	€581

Operating football expenses 2022/2023	
Cost of sales/materials	€21.9
Other operating	€81.5
Staff expenses	€286
Amortization	€170.3
Total	€559.3

Break-even result: total operating football revenues – total operating football expenses = €21.7 million

Player trading sustainability index: amortization cost on player registration (during 2022/2023) / Transfer market revenues = €13.3 million /€30.8 million = 0.43

Staff expenses cap = Staff expenses / total operating football revenues = 49.2%

In this case, therefore, all the restrictions of the proposed regulation are largely respected and allow the club to make significant investments in the football market in order to improve the sporting staff while keeping the management sustainable.

The break-even result, in fact, generates a surplus of €21.7 million so far; therefore, the club can operate within the limits of the regulation by allowing itself to reduce the difference between revenues and costs by a maximum of €31.7 million (acceptable deviation = €10 million).

Player trading sustainability index is below the regulatory limit by 0.56 points. This allows the club to support important incoming transactions within the €31.7 million break-even result.

The staff expenses cap is also largely respected and allows the club to operate in order to increase staff expenses up to the limit of 10.8% in relation to operating football revenues; the limit increases to 15.8% if the acceptable deviation of 5% is respected, within the limit of €31.7 million of the break-even result.

Case number 2: Juventus FC exercises the right of redemption option the player Alvaro Morata for a historical cost of €35 million and a 3-year contract

In this case, the negative effect is obtained in the increase of the amortization quota equal to €11.7 million as the historical cost of the player was not recorded at 30 June 2021 and therefore is not included in the starting values calculated previously. On the other hand, the costs related to staff expenses remain unchanged as the player was on loan and therefore his cost is already included in the previously calculated values related to staff expenses.

Operating football revenues 2022/2023	
Matchday	€90.6
Broadcast	€206
Commercial	€230
Other operating	€23.6
Transfer market	€30.8
Total	€581

Operating football expenses	
Cost of sales/materials	€ 21.9
Other operating	€ 81.5
Staff expenses	€ 292
Amortization	€ 182.0
Total	€ 577.4

Break-even result: total operating football revenues – total operating football expenses = €3.6 million

Player trading sustainability index: amortization cost on player registration (during 2022/2023) / Transfer market revenues = €24.9 million /€30.8 million = 0.81

Staff expenses cap = Staff expenses / total operating football revenues = 50.3%

In this case, again, all the proposed parameters are respected and allow the club to make certain investments during the football transfer market for the purpose of improving the club's sporting roster while maintaining sustainable management.

Due to the higher costs compared to the previous case, the freedom of operation in the transfer market decreases within the parameters of the new proposal, which are, however, still largely respected.

Obviously, in the event that the club succeeds in concluding outgoing operations, this would lead to a lowering of the costs relating to staff expenses and amortization, going to raise the revenues from the transfer market and then the total operating football revenues, leading to an increase in values relating to the Break-even result and a lowering of staff expenses cap and Player trading sustainability index, subsequently resulting in greater freedom in the football market with respect to incoming operations aimed at improving the sports staff.

4.4 Conclusions following the simulation

The purpose of this simulation was to demonstrate the actual plausibility of the proposals set out in paragraph 3.3.

The starting point was a critical and unsustainable management (due to past mismanagement and the covid-19 pandemic).
For the estimation of the values to 2021/2022, no regulations were considered to apply due to the suspension of the FFP rules due to covid-19.

An attempt was therefore made to present a situation at the beginning of the 2022/2023 season as close to reality as possible through the combination of the estimates based on the criteria in section 4.1 and the official transactions concluded during the 2021/2022 season.

The beginning of the 2022/2023 season was reached in the situation, available data permitting, as realistic as possible, without influence from the new proposal.

The values shown as at 30 June 2023 are therefore the combination of the estimates based on the criteria stated in section 4.1 and all official transactions already concluded that will have an impact in the 2022/2023 season.

This led to 30 June 2023 in the situation, available data permitting, as realistic as possible, without influence from the new proposal.

At this point, the algorithm reported in section 4.3.5 was applied to check whether the club, following a completely autonomous and uninfluenced management, complied with the criteria of the new proposal.

It was found that not only it met the criteria in two separate cases with important differences in terms of costs, but that it had additional margin for improvement without compromising the financial stability of the management.

This demonstrates that the new proposals are plausible to reality and represent the meeting point between sustainable sports and financial management.

In addition, it should be pointed out that the three variables that are significant to the compliance with the new limits, i.e., transfer market revenues, staff expenses and amortization, are directly correlated to each other. This implies that the variation of one corresponds to the variation of another. Furthermore, a change in one corresponds to a change in the result for the calculation of one of the three sustainability indicators. The combinations that they can assume are indefinite, and this makes the management of the clubs very free, as they are easily able to understand, based on the values they record, which variable to operate on the most through their football operations.

Conclusion

In this paper, an extensive analysis was provided to the reader regarding the topic of financial sustainability in the football industry.

In the first part, the research focused on identifying the variables that constitute the fundamental aspects of the economic and financial management of football clubs. This analysis was carried out by taking as a reference sample the top ten clubs in the world in terms of costs and revenues. As a result of past management and the effects caused by the covid-19 pandemic, it emerged from the data collected that the management of the clubs was, in most cases, economically and financially unsustainable.

It must be considered that the negative effects caused by the covid-19 pandemic were the result of an extraordinary and, above all, unpredictable event, but this situation simply highlighted, in a drastic manner, the management errors of past years that had remained concealed through the exploitation of regulatory loopholes in FIFA and, in particular, UEFA regulations.

In order to understand, therefore, what allowed clubs to find themselves in a situation at the limits (in some cases widely breached) of sustainability, we turned to the analysis of FIFA and UEFA regulations, with the main focus on the rules relating to financial sustainability.

With regard to FIFA regulations, Article 19, concerning the transfer of minors, of the FIFA Regulations on the Status and Transfer of Players proved to be one of the most controversial as demonstrated by the case studies presented above as it, rather than protecting minors, often ends up penalizing them, both in terms of missed opportunities and in discriminatory terms. In addition, the application of this rule has generated numerous legal disputes with clubs, which have very often been imposed heavy sanctions for trying to bypass the rule. Clubs, for their part, due to the rising costs of the professional football market, need to 'discover' and train top talent from a young age, an activity that has proven to be crucial in the pursuit of long-term financial sustainability.

In order to overcome the problems generated by this rule, the writer's proposal for the reform of Article 19 is mainly based on allowing the international transfer of young players over the age of 12, provided that their personal, sporting, academic and professional development is planned according to the highest quality standards, in order to find the right balance between the protection of minors and the needs of football clubs.

With regard to UEFA regulations, the analysis mainly focused on the regulatory framework related to Financial Fair Play, a concept strongly advocated by UEFA to steer clubs towards financial sustainability.

Although the rules regarding overdue payables have proven to be effective and fundamental for the entire football sector, the rules regarding the achievement of the break-even result have led to unhealthy management of football clubs. The main problems arising from this set of regulations mainly concern the tendency to inflate revenues through the vicious circles of the profit system, to which is attached the practice of overvaluing players, and sponsorship contracts signed with related parties above fair value.

The writer, therefore, has proposed a set of alternative principles to reformulate the rules of financial fair play to ensure that clubs really pursue financial sustainability through stricter limits to be respected, but paradoxically allowing clubs to better plan investments in order to improve their sporting body.

The proposal is based on the reformulation of the criteria for the calculation of the break-even result, adding new indicators that, if met, allow for a fair balance of operating costs and revenues related to the purely economic-sports management of the club. These indicators are the player trading sustainability index, which reflects the football transfer activities related to each season, and the staff expenses cap, which places a limit on personnel costs in relation to operating revenues. In addition, the proposal also deals with the establishment of a new UEFA body to verify the fair values of players.

The purpose of all these proposals is to limit as far as possible the problems that have emerged in the analysis of the UEFA regulations and at the same time to steer the management of clubs in a sustainable direction.

In order to demonstrate the plausibility and applicability of the new indicators and the annexed limits, it was decided to simulate two sporting seasons of the club Juventus FC, a sample club that is among those used in the sectoral analysis of the first chapter and that started on 30 June 2021 from a critical situation with a loss for the year of €209.5 million.

The simulation showed that the application of the new indicator limits, in two separate cases, would allow the club to operate in compliance with the principle of financial sustainability without having to compromise sports management and without having to use ploys such as capital gains and fictitious sponsorship contracts to inflate revenue and thus increase the limits on expenditure allowed.

It can therefore be stated in conclusion that the new model is plausible, obviously taking into account the estimated (as realistic as possible) and not certain nature of the data used during the simulation.

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