

Corporate Governance And Asset Valuation Practices In Soccer Clubs: The Juventus S.p.A. Case

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Introduction

In a world where business and sports are intensively merging, the change in perception towards the purpose of the physical activity is influencing to a very large extent the managerial and administrative behavior. Sports industries are becoming in absolute terms “entertainment industries” rather than activities as such, and the governance of the firms within this sector is empowering the role of athletes by turning them into corporate assets.

According to the World Trade Organization¹ (WTO), a major performer of the industry is soccer, with an enormous social impact shaped by the highest number of fans, and 40 million players being part of an official team. The influence of soccer, however, does not limit to its social impact but extends to large economic effects, which - according to the WTO - consist of a growing pace that doubles the pace of the World’s Economy with an estimated Gross Value Added (GVA) of 130 billion USD.

This growing business arouses enthusiasm in entrepreneurs worldwide, leading to substantial investments by oligarchs, Emirates oil producers, wealthy investors, and international private equity funds which radically changed the sport, abandoning the ethical purpose of the physical activity in favor of enhancing value production and capital gains.

In this context, the peculiarity of soccer players as corporate assets raises controversies in the measurement of their “fair value”, and thus, creates an industry where the phenomenon of “fictitious” capital gains occurs very often.

Hence, starting from the intensive soccer industry growth and the administrative and regulatory consequences arising from it, the objective of this thesis is to analyze, from the Business Law standpoint - with particular attention to financial statement analysis - soccer clubs’ behavior when generating “fictitious” capital gains. To conduct the analysis, I focus on the recent Juventus S.p.A. case, in which the famous Italian soccer team, owned by the Agnelli Family, was involved in judicial proceedings before ordinary courts and Sport Justice Authorities. Through the lenses of this case, this thesis examines whether the fictitious capital gains involving the Juventus club stems from a failure in corporate governance (e.g., shortcomings in the appointment, funding and oversight of directors and statutory auditors, or weaknesses in internal controls) or whether they are primarily the result of accounting-related issues, including deficiencies in the oversight and approval of financial statements and/or subjective or inconsistently applied valuation practices concerning player assets.

My analysis indicates that the accounting methods used by the Juventus S.p.A. club, particularly in the case of asset manipulations inflating the player’s valuations, were not accidental, but rather indicative of deliberative financial engineering. These actions seem to be focused on conforming to regulatory frameworks and enhancing shareholder’s value via fictitious capital gains.

By examining this pressures and the fictitious character of the club’s operations, the research demonstrates a joint failure, one involving the lack of transparency and subjectivity in financial reporting, and the other involving corporate governance, where internal controls, board oversight, and compliance with ethical norms did not exist or were willfully ignored.

¹ World Trade Organization, “The Socio-Economic Impact of Football G20 Argentina” (2018).

I conclude by arguing that one possible response to such shortcomings is the introduction for soccer clubs of a “*Fit and Proper*” assessment, similar to the ones already applied in the banking sector and, as far as the soccer industry is concerned, to the English Premier League. By imposing higher standards of managerial integrity, competence, and accountability, which the measure could act as counterweight to the structural subjectivity and volatility that inevitably characterizes the evaluation of soccer clubs’ assets.

Chapter 1 - Juventus S.p.A. and its corporate structure

1. Industry Analysis

To understand financial misconduct and the issue of fictitious capital gains explored throughout this research, it is essential to begin by examining the unique structural and economic characteristics of the industry analyzed, the soccer industry. Unlike conventional sectors, professional football operates within a framework shaped by emotional loyalty, restricted market access, and increasingly aggressive financial strategies. These conditions create fertile ground for the overvaluation of corporate assets, particularly players, whose market worth is often inflated through subjective and manipulable criteria. It is precisely within this complex and volatile industry setting that the case of Juventus S.p.A. unfolds, providing a tangible example of how structural incentives and weak regulatory enforcement can lead to practices that distort financial transparency.

1.a. Soccer Industry

The global soccer industry is a highly lucrative and expansive sector within the entertainment industry, boasting 130.000 professional players and over 4.400 professional clubs worldwide². With 211 FIFA member associations, soccer stands as the only truly global sport, surpassing even the United Nations in membership. The industry has various organizational structures for its operations, with the majority of the national leagues following a traditional home-and-away format and negotiating collective TV rights deals for broadcasting. However, the organizational structures of leagues and clubs often encounter significant management challenges ranging from the dynamic nature of the market up to technological advancements, financial sustainability, and governance practices. Effective management strategies, such as risk management, financial planning, and transparent governance are essential for ensuring long-term success inside and outside the pitch. The commercialization of soccer has further transformed club management, making it imperative for organizations to adopt modern approaches inspired by successful international models³.

To provide a more comprehensive and insightful analysis of the Industry, the Five Forces model elaborated by Micheal Porter, provides an examination of the internal and external conditions of the competitive landscape. The five forces are reported below in *Figure 1*⁴, and include: threats of entrants, threats of substitutes, industry rivalry, bargaining power of buyers and bargaining power of suppliers.

² Tom Bason and Benoit Senaux, "The football industry", in Robby Houben, *Research Handbook on the Law of Professional Football Clubs* (Elgar 2023).

³ Daniel Getnet, Zelalem Melkamu, Sisay Mengistu, "Modern soccer industry management and current challenges: systematic literature review" (2025) 64, Retos, (https://www.researchgate.net/publication/388062416_Modern_soccer_industry_management_and_current_challenges_systematic_literature_review).

⁴ MBA Management Models, "Porter's Five Forces" (*MBA Management Models*, 22 Sept. 2021), www.mbamanagementmodels.com/porters-five-forces/.

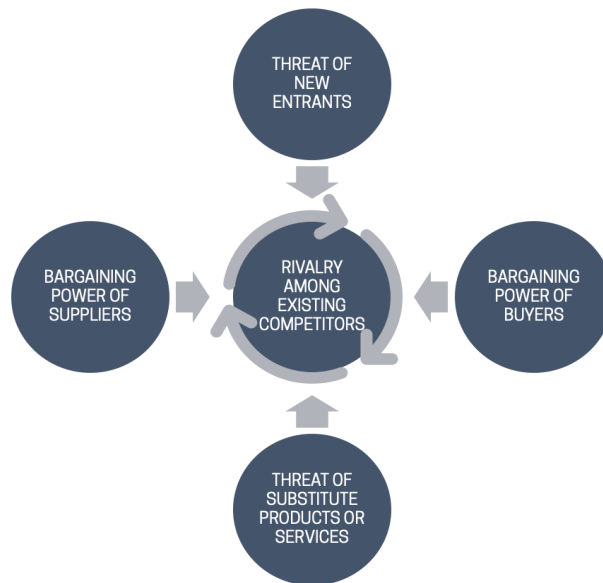


Figure 1: Porter's Five Forces⁵

More specifically, the Porter's Five Forces⁶ are essential in understanding both an industry's profitability and its strategic frameworks. The model allows to perform an analysis of the competitive dynamics within the industry by examining key external and internal pressures that influence profitability and market position.

The model consists of the three horizontal sources of competitive pressures being the threat of substitutes, the threat of new entrants, and industry rivalry, along with two vertical sources of competition known as the bargaining power of suppliers, and the bargaining power of buyers.

The first vertical pressure - supplier's power - can significantly influence the industry profitability by raising input costs or restricting supply, particularly when they operate in concentrated markets or provide essential, differentiated components, such as the dominance of semiconductors or software suppliers in the tech sector. Their bargaining power intensifies when switching costs are high or when firms are dependent on a few critical sources, as seen in industries reliant on proprietary technologies.

Conversely, buyers exert a downward sloping demand with respect to prices, and when the product constitutes a large portion of their total cost or when they possess ample alternatives, they are likely to exhibit a desire for high quality and additional services, thus enhancing their price sensitivity. This is increasingly pronounced in industries shaped by a high level of digitalization, where transparency and information availability have empowered consumers consequently amplifying buyer power.

The threat of substitutes is particularly relevant in sectors where alternative products or services offer comparable utility at a better price-performance ratio. For instance, high-speed rail has significantly disrupted short-haul airline routes in Europe and Asia by offering faster,

⁵ *MBA Management Models* (n 4).

⁶ Michael E. Porter, "The Five Competitive Forces That Shape Strategy" (2008) 86(1), *Harvard Business Review*; Gerard H. Th. Bruijl, "The Relevance of Porter's Five Forces in Today's Innovative and Changing Business Environment" (2018).

more efficient alternatives. As substitutes proliferate, firms must engage in continuous innovation or brand differentiation to sustain customer loyalty and mitigate price erosion.

New entrants pose an important challenge to the industry when barriers to entry, such as capital requirements, scale economies, access to distribution, and legal restrictions, are low or surmountable. While some industries, like aviation manufacturing, are insulated by high entry costs and technological complexity, others, such as food and beverage startups, remain vulnerable to frequent new competitors. Moreover, the mere threat of entry can constrain incumbent firms' pricing strategies, especially in contestable markets with low sunk costs.

Finally, industry rivalry remains the most immediate force shaping profitability. Its intensity is determined by factors such as industry concentration, excess capacity, cost structure, and product homogeneity. High fixed costs, for example, encourage firms to aggressively cut prices during downturns to cover variable costs, often triggering price wars. In contrast, industries characterized by strong brand identity and product differentiation, such as luxury goods or pharmaceuticals, tend to compete more on non-price dimensions, preserving profitability⁷.

Having clarified the functioning of the Porter model, the analysis will now proceed by applying the "five forces" to the soccer industry.

Starting with the threats of new entrants, one of the defining characteristics of the soccer industry lies in its significant barriers to entry, which persist regardless of the extent of capital-intensive investments.

Unlike traditional markets where financial resources alone may facilitate entry, professional soccer leagues operate within a closed structure that limits the entry of new competitors⁸. Most leagues, such as the English Premier League, Major League Soccer, and Italian Serie A, function with a fixed number of participants per season, ensuring that competition remains exclusive to the established teams. Consequently, entry into the market is not merely a matter of financial capability but is contingent upon qualitative requirements, including infrastructure, governance standards, and adherence to regulatory frameworks. Therefore, a club's ability to remain in a given championship is determined by factors such as financial sustainability and monetary investments but also by stadium facilities, and management efficiency rather than just direct monetary investments.

Although it is possible to imagine new teams entering top-tier leagues through rare league expansions, such instances are highly uncommon and strictly regulated. As a matter of fact, a very common way of "market entry" in the soccer industry occurs with the acquisition of existing clubs by wealthy investors interested in the sector. An example of this trend can be seen in the recent examples of Paris F.C in France being acquired by the renewed family Arnault⁹ in 2024 and with Como Calcio, in Italy, which after being declared bankrupt in 2005 is now among the richest Italian Club competing in the Serie A¹⁰. These new owners bring significant financial resources to the club, which are crucial to undergoing important changes within the club, such as the possibility of signing high-profile players, upgrading training

⁷ Robert M. Grant, *Contemporary Strategy Analysis* (John Wiley & Sons Inc, 11th ed., 2021).

⁸ Simone Antoniozzi, *I Soldi Nel Pallone - Come Le Plusvalenze Sostengono Il Business Del Calcio* (Intermedia Edizioni ed., Dec. 2022), 20-32.

⁹ Antoniozzi (n 8).

¹⁰ Harry Dunnett, "Como 1907 Return to Serie a with Ambitious New Owners and Familiar Faces" *Tribal Football* (18 August 2024), www.tribalfootball.com/article/soccer-serie-a-como-1907-return-to-serie-a-with-ambitious-new-owners-and-familiar-faces-5cbceaf9-dbe0-42e2-94f2-73b942a6a2ba.

facilities, and the implementation of more sophisticated marketing strategies. Together, these investments could improve a club's performance in the field and elevate its competitive position within the league.

However, despite these financial injections, entry into the highest levels of competition remains a process heavily influenced by qualitative rather than quantitative considerations, reinforcing the inherent exclusivity of the industry.

As regards the other Porter's forces, the nature of rivalry among existing competitors in the soccer industry differs from conventional economic markets due to its structural rigidity and interdependent competitive dynamics. The concentration of the industry is predetermined by the fixed number of clubs participating in top-tier leagues, meaning that competition is shaped not by the traditional mechanisms of market expansion or contraction but by qualitative transformations within existing teams¹¹. Changes in competitive balance arise primarily from internal developments such as shifts in governance structures, managerial strategies, and player acquisitions rather than from direct market displacement. The role of major investors in influencing competitive rivalry is particularly pronounced, as financial backing allows for the recruitment of top-tier athletes, modernization of training facilities, and implementation of data-driven performance strategies, all of which contribute to a club's success.

Unlike traditional sectors where firms' competition occurs primarily on price or cost efficiency, rivalry in the soccer industry is influenced by product differentiation, in other words, the ability of clubs to distinguish themselves through unique characteristics beyond simple on-field performance. This differentiation is closely linked to club organization and values, with elements such as the presentation of new players on social media, the construction of modern stadiums, and the provision of exclusive services, such as premium ticketing and hospitality, playing a crucial role in shaping consumer and supporters' engagement.

Moreover, due to the high level of interdependence among teams, no single club can eliminate its competitors from the market. Instead, the club's success is determined by sporting achievements, which in turn drive revenue streams from broadcasting rights, sponsorships, and match-day earnings highlighted the need for competitors to coexist¹². The cyclical nature of competition, where clubs experience fluctuations in performance based on managerial decisions and player form, further reinforces the distinctive structure of rivalry in the soccer industry.

Furthermore, the threat of substitutes in the soccer industry is inherently distinct from other sectors, as the consumption of soccer as a product is driven not by price sensitivity or direct utility but by deep-rooted emotional and cultural allegiances.

Traditional market models suggest that high levels of demand elasticity can facilitate substitution when consumers perceive alternative products as superior or more cost-effective¹³. However, in professional soccer, the demand for a specific club's services remains inelastic, as supporters are bound by loyalty rather than economic rationale¹⁴. Unlike conventional consumers who may switch brands based on cost advantages or product satisfaction, soccer

¹¹ Antoniozzi, (n 8).

¹² Stephen Morrow, *The People's Game? Football, Finance and Society* (Springer Nature, 2023) 3–5.

¹³ Meng Sui et al., "A Brief Survey of Price Elasticity of Demand Estimation Methods" (2019) 10(2) *Journal of Research in Marketing*.

¹⁴ Joerg Koenigstorfer et al., "You'll Never Walk Alone - How Loyal Are Soccer Fans to Their Clubs When They Are Struggling against Relegation?" (2010) 24(6) *Journal of Sport Management*, 649–675, <https://doi.org/10.1123/jsm.24.6.649>.

fans exhibit unwavering dedication to their chosen clubs, often sustained across generations. This phenomenon, referred to as “soccer allegiance”¹⁵, ensures that demand remains stable irrespective of pricing strategies, team performance, or external market forces. While alternative entertainment options, such as other sports or digital streaming content, may theoretically serve as substitutes, they do not replicate the emotional and cultural connection that fans maintain with their respective clubs. Consequently, it can be reasonably inferred that the risk of substitution within the industry is low, reinforcing thereby the monopolistic power that clubs exert over their fanbases and ensuring a consistent stream of revenue from merchandise sales, ticket purchases, and broadcasting rights.

Finally, the horizontal forces shaping the soccer industry, particularly the bargaining power of buyers and suppliers, further differentiate it from conventional markets. In most industries, the power dynamic between suppliers and buyers is shaped by factors such as production costs, competition, and consumer preferences¹⁶.

In soccer, instead, these forces operate within a far more complex and less predictable environment. As will be seen throughout this study, the value of what is being exchanged is often intangible, driven by brand reputation, emotional loyalty, and performance potential, rather than purely by functional utility or cost-efficiency. This introduces a level of “subjectivity” and volatility that makes bargaining positions less stable and more context dependent.

Moreover, historical legacy, fan base size, and global visibility can influence negotiating leverage in ways that have no direct equivalent in traditional supply chains, thereby reshaping how power is distributed between actors in the market. In soccer, the primary assets being exchanged, the players, occupy a unique position that blurs the traditional distinction between suppliers and market participants¹⁷. Here, the bargaining power of suppliers is largely held by clubs, which control players through contractual rights and can therefore influence their market value and transferability¹⁸. When one club seeks to acquire a player, it must negotiate with the selling club, which often holds significant leverage in setting transfer fees, especially when the player is highly sought after.

Unlike traditional markets, where suppliers typically offer raw materials or intermediary goods, soccer players simultaneously serve as both the core service providers and strategic assets that determine a team’s competitiveness. This dual role grants them considerable bargaining power, particularly when their performance is seen as critical to a club’s success. High-profile players can influence contract negotiations by demanding higher wages, signing bonuses, and more favorable terms. The transfer market, with its record-breaking fees and intense competition for elite talent, illustrates this asymmetrical power dynamic, where clubs and players engage in complex financial negotiations to maximize value. This intricate interplay highlights the distinctive economic framework in which soccer clubs operate, emphasizing the

¹⁵ Koenigstorfer et al (n 15).

¹⁶ Hansoo Lee, Bayu Adhi Tama, Meeyoung Cha, “Prediction of Football Player Value Using Bayesian Ensemble Approach” (2022), (<https://arxiv.org/abs/2206.13246>).

¹⁷ Lorenzo Neri et al., “Football Players and Asset Manipulation: The Management of Football Transfers in Italian Serie A” (2021) *European Sport Management Quarterly*, 1–21, <https://doi.org/10.1080/16184742.2021.1939397>.

¹⁸ Antoniozzi (n 8) 20-32.

tight relationship between financial investment, on-field performance, and broader market forces.

1.b. Strategic objectives and business model typologies in the soccer industry

The aims, objectives and demand of the soccer industry can be analyzed through four distinct Business Models with relative examples, mentioned by S. Antoniozzi in his study of the soccer industry¹⁹, and shaped by two main variables: (i) the financial budget of the club, and (ii) the club's organizational strategy.

This approach helps understand the shift in the social purpose of sports associations, evolving from their traditional social mission to serve the community to becoming profit-driven entertainment companies, as mentioned by S. Morrow in its book, there is now a clear distinction between football club as a commercial enterprise instead of seeing it as a community based institution serving a social purpose²⁰.

The first Business Model (FC Burnley) is typically adopted by clubs with low performance expectations and limited financial resources. These clubs target players within affordable price ranges, prioritizing short-term financial stability over long-term sporting success. However, the lack of investment in player quality and organizational development may negatively affect the club's competitive performance, thereby influencing its position in league rankings. This model highlights the tension between financial constraints and the need for on-field success.

The second Business Model (Ajax FC) also involves low financial budgets but leverages on values, such as transparency and communication, in order to foster a strong sense of loyalty among both players and supporters. By adopting this model, the club is capable of contributing to the creation of a unique and cohesive team, fostering long-term brand value even if the team's on-pitch performance may not be top-tier. The focus here is on developing an organizational strategy that enhances club identity and creates value through strong relational capital, rather than focusing solely on immediate sporting outcomes and, as a matter of fact, clubs following this model usually have very successful youth academy players.

The third Business Model (Real Madrid FC) involves a balanced approach between the above mentioned variables - the club's financial budget of the club and its organizational strategy - and is therefore characterized by high financial outlays to acquire top-tier players while maintaining a robust organizational strategy aligning with the club's core values and core identity. This model aims to combine soccer on-field performance with sustainable business practices and is often found in clubs that aim for both financial profitability and long-term governance. The integration of both financial investments and strategic planning in this business model are crucial for achieving a balance between business growth and sporting achievement.

¹⁹ Antoniozzi (n 8) 50.

²⁰ Morrow (n 12) 124 (“While stakeholders in football clubs have never had a unitary objective, the objectives of contemporary clubs stakeholders are arguably more diverse than ever before. To many there is a dichotomy between the football club as a business and the football club as a social institution”).

Finally, the fourth Business Model (Paris Saint Germain - PSG) represents a more recent trend of the industry, whereby clubs are acquired by wealthy investors or conglomerates. Due to their ownership structures these clubs have very high financial budgets and capabilities but only focus on short-term value creation and mediatic presence, which often comes at the expense of the club's traditional values and culture. Therefore, even if clubs within this model are capable of heavy investments in player acquisition and media exposure, they might lack clear organizational strategy that nurtures long-term stability, potentially leading to a deterioration of the club's original identity.

As a result of the influx of wealthy investors, many clubs are increasingly moving toward the fourth Business Model, with an emphasis on short-term financial gain rather than long-term organizational development²¹. This shift is reflected in the sale of ownership stakes to investors who bring substantial capital, often without considering the cultural heritage of the club. This leads to a higher demand for expensive players and increased media presence, but can also result in poor on-field performance due to the absence of a coherent organizational strategy.

1.c. Assets peculiarity of the soccer industry

The fictitious or unrealized capital gains generated from asset manipulation and the case of Juventus S.p.A that will be analyzed throughout the thesis, highlight the strong influence of Shareholder primacy model²² in the soccer industry, by imposing the maximization of profits rather than promoting long-term growth and the social importance of sport.

The Shareholder primacy model (or Shareholderism) is the prevailing traditional theory that refers to the prioritization of the interests of those individuals who have invested in a company and are therefore entitled to financial rewards in line with the company's success²³. According to this framework, the primary objective of the company and the main duty of its directors is to maximize shareholder value, ensuring the maximization of stock price or profits²⁴.

This model prioritizes short-term financial returns to shareholders above the interests of other stakeholders, such as employees, consumers, or the broader community. It implies that managerial decisions are guided predominantly by their impact on stock price and profitability, often at the expense of long-term value creation, sustainability, and social responsibility.

Even not formally codified as a legal duty with direct sanctions, Shareholdersim operates as a widely accepted principle embedded in corporate practice and supported by judicial interpretation over time²⁵. The model's influence is reinforced through investor expectations, market pressures, and reputational dynamics, effectively shaping corporate behavior even in the absence of explicit legal mandates²⁶.

Applying the shareholder wealth maximization model to soccer firms, in the value creation process - characterizing the obligation to respect the shareholders' interest - the club should

²¹ Stephen Morrow, "Football Club Financial Reporting: Time for a New Model?" (2013) Sport, Business, Management: An International Journal, 6.

²² Morrow (n 21) 6.

²³ R. Edward Freeman, *Strategic Management: A Stakeholder Approach* (Cambridge: Cambridge University Press, 1984), 17.

²⁴ Milton Friedman, "The Social Responsibility of Business Is to Increase Its Profits" (September 13, 1970) The New York Times Magazine, 32.

²⁵ *Dodge v Ford Motor Co.*, 170 N.W. 668, 684 (Mich. 1919); *Revlon, Inc. v. MacAndrews & Forbes Holding, Inc.*, 506 A.2d 173 (Del. 1986); *In re Trados Inc. S'holder Litig.*, 73 A.3d 17 (Del. Ch. 2013).

²⁶ Robert Rhee, "A Legal Theory of Shareholder Primacy" (2017) 102 Minn. L. Rev. 1-13.

consider the entirety of its operating assets being the brand, tangible fixed assets (such as the stadiums and facilities), its Net Working Capital (NWC), and the players²⁷.

The Net Present Value (NPV) of each single asset can be measured by considering the sum of the cash flows that will be generated (CF_t) and the discount rate of the investment subtracted by the capital invested to purchase the asset (C_0) (Figure 2).

The NPV thus reflects a financial profile by discounting to present the future values of cash flows produced by the club's operating assets, including Net Working Capital – being the short-term liquidity and operating efficiency of the club – and fixed assets like player contracts and physical facilities.

A positive NPV shows that an asset is expected to produce returns in excess of its acquisition cost, which fulfills the ultimate goal of maximizing shareholder wealth.

$$NPV = \sum_{t=1}^n \frac{CF_t}{(1+r)^t} - C_0$$

Figure 2: Net Present Value of an Asset

Therefore, the cash flow that the asset generates and its Net Present Value are important financial metrics that inform the decisions of management and investors in assessing both the financial performance of the asset and its strategy. In turn, cash flows and NPV will influence decisions around whether to keep the asset (e.g. a player) for the longer-term strategic value, develop the asset, or trade the asset for a profit. If the asset is traded for a profit, the club will encounter capital gains, being defined as the positive difference between the selling price of the assets and its purchasing price or Initial Investment (C_0)²⁸.

However, within the soccer industry, the distinctive characteristic lies in the nature of the corporate assets, the players, whose market value is fundamentally difficult to assess and often highly subjective.

As mentioned in the research conducted by Bonacchi, Ciaponi, Marra, Shalev, clubs interested in generating capital gains are more likely to choose transfers with players who have a low book value²⁹. Players with the lowest book value (zero) are young players that came through the club's youth programs and held a valid employment contract with the club. Players under 21 mostly come up through the club's own youth programs and, unlike players bought through transfers, their book value is zero, this means that the full transfer fee is recorded as a gain.³⁰

Therefore, if an academy graduate performs exceptionally well after being promoted to the first team, his perceived value may increase significantly in the eyes of fans, media, and market

²⁷ Antoniozzi (n 8) 63–83.

²⁸ Finra, "Capital Gains Explained" (*Finra*, 19 Sept. 2017), www.finra.org/investors/insights/capital-gains-explained.

²⁹ Massimiliano Bonacchi, Fabio Ciaponi, Antonio Marra, Ron Shalev, "The Unintended Consequences of Accounting-Based Regulation: Real Effects on European Football Players Transfer Market" (2021), (<https://ssrn.com/abstract=3978117>).

³⁰ Bonacchi et al (n 30).

analysts, augmenting as a consequence its estimated Market Value. This increase in value for the asset remains theoretical until an actual transaction, such as a transfer sale, occurs.

The concept of fictitious capital gains comes into play when clubs exploit accounting techniques to register inflated capital gains on player transfers. This often happens through player exchanges, where clubs assign arbitrarily high values to traded players, artificially boosting their financial statements without generating real economic wealth. Such practices can distort financial reports, allowing clubs to comply with financial regulations like UEFA's Financial Fair Play (FFP) while masking underlying financial instability. The recurring nature of these inflated valuations, especially after the substantial losses of €1.7bn by top European clubs in 2011³¹ highlights the tension between financial sustainability and shareholder profit maximization in modern soccer.

2. Juventus S.p.A. positioning in the industry

Juventus Club S.p.A. is one of the leading professional football clubs in Italy and is listed on the Milan Euronext Stock Exchange. Founded in 1897, the club has now grown exponentially, establishing itself as one of the most prestigious football organizations at both national and international level. The club's competitiveness in the football industry has empowered numerous successes, including multiple Serie A titles and strong performances in international competitions such as the UEFA Champions League, whereby Juventus managed to advance through the final stages on several occasions in past years.

Over the years, Juventus S.p.A. has built a brand that continues to gain value and recognition globally and has broadened its reach to more than just football activities alone. The club's investments focused significantly on diversified spin-offs such as the J-Hotel, in the hospitality sector, designed to accommodate fans and high-end visitors to Turin.

The investments in a diversified portfolio and its recognition at both national and international level, allows Juventus to expose its high financial resources and strong organization values.

This empowers Juventus' position in the market to align with what Antoniazzi defines as "Business Model 3", characterized by high profile players transfers (such as Cristiano Ronaldo in 2020), which strengthened their competitive edge, and by a long-lasting ownership by the Agnelli family shaping their organizational values.

Therefore, Juventus diversifies in the industry for its performance and excellence with its historic corporate governance. The entrance of wealthy investors has not distracted the Italian Club, and although its international presence, has preserved the ownership to the Agnelli family.

3. Juventus S.p.A corporate governance structure

Juventus FC is a limited liability company, meaning that ownership and management are clearly separated, and the owners of the club are protected from any obligation arising from the corporate activities³².

³¹ Enrico Supino and Maurizio Marano, "Capital Gains from Player Transfers as a Value Creation Tool: Some Evidence from European Listed Football Clubs" (2024) 14(4) Sport, Business and Management.

³² Alessandro Zattoni and Rumen Pozharliev, "Juventus Football Club: From a Soccer to an Entertainment Company" (2020) Luiss Business cases.

Juventus is currently the only club, along with Lazio S.S.D., to be listed on the Italian stock exchange (Euronext Milan). Indeed, after AS Roma has delisted in 2022, the two are the only Italian clubs out of only 16 listed clubs on European stock exchange³³. This small number of listed companies within the soccer industry leave the floor to an interesting approach of the research, whereby the judicial decisions and governance practices take into account the fact that Juventus FC is listed on the Italian stock market.

Juventus S.p.A. is controlled by EXOR N.V., a Dutch company publicly traded on Euronext Amsterdam and owned by the renowned Agnelli family. EXOR N.V. holds 63.8% of Juventus shares and 77.87% of voting rights³⁴. It reflects the use of mechanisms such as loyalty voting rights aimed to reinforce the club's strategic importance within the family's business empire and shareholders' long-term commitment to its governance and development.

Loyalty shares, or loyalty voting rights, are a legal mechanism officialized for listed companies into the Italian regulatory framework by Law no. 116/2014, which added Article 127-*quinquies* to the Testo Unico Della Finanza (TUF)³⁵. This provision permits publicly listed companies to allocate an increased number of votes per share, up to a maximum of two votes per share³⁶, to shareholders who have held their shares continuously for a minimum of twenty-four months and are registered in a specific shareholder list maintained by the company³⁷.

Therefore, loyalty shares operate as a “bonus” associated to the person, in favor of long-term shareholders who have held shares in the company for a continuous period.³⁸

The purpose of this mechanism is to promote long-term shareholding and enhance the stability of the club's ownership, discouraging short-term speculation and short selling. Moreover, the increased voting power does not have any alternating effect on the economic rights of investors (such as dividends) but merely empower long-term investors in corporate governance.

In the case of Juventus, the board of directors proposed and obtained approval to amend Article 6 of the company's bylaws to formally introduce loyalty shares. The bylaws now provide that shareholders who maintain continuous ownership of their shares for at least two years and are registered in the “special list” are entitled to one additional vote per share. This voting right enhancement becomes effective on the first trading day of the month following the fulfilment of all statutory conditions³⁹.

The bylaws also outline the procedures for registration, the conditions under which loyalty voting rights may be forfeited - such as the transfer of shares, the establishment of pledges or usufructs, or the loss of control in the case of legal entities - and how the register is managed and updated by the company. Additionally, in the context of capital increases, the statute

³³ Investing.com., “Football Club Stocks (5 Feb. 2025), www.investing.com/discover/football-clubs-stocks.

³⁴ Juventus, “Sistema Di Governance e Relazioni Annuali” (2023), www.juventus.com/it/club/corporate-governance/sistema-di-governance.

³⁵ Article 127-*quinquies*, Legislative Decree No. 58 of February 24, 1998 (Testo Unico della Finanza).

³⁶ It is worth noting that, following the amendments to the TUF introduced by the so-called “Legge Capitali” (Law No. 21 of March 5, 2024), the bylaws of listed companies may also provide for the attribution of an additional vote at the end of each twelve-month period following the initial qualifying period (not less than twenty-four months), up to a maximum total of ten votes per share.

³⁷ Andrea Vicari, *European Company Law* (Walter de Gruyter GmbH & Co KG, 2021), 111.

³⁸ Emanuele Bajo, Massimiliano Barbi, Marco Bigelli, Ettore Croci, “Bolstering family control: Evidence from loyalty shares” (2020) Vol 65, *Journal of Corporate Finance*; Science Direct.

³⁹ Juventus, “Statuto sociale”, 14 Jan. 2020.

ensures that newly issued shares may inherit the loyalty benefit, or the holding period already accrued, provided they are allocated to existing shareholders entitled to such rights.

With this system, EXOR N.V. has deepened its control of Juventus by increasing control from 63.8% to 77.87% without acquiring any additional shares, highlighting the strategic interest to secure long-term ownership by the Agnelli family and reinforcing shareholders' loyalty.

The administration and control framework of Juventus S.p.A. follows the traditional system, a widely adopted model in Italy regulated by national corporate law.

Under this system, the shareholders' general meeting serves as the highest decision-making body, responsible for appointing and dismissing board members, approving key corporate decisions, and ensuring overall accountability within the governance structure.

The body in charge of the management of the company is the board of directors.

It is complemented by the board of statutory auditors, which oversees compliance with regulations, monitors managerial activities, and ensures financial integrity of the company.

Italian law requires the appointment of an external auditor, who, although not considered a corporate body, plays a crucial role in ensuring the accuracy of financial reporting.

In detail, the shareholders' general meeting acts as the sovereign body, responsible for appointing and removing the members of the board of directors, of the board of statutory auditors, and the external auditor, in addition to approving financial statements and determining the remuneration of directors and auditors, unless this power is delegated to the board for specific roles.

The board of directors is vested with managerial and strategic functions, overseeing the administration of the company and implementing business plans.

In listed companies like Juventus, in line with the provisions of the Italian Corporate Governance Code 2020⁴⁰, it is common to establish internal committees, composed of non-executive directors, mostly independent, to support the board with advisory, propositional, and preparatory functions: a Nomination Committee, a Remuneration Committee, and a Control and Risk Committee.

In relation to Juventus S.p.A., the Nomination and Remuneration Committee is responsible for making proposals to the board regarding the remuneration of directors and executives with strategic responsibilities, monitoring the decisions taken, and periodically assessing the criteria adopted.

The Control and Risk Committee assists the board in performing activities related to the internal control and risk management system, particularly in defining the system's guidelines and in periodically verifying its adequacy, effectiveness, and actual functioning. It reviews the work plan prepared by the head of the internal audit function and the periodic reports issued by the same; it assesses, together with the manager responsible for preparing the company's financial reports, the auditors, and the Board of Statutory Auditors, the proper use of accounting principles and their consistency for the preparation of the financial statements.

The Committee provides opinions on specific aspects related to the identification of the main business risks; it reports to the board, upon approval of the annual financial statements and the half-year report, on the activities carried out and on the adequacy of the internal control and

⁴⁰ Comitato per la Corporate Governance, *Codice di Corporate Governance*, 2020.

risk management system; it monitors the independence, adequacy, and effectiveness of the internal audit function. This implied that, in addition to the supervisory role, the Control and Risk Committee also oversees financial reporting and risk management. The committee of Juventus has also been designated as the Committee for Related Party Transactions.

Overall, the traditional model of administration and control ensures a balanced distribution of powers, aiming to combine managerial accountability with independent oversight, a particularly relevant aspect in the context of Juventus S.p.A. as a publicly listed company with significant stakeholder engagement⁴¹.

This governance approach differs from alternative models, such as the monistic (or one-tier) system, where the management and oversight functions are combined in one single board, the board of directors. In this model, the general meeting of shareholders appoints the board of directors, which is responsible for both managing the company and overseeing its activities by means of an internal controlling committee for management supervision.

While offering flexibility and operational simplicity, the one-tier system can lead to potential conflicts of interest, as the same body holds both management and supervisory roles.

On the other hand, the dualistic (or two-tier) system separates governance into two distinct bodies: the management board, responsible for the day-to-day operations of the company, and the supervisory board, which oversees and monitors the management's actions.

This model ensures a clearer division of responsibilities and a greater level of independence between management and oversight. However, it can be more rigid and complex, with stricter procedures for removing board members and a more formalized approach to decision-making.⁴²

At the head of the management board of Juventus S.p.A. during the period analyzed in this thesis (2020-2022) were Andrea Agnelli as President, Pavel Nedved as Vice President, and Maurizio Arrivabene as Chief Executive Officer. The board of statutory auditors, responsible for financial supervision, was chaired by Paolo Piccatti in 2020-2021 and Roberto Spada in 2021-2022.

To further enhance transparency, accountability, and regulatory compliance, the corporate governance structure also incorporates external auditing. These audits play a crucial role in assessing financial statements, evaluating risk management, and ensuring adherence to corporate governance principles. In 2020-2021, EY S.p.A. was responsible for the external audit, followed by Deloitte & Touche S.p.A. in 2021-2022.

⁴¹ Federico Ghezzi and Corrado Malberti, "Corporate Law Reforms in Europe: The Two-Tier Model and the One-Tier Model of Corporate Governance in the Italian Reform of Corporate Law" (2007) Bocconi Legal Studies Research Paper 15/2007.

⁴² Ghezzi (n 39).

Chapter 2 - The issue of Fictitious Capital Gains in Soccer Clubs

1. Definition and mechanisms of Fictitious Capital Gains

As discussed in Chapter 1⁴³, capital gains are defined as the difference between the selling price of an asset and its original purchase price (or initial investment). In other words, they represent the profit realized when an asset is sold for more than its initial cost.

However, the “fictitious” character of the capital gain comes into play as soon as the value of the contractual performance rights of the player are overvalued and inflate the book value of the club/firm unrealistically⁴⁴. It is an extremely threatening phenomenon for the soccer sector, an industry where the price of the performance rights depend on how the player’s value is perceived (e.g., its performance and reputation), as well as the relationship between offer and demand.

Research and studies of football transfers⁴⁵ have so far confirmed that the economic rights of players are a predominant item affecting the financial performance of a club and thereafter leave the floor to a recurring phenomenon, asset manipulation, in order to enhance the overall value of the club. This prioritization trend of the financial performance arose after the downturn of profits from 2007 to 2011, where the industry revenues grew at a rate of 5,6 % compared to the 9,1% of costs, and many clubs faced the pressures of insolvency⁴⁶.

The economic rights that affect the financial performance of the club could stem from many of the club’s operating activities, one of them being the exchange of “performance rights”⁴⁷ (i.e., the obligation for the player to play and belong to a certain club) commonly known as “player’s trading”.

However, when the book value of the club increases “unrealistically”, due to accounting techniques that inflate the profits from player trading that have not yet occurred, the club generates a fictitious capital gain which aligns with what research has defined as “asset manipulation” underlining earning manipulation as a result of trading players’ economic rights⁴⁸.

In addition to this, if the correlation between financial losses and asset manipulation is proven to be substantially positive, it could be possible that Italian Serie A (Major Italian soccer league) Clubs might have faced, or eventually will face, many legal consequences due to the lowest profits, and in turn the highest financial distress, compared to the other members of the “Big 5 European Leagues”. This is illustrated by the Deloitte Report on the “Big 5” performance⁴⁹, which depicts Italian Serie A Clubs participating in European competitions to be the lowest in terms of profitability compared to the other top European leagues, highlighting a possible issue for Italian clubs, which possibly, might enhance asset manipulations phenomenon in the league.

⁴³ Chapter 1; Paragraph 1.c.

⁴⁴ Ilsole24ore, “Calcio, ecco cosa solo le plusvalenze e quando sono illegittime” (Il sole 24 ore, 19 Aprile. 2023).

⁴⁵ Neri et al. (n 17), 1–21.

⁴⁶ UEFA, “The European Club Licensing Benchmarking Report” (2011), 82.

⁴⁷ Neri et al. (n 17) 4.

⁴⁸ *ibid.*

⁴⁹ Deloitte, “Annual Review of Football Finance 2018 Sports Business Group”, June 2018.

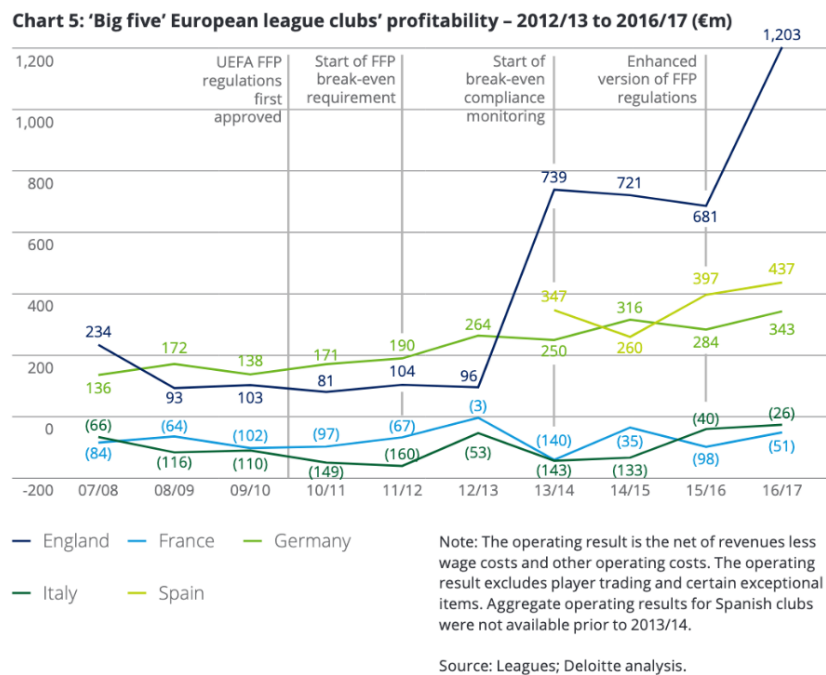


Figure 3: “Big Five” clubs’ profitability⁵⁰

As exhibited in *Figure 2.0*, according to Deloitte’s analysis, the profitability trends among the top five European football leagues between 2012/2013 and 2016/2017 reveal a stark contrast, particularly highlighting the underperformance of Italian Serie A clubs. The English Premier League experienced a remarkable surge in operating profits, reaching €1,203 million in 2016/2017. Other leagues such as Germany and Spain also showed strong profitability, recording € 437 million and € 343 million respectively⁵¹.

In contrast, the Italian Serie A clubs reported a significantly lower profit and exhibited losses of € 26 million in the same period. This data underscores the structural and economic challenges facing Italian football, where profitability remains limited despite the league’s historical prestige.

2. Impacts of Fictitious Capital Gains on club sustainability

As previously introduced in Chapter 1⁵², with the quote from Morrow’s book, the social purpose of the soccer club as a community-based institution stems from the analysis of the principles shaping soccer club’s sustainability, which were initially rooted in social welfare but are now shifting toward economic principles.

This shift is highlighted by the change in the main focus of the investors in the soccer industry, initially attached to utility maximization, measured in terms of player’s performance⁵³.

The movement of its economical basis is highlighted by the shifts in main focus by investors, initially attached to utility maximization, measured in terms of player’s performance, and now

⁵⁰ Deloitte (n 47).

⁵¹ *ibid.*

⁵² Chapter 1; Paragraph 1.b.

⁵³ Morrow (n 12).

driven by revenue maximization and dependency on external commercial investments⁵⁴. This shift might not only affect financial practices of soccer clubs but could also compromise the social sustainability of clubs and community based purpose of the club, as economic survival begins to outweigh stakeholders and community values of sporting development.

In this context, practices like fictitious capital gains highlight the tension as they provide short-term financial advantages while distorting the real economic condition of clubs, undermining thereby both financial transparency and the broader social mission that once defined football institutions.

Financial pressures, understood in terms of both financial distress and profit maximization for investors, represent a fundamental element according to the theoretical framework outlined in this research.

As will be demonstrated by the arguments presented, these pressures serve as a driving force shaping managerial decision-making. Consequently, it is possible that contemporary managers would prioritize these financial possibly generating a loop leading back to asset manipulation, as a tool to deviate the pressures and achieve unrealistic results as financial performance is unsuitable. Currently, the Serie A asset manipulation process, capable of depriving effective cash flows emerging from player's trading and thereby generating the "fictitious" character of capital gains, are regulated by the Commissione Nazionale per le Società in Borsa - CONSOB in order to ensure that the long-term sustainability of soccer club's is assisted with practical financial well-being. With the revision of official documents from the Supervisory Commission on Professional Football Clubs (Commissione di Vigilanza sulle Società di Calcio Professionistiche - CO.VI.SO.C) and the FIGC (Federazione Italiana Giuoco Calcio) the Serie A has 62 suspected player's trading deals as off 2022.⁵⁵

3. Financial oversight and legal implications for European Football Clubs

The understanding of business law and regulations which address the theme of fictitious capital gains, is crucial to provide an analysis and evaluation of the respective implications that emerge to the clubs.

As introduced in the previous paragraph⁵⁶, the financial losses and slow revenue growth incurring in the soccer industry imposed pressures of bankruptcy and insolvency on the clubs, and largely increased the need to introduce regulations for financial sustainability.

The consequences of the financial distress generated distorted competition, as clubs with the highest debt could retain the best players, along with stockholders being aware and afraid that long-term viability and sustainability of the entire system was being threatened by football clubs' ever-deepening financial crisis⁵⁷.

Therefore, in 2009⁵⁸ the Executive Committee of the governing body for European soccer, the Union of European Football Associations (UEFA) - the governing body for European soccer - approved the first version of the UEFA Club Licensing and Financial Fair Play (FFP) Regulations.

⁵⁴ *ibid.*

⁵⁵ Antoniozzi (n 8) 192.

⁵⁶ Chapter 2; Paragraph 1.

⁵⁷ Franck Egon, "European Club Football after "Five Treatments" with Financial Fair Play - Time for an Assessment" (2018) 6(4) International Journal of Financial Studies, 3, <https://doi.org/10.3390/ijfs6040097>.

⁵⁸ Egon (n 55).

These regulations, which were ultimately updated in 2024⁵⁹ underwent significant changes around 2022, including the new denomination of Financial Sustainability Regulations and the amendments of Article 64 (*break-even requirement*) into Article 69, now referred to as *Net Equity Rule*⁶⁰.

However, during the time of interest for this research (from 2020), the regulations imposed by the 2018 version of the FFP served as a financial control mechanism to counteract the escalating financial distress that had threatened the stability of European club football⁶¹.

At its core, the FFP regulation during the time of interest for this research was structured around two fundamental monitoring requirements: the *break-even requirement* and the *overdue payable rule*, the latter still present today under Article 70⁶².

The *break-even requirement* represented a central pillar of UEFA's Financial Fair Play (FFP) framework, established to mitigate the risks associated with excessive spending by football clubs in pursuit of short-term competitive success.

Also under the current Article 69 of the Financial Sustainability Regulation (FSR), clubs are obliged to ensure that football-related expenditure does not substantially exceed the revenue generated from football-related operations over a specified monitoring period, typically encompassing the three most recent financial years.

Under Article 64 FFP, more specifically, the *break-even requirement* is fulfilled if the licensee has, for the current monitoring period and, if applicable, for the projected monitoring period: a) an aggregate break-even surplus; or b) an aggregate break-even deficit which is within the acceptable deviation. On the contrary, the requirement is not fulfilled if the licensee has an aggregate break-even deficit for the current monitoring period or, if applicable, for the projected monitoring period exceeding the acceptable deviation.

The regulation distinguishes between “relevant income”, which includes revenues derived from matchday activities, broadcasting rights, sponsorship agreements, commercial operations, and net profits from player transfers, and “relevant expenses”, which comprise wages paid to players and staff, operating costs, amortization of player registrations, and financial charges. Notably, certain expenditures, such as taxes, youth development programs, and depreciation of tangible assets, are excluded from the calculation of relevant expenses. In order to achieve compliance, a club must either report a break-even surplus or maintain a deficit within the acceptable deviation threshold, defined as €5 million, or up to €30 million if the excess is fully covered by equity contributions from ownership or related parties⁶³.

Moreover, UEFA permits clubs to offset current deficits against surpluses reported in the two preceding years, thereby introducing a degree of flexibility for clubs pursuing a sustainable financial trajectory. Nevertheless, any violation beyond these limits may result in disciplinary measures, including financial penalties, transfer restrictions, or exclusion from UEFA competitions.

⁵⁹ Union of European Football Associations Club, UEFA Licensing and Financial Fair Play Regulations (2024).

⁶⁰ Union of European Football Associations Club, UEFA Licensing and Financial Fair Play Regulations (2024). Article 69 to 70.

⁶¹ Egon (n 55).

⁶² *ibid* (n 61).

⁶³ Union of European Football Associations Club, UEFA Licensing and Financial Fair Play Regulations (2018), Articles 58 to 64.

On the other hand, the *overdue payable rule*⁶⁴ ensures that clubs fulfill their financial obligation - such as salaries, transfer fees, and tax payments - on time, reinforcing financial discipline. Specifically, this rule mandates that clubs must not possess any “overdue payables” in relation to transfer fees owed to other clubs, salaries and wages owed to players and staff, or tax liabilities owed to public authorities. Compliance is assessed at several critical checkpoints throughout the year - namely, 31 March, 30 June, and 30 September - at which point clubs are required to demonstrate that all outstanding debts falling within the scope of the regulation have been settled in accordance with the agreed payment terms.

A payable is classified as “overdue” if they are not paid according to the contractual or legal terms⁶⁵.

Payables are not considered as “overdue” if the debtor club can provide valid evidence of one of the following conditions⁶⁶: (a) that the debt was paid in full by the relevant deadline; (b) that a formal extension of the payment deadline was mutually agreed upon with the creditor; (c) that the payable is the subject of a legitimate legal dispute or arbitration proposed by the club, with sufficient documentation to support the claim; (d) that the payable is the subject of a legitimate legal dispute or arbitration proposed by a creditor; (e) that the club has taken all reasonable steps to identify and pay the creditor clubs for training compensation and solidarity contributions.

As part of the monitoring process, clubs are obligated to submit comprehensive breakdowns of their financial obligations, including itemized transfer liabilities with associated due dates and creditor information, as well as detailed payroll records indicating any unpaid wages or bonuses.

These disclosures must align with the audited financial statements and be formally endorsed by the club’s management. Failure to comply with the overdue payables rule may result in a determination of financial non-compliance by UEFA, which may, in turn, trigger disciplinary sanctions such as the refusal to grant a competition license or exclusion from UEFA tournaments.

The enforcement of these regulations is overseen by UEFA’s Club Financial Control Body (CFCB), which has the authority to impose sanctions ranging from fines and squad restrictions to exclusion from European competitions. While these measures have played a critical role in stabilizing club finances and reducing overdue payables, their impact on competitive balance remains contested⁶⁷. Wealthier clubs with strong commercial revenues have found it easier to comply with FFP, while smaller clubs, historically reliant on external financial backing, have faced significant constraints⁶⁸. As a result, FFP has successfully curbed financial mismanagement but has also contributed to further polarization within European football, as elite clubs continue to consolidate their dominance both financially and competitively.

⁶⁴ Union of European Football Associations Club, UEFA Licensing and Financial Fair Play Regulations (2018), Articles 49 to 50-*bis*; Articles 65 to 66-*bis*.

⁶⁵ UEFA Licensing and Financial Fair Play Regulations (2018), Annex VIII.

⁶⁶ UEFA Licensing and Financial Fair Play Regulations (2018), Annex VIII.

⁶⁷ Egon (n 55) 13.

⁶⁸ *ibid*.

Along with the UEFA FFP Regulation on financial stability, clubs must comply with national and international law regarding their *accounting practices* as to prevent asset manipulation and guarantee stakeholder value through transparency in their financial reports.

Research outlining the football clubs financial reporting⁶⁹ have defined accounting as “*the process of identifying, measuring and communicating financial information about an entity to permit informed judgement and decision making by users of that information*” with respect to the definition introduced by the American Accounting Associations⁷⁰.

At the head of the accounting principles football clubs must comply with the principle of transparency, which serves as the foundation for accurate financial reporting and ensures that stakeholders can make informed decisions.

In this regard, Articles 2621 (applicable to non-listed companies) and 2622 (applicable to listed companies) of the Italian Civil Code reinforce the obligation of private and public companies to uphold financial integrity by criminalizing false corporate communications⁷¹, while Article 2423 of the Italian Civil Code highlights the obligation of the board of directors to prepare the annual financial statements in a clear, true and fair manner in order to truthfully and accurately represent the company’s financial position, assets and liabilities, and the economic result of the financial year.

These financial statements must adhere to national accounting principles issued by the Italian Accounting Organization (OIC) or, for publicly listed clubs, like Juventus S.p.A., the international accounting standards IAS/IFRS⁷².

Additionally, the Italian Football Federation (FIGC) enforces financial oversight through the Supervisory Commission on Professional Football Clubs (COVISOC), which monitors economic and financial stability for professional football clubs.

The main purpose of these regulations is to hold executives, auditors, and liquidators accountable for deliberately misrepresenting or omitting material financial information in official reports, aligning with the broader objective of maintaining fairness and trust within the football industry. By imposing stricter penalties on publicly traded entities, including football clubs listed on the stock market, these legal measures safeguard investors and regulatory bodies from deceptive accounting practices. Consequently, the enforcement of such regulations further strengthens financial transparency in football, ensuring that reported financial statements reflect an accurate and reliable portrayal of a club’s economic standing.

4. Legal consequences and enforcement actions

The enforcement of financial regulations within European football has introduced a complex legal framework that clubs must adhere to in order to maintain financial integrity and operational transparency.

As outlined in previous sections, the introduction of the UEFA Financial Fair Play (FFP) Regulations and national financial reporting laws sought to mitigate the risks associated with

⁶⁹ Morrow (n 21).

⁷⁰ Course Sidekick, “What Is Accounting.” *Coursesidekick.com* (2023), www.coursesidekick.com/accounting/study-guides/finaccounting/accounting-defined.

⁷¹ Antoniozzi (n 8) 195.

⁷² Francesco Maraschin, “Plusvalenze Fittizie E Manipolazione Del Mercato: Il Caso Juventus F.C.” (2023) *Ius in itinere*.

excessive spending and fictitious capital gains. These regulatory measures not only impose financial discipline but also carry significant legal consequences for non-compliance.

The UEFA Financial Fair Play Regulations operates as a legally binding financial control system designed to prevent clubs from operating beyond their means.

The break-even requirement, which mandates that clubs balance their football-related expenses with revenues over a multi-year period (three years), has created a legal obligation for clubs to ensure fiscal responsibility. Failure to comply with these requirements subjects clubs to a range of disciplinary actions enforced by UEFA's Club Financial Control Body (CFCB)⁷³. These sanctions include financial penalties, which would contribute to a reduction in the financial resources and competitive capabilities of clubs; squad limitations that imply the restriction on player registrations for UEFA competitions; transfer embargoes that prohibit offending clubs from signing new players. In severe cases, clubs found guilty of significant financial mismanagement may be disqualified from participating in prestigious tournaments such as the Champions League and Europa League⁷⁴. These enforcement actions serve as a deterrent against reckless financial practices while reinforcing the legal structure that governs financial sustainability in European football.

On the other hand, principles regulating pure accounting measures in order to ensure transparency and prevent fraudulent accounting practice, are subject to national regulations and international standards.

Following the purpose of this thesis with respect to the Italian Club, Articles 2621 and 2622 of the Italian Civil Code deal with false corporate communications, holding executives, auditors, and liquidators legally accountable for misrepresenting financial data. These provisions stipulate that individuals who knowingly provide false information in financial reports or omit material facts with the intention of misleading investors and regulatory authorities can face severe penalties, including imprisonment ranging from one to five years, depending on the gravity of the offense⁷⁵. The principle of transparency is a fundamental pillar of financial reporting.

Focusing on the soccer industry and the peculiarities that have been introduced in this research, it could be possible to immediately infer how financial misrepresentation not only undermines investor confidence but also distorts competition by allowing clubs with fictitious financial health to engage in excessive spending on player acquisitions and wages.

While the legal framework surrounding financial regulations aims to promote fairness and social sustainability, enforcement has been subject to scrutiny. Critics argue that FFP disproportionately benefits wealthier clubs, which have greater commercial revenue streams, while financially weaker clubs struggle to comply due to reliance on external investments⁷⁶.

Additionally, legal challenges against FFP Regulations have emerged, with some clubs contesting sanctions on the grounds of restraint of trade and competition law violations under Articles 101 and 102 of the Treaty on the Functioning of the European Union (TFEU).

⁷³ Union of European Football Associations Club, UEFA Licensing and Financial Fair Play Regulations (2018), Article 72(2)

⁷⁴ Egon (n 55).

⁷⁵ Vittorio Manes, "La nuova disciplina delle false comunicazioni sociali" (2016), *Diritto Penale Contemporaneo*.

⁷⁶ Egon (n 55).

A notable example⁷⁷ of a legal challenge to the Financial Fair Play (FFP) Regulations is the case of *Galatasaray v. UEFA* (2016), adjudicated by the Court of Arbitration for Sport (CAS)⁷⁸. Following UEFA's imposition of a two-season ban on Galatasaray S.K. from European competitions due to non-compliance with the break-even requirement, the Turkish club appealed the decision. In its appeal, Galatasaray argued that FFP contravened EU competition law, specifically Articles 101 and 102 of the TFEU and constituted an unlawful restraint on competition as it would limit the clubs' operational investments and international competitions. While the Court of Arbitration for Sports ultimately dismissed the appeal, citing the club's failure to provide sufficient legal and financial evidence to support the breach of EU Competition Law, the Tribunal also emphasized that the Court's decision does not set binding legal precedents as it is assessed on its individual merits.

This case illustrates a crucial point that financial regulations impose in the soccer industry, highlighting the challenges clubs in weaker leagues or with lower operational returns will face. Unlike clubs in Europe's top five league elite leagues, they have limited commercial revenues and broadcasting deals and thus find it even more difficult to comply with the break-even rule. Exclusion from the elite clubs competing in the UEFA Champions League, restricts potential revenue sources, and perpetuates disparities that have a cascading effect, reinforcing the imbalance in competitiveness.

Their exclusion from lucrative European competitions such as the UEFA Champions league further limits their revenue streams, thereby reinforcing financial disparities and contributing to a self-perpetuating cycle of competitive disadvantages.

Furthermore, disparities in national regulatory enforcement create inconsistencies in how financial misconduct is penalized across different jurisdictions. While some countries impose stringent legal repercussions for financial misrepresentation, others have weaker enforcement mechanisms, leading to what could potentially be an unfair competitive environment⁷⁹. For instance, France stands out with its independent financial watchdog, the DNCG, which proactively audits clubs and enforces strict sanctions, including transfer bans and forced relegations. This level of domestic scrutiny contrasts sharply with the more reactive or lenient approaches seen in other leagues, highlighting the uneven regulatory landscape. As a result, clubs operating under stricter national oversight may face competitive disadvantages despite adhering to both UEFA and domestic standards.⁸⁰

The enforcement of financial transparency laws, particularly Articles 2621 and 2622 of the Italian Civil Code, has also sparked debate regarding their effectiveness in curbing deceptive financial practices. Some stakeholders argue that while these provisions impose severe penalties, enforcement remains inconsistent, allowing some clubs to evade accountability through legal technicalities or political influence⁸¹ as we will see in the case explored in this research.

⁷⁷ Jesse Kalashyan, "The Game behind the Game: UEFA's Financial Fair Play Regulations and the Need to Field a Substitute." *European Competition Journal*, vol. 18, no. 1, 21 June 2021, pp. 1–61, <https://doi.org/10.1080/17441056.2021.1935570>.

⁷⁸ Court of Arbitration for Sport, *CAS 2016/A/4492 Galatasaray v. UEFA*. 3 Oct. 2016.

⁷⁹ Morrow (n 21).

⁸⁰ Wladimir Andreff, "French Football" (2007) 8(6) *Journal of Sports Economics*, 652–661.

⁸¹ Manes (n 71).

5. *The Pjanic and Melo Transactions: A closer look at capital gains*

The legal framework surrounding financial transparency and accountability in football, as explored in the previous sections, highlights the critical role of regulatory bodies like UEFA and national authorities in maintaining fair competition.

The financial regulations are designed to ensure that clubs operate within their means, preventing any financial misrepresentation that could distort the competitive landscape. However, the true efficacy of these regulations is often put to the test when clubs, under pressure to maintain competitive status, push the boundaries of financial compliance.

This brings us to the ongoing legal case involving Juventus S.p.A., which has recently come under scrutiny by the Turin Court and Sports Authorities.

The “Prisma investigation”, led by the Public Prosecutor’s Office of Turin, has brought significant legal scrutiny upon Juventus S.p.A, unveiling alleged financial misconduct that raises the fundamental concerns behind this research - transparency and regulatory compliance for fraudulent asset manipulation - in the soccer industry.

One of the most notable capital gains recorded during the period of accuse⁸², ranging from 2019 to 2021, involves the transfer dealings between Miralem Pjanić (then at Juventus) and Arthur Melo (then at Barcelona)⁸³. This case stands out not only because of the significant player values involved but also because it illustrates how both clubs, struggling with severe financial losses due to the COVID-19 pandemic, resorted to player exchanges to artificially inflate their financial positions.

In 2020, when Barcelona and Juventus came along to meet the swap deal of the two players, the two European clubs were facing substantial losses due to the decrease in revenues from the Covid-19 pandemic impact. The Financial Fair Play break-even requirement pressure was pushing both clubs to reassure some profits, which due to the lock-down were induced only by player’s trading⁸⁴. The deal exposed some important features of similar cases to fictitious capital gains, but Barcelona has still not faced any charges yet, leaving a possible question to why one part of the deal (Juventus S.p.A) has only so far received charges and legal consequences.

In the case of the Arthur-Pjanic swap deal⁸⁵, fictitious capital gains were created through the manipulation of player valuations. In 2020, Juventus and Barcelona engaged in a player exchange involving Miralem Pjanic and Arthur Melo, with Juventus receiving Arthur and Barcelona receiving Pjanic. Although Arthur Melo was originally purchased by Barcelona for €72 million, Barcelona had amortized this transfer fee over the years of his contract, meaning that after one year, Melo’s remaining book value on Barcelona’s books was €57.6 million (calculated as €72 million ÷ 5 years = €14.4 million per year, then €72 million - €14.4 million = €57.6 million after 1 year).

⁸² Telegrafi, “All the Details of the “Juventus Case”, the Accomplices and Players Involved - What’s next for the Old Lady” (*Telegrafi* 24 Jan. 2023).

⁸³ Franco Limba and Shella Gilby Sapulette, “European Football Player Transfer Scheme according to IFRS and IAS: Case Study on Juventus Football Club S.p.A.” (2021) 4(4), Budapest International Research and Critics Institute, 12355-12365.

⁸⁴ Neri et al. (n 17).

⁸⁵ Sport Sky. “Plusvalenze E Manovre Stipendi Juve, Cosa Può Succedere” (*Sport Sky*, 20 Jan. 2023), sport.sky.it/calcio/serie-a/2023/01/20/juve-plusvalenze-stipendi-cosa-rischia.

When Juventus acquired Arthur for €72 million, it recorded his value at €60 million in their books, likely reflecting his depreciated value from Barcelona or Juventus's assessment of the market value at the time.

The key issue in this transaction lies in the inflated valuation of Miralem Pjanic, who had been purchased by Juventus for € 32 million. After amortization, the remaining value of Pjanic on Juventus' books was much lower, approximately € 12.8 million. Juventus then sold Pjanic to Barcelona for €60 million, a price far higher than his actual remaining value. This sale price of € 60 million was recorded as a capital gain, even though it was inflated and did not represent the true economic value of the player.

$$\text{Capital Gain} = \text{Sale Price of Pjanic} - \text{Remaining Value of Pjanic}$$

$$\text{Capital Gain} = 60\text{million} - 12.8\text{million} = 47.2\text{million}$$

Thus, Juventus reported a fictitious capital gain of € 47.2 million from this transaction.

The manipulation of player valuations through players-swap deals, meaning that no cash was exchanged between the clubs and the reported capital gain was based on overvalued player transfers rather than real financial inflows, allowed Juventus to create an inflated profit on their financial statements.

Chapter 3 - The judicial case of Juventus: Ordinary Courts and Sports Justice Authorities

1. The Juventus case: an overview

The case explored throughout this research in order to better understand the legal principles shaping fictitious capital gains and asset manipulation involves Juventus S.p.A.

The judicial proceedings concerning Juventus unfolded along two parallel tracks: the one in the ordinary court, specifically started before the Court of Turin and still ongoing; the other before the Sports Justice Authorities, which has already reached a conclusion.

Both proceedings will be analyzed in detail in the following paragraphs, with particular attention to their legal foundations, procedural developments, and the implications they hold for understanding the regulatory treatment of fictitious capital gains and financial misconduct in professional football.

2. The ordinary jurisdiction: the accuse on the Juventus S.p.A. and the Court of Turin position

On December 1, 2022, the Turin prosecutors formally requested the indictment of the members of the board of directors along with Juventus itself as a legal entity, on multiple financial and corporate offenses⁸⁶. The charges primarily include false corporate communications, market manipulation, fraudulent use of invoices for non-existing transactions, and obstruction of regulatory authorities.

At the core of the accusations there are two critical financial maneuvers that, according to the prosecution, were designed to distort the club's economic reality.

The first relates to the alleged inflation of capital gains, which according to the official document by the FIGC⁸⁷ amounting to exactly €60.376.449 for the years 2019/2020 and 2020/2021, through artificially inflated player valuations in exchange deals with other clubs.

The second involves salary deferral arrangements implemented in 2020 and 2021, during the COVID-19 pandemic, allegedly intended to conceal Juventus' deepening financial losses. The prosecution contends that these practices misrepresented the club's financial health, allowing it to navigate financial fair play restrictions and maintain a competitive position while effectively deceiving investors and regulatory authorities. As legal proceedings unfold, this case has become a focal point in the broader discourse on financial integrity in football, testing the effectiveness of regulatory frameworks and their enforcement mechanisms.

The Turin Public Prosecutor's Office further outlined that these practices of inflating capital gains and salary deferral were not isolated incidents but part of a wider pattern of financial manipulation designed to conceal the club's true economic position⁸⁸. More specifically, the inflated player valuations - fictitious capital gains - in what has been defined previously as "player's trading", with exaggerated pricing of primarily youth talents⁸⁹ with lower market values, created an artificial increase in revenues. These inflated valuations were achieved through complex transfer arrangements, including cross-transaction deals with other clubs

⁸⁶ Francesco Maraschin, "Plusvalenze Fittizie e Manipolazione Del Mercato: Il Caso Juventus F.C." (2023) *Ius in itinere*.

⁸⁸ Maraschin (n 82).

where inflated prices were agreed upon, allowing Juventus to report significant profits that masked its ongoing financial difficulties. This maneuver, referred to as “*administrative doping*”⁹⁰ is a practice wherein the club reported fictitious capital gains to present a misleadingly favorable balance sheet. Furthermore, the salary deferral arrangements, initially presented as temporary reductions due to the pandemic, were structured in such a way that the deferred wages would be paid back in future seasons, making it appear as though the club had a healthier financial outlook than it truly had.

The prosecution maintains that these actions not only misled investors but also obstructed the supervisory functions of both the FIGC and the Financial Fair Play regulations enforced by UEFA. With these charges, the prosecutors argue that Juventus, in its pursuit of financial stability and competitive advantage, knowingly distorted the financial records, thereby breaching not only corporate governance principles but also the transparency expectations critical to fair play in football.

The legal status of the case has recently evolved. In September 2023, the Italian Supreme Court (Corte di Cassazione) declared the Court of Turin territorially incompetent to judge the case, following an appeal lodged by Juventus’ defense team regarding jurisdiction. The Court ordered the transfer of the case to the Public Prosecutor’s Office of the Court of Rome, thereby nullifying the indictment request initially brought by the Turin Prosecutor and halting the pending decision of the Court of Turin on whether to proceed with trial. The decision of the Supreme Court, based on the legal argument that the alleged market manipulation occurred through communications disseminated via servers located in Rome or from the Milan stock exchange, rather than Turin, marks a significant shift.

As of December 5, 2024, the preliminary hearing officially commenced in Rome, with around 200 civil parties admitted, including Consob, various investors, and consumer associations. The court session held on January 27, 2025⁹¹, resulted in the rejection of all the objections raised by the defense of Juventus S.p.A. defense. The court deemed the preliminary evidentiary hearing inadmissible, found the constitutional legitimacy challenge to be unfounded and dismissed all related motions. Consequently, the case was scheduled to proceed with an additional court hearing on May 19, 2025.⁹²

2.a. Analysis of the accuses on the Juventus club

Having described the essential elements of the accuses on the Juventus S.p.A., it is essential to analyze the broader implications of the accusations and the legal arguments presented by the club in its defense.

The charges against Juventus primarily revolved around the underwriting and approval of financial statements from 2019 to 2021 whereby there has been registered an amount equal to

⁹⁰ Maraschin (n 82).

⁹¹ Nicola Balice, “La Juve Vince in Cassazione: Il Processo Plusvalenze Spostato Da Torino a Roma” (*La Stampa*, 6 Sept. 2023), www.lastampa.it/sport/calcio/2023/09/06/news/plusvalenze_juve_la_cassazione_sposta_il_processo_a_roma_torino_incompetente-13030236/.

⁹² Calcio e Finanza, “Juventus, il Gup respinge le richieste degli indagati: il processo va avanti” (*Calcio e Finanza*, 15 Apr. 2025).

€ 60.376.449 of fictitious capital gains. The Turin Prosecutor's Office accused the club of artificially inflating transfer values through crossed capital gains, a practice in which two clubs exchange players at inflated prices to generate immediate but deceptive profits in their financial statements.

From a legal standpoint, Juventus' defense centered on the *subjectivity of player valuation*. The club argued that no explicit legal or accounting framework dictates a precise method for determining a player's "fair market value".

As also illustrated in Chapter 1⁹³, unlike traditional assets, where worth can be objectively measured, a player's value is influenced by multiple factors, including age, performance, market demand, and contractual conditions. This ambiguity in valuation provided Juventus with grounds to challenge the accusations, asserting that the financial figures reported in their balance sheets reflected common industry practices rather than fraudulent intent.

Beyond the legal implications, the financial and sporting consequences of the accuses were severe for Juventus. The club's stock market value declined, key sponsorship deals came under scrutiny, and their exclusion from European competitions jeopardized revenue streams critical for long-term stability⁹⁴. On the sporting side, it could be intuitive to think that transfer limitations and the reputational damage impacted on the club's ability to attract top-tier talent, reinforcing the overall risks of financial misconduct in modern football.

3. The legal proceedings against Juventus S.p.A. before the Sports Justice Authorities

In parallel to the proceedings initiated before the ordinary Court of Turin, the Federal Prosecutor's Office of the FIGC also embraced a separate disciplinary action against Juventus S.p.A, based on the same principles underlining the investigation of the ordinary court.

The first stage set by the sports justice processing, in May 2022⁹⁵, began when the Federal Court of Appeals, sitting in Unified Sections, rejected the appeal filed by the Federal Prosecutor's Office before the FIGC against the decision of the National Federal Court⁹⁶.

The charges before Federal Tribunal were centered around the underwriting and approval of the fictitious capital gains from the board of directors, along with a violation of Federal Regulations and duties of loyalty, fairness, and integrity for the Chief Football Director, responsible for undergoing the player's exchange.

The Federal Tribunal had acquitted Juventus (and the other parties charged) because of the lack of sufficient evidence of disciplinary offence with regard to the evaluation of the effects of certain transfers of players' rights on financial statements and the accounting of capital gains.

Against the decision of the Federal Court of Appeals, on December 2022, the Federal Prosecutor's Office before the F.I.G.C. submitted an appeal for partial revocation of the ruling the decision of the Federal Court of Appeal, pursuant to Article 63, of the Sports Code of Justice (S.C.J.), arguing that new relevant evidence had emerged meanwhile.

Subsequently in January 2023, the Federal Court of Appeal, Unified Sections, having regard to the appeal for revocation pursuant to Article 63 of the Sport Justice Code brought by the

⁹³ See Chapter 1, Paragraph 1.c

⁹⁴ Maraschin (n 72).

⁹⁵ Federal Court of Appeals, Unified Sections, no. 0089/CFA-2021-2022 of May 27, 2022.

⁹⁶ Federal Tribunal, no. 0128/TFNSD-2021-2022 of 22 April, 2022.

Federal Prosecutor's Office, declared the appeal for revocation admissible and thus revoked the previous decision no. 0089/CFA2021-2022 of 27 May 2022.

As a result, the Court of Appeals ordered the penalty of 15 points in the standing for Juventus to be deducted in the current Sport Season and the temporary inhibition for the Sporting Director, Federico Cherubini, from carrying out activities in the FIGC context for 16 months, with a request for extension in the UEFA and FIFA contexts.

4. The definition of "fair value" and its importance in the case of fictitious capital gains for Juventus S.p.A.: the first decision of the Federal Court of Appeals

As anticipated in the previous paragraph, with the decision no. 0089/CFA-2021-2022 of May 27, 2022⁹⁷, the Federal Court of Appeals rejected the appeal proposed by the Federal Prosecutor against the decision of the Federal National Tribunal.

In its decision no. 128/TFNSD-2021-2022 of 22 April, 2022⁹⁸ the Tribunal had addressed the issue of alleged fictitious capital gains, ultimately acquitting all defendants due to the absence of sufficient evidence to establish the fictitious nature of the transactions under investigation.

In details, the Federal Prosecutor's Office had referred to the Federal Tribunal the members of Juventus S.p.A Board of directors along with its Chief Football Officer with disciplinary sanctions.

The Chief Football Officer during the 2018/2019 to 2020/2021 sporting seasons, Fabio Paratici, was charged with breaching federal regulations as well as the duties of loyalty, fairness, and integrity, pursuant to Article 4, paragraph 1, and Article 31, paragraph 1, of the Code of Sports Justice, and in relation to Article 19 of the Federal Statute. Specifically, the accused applied to the signing of numerous player registration amendments and related transfer agreements, including - but not limited to - those concerning Elia Petrelli, Manolo Portanova, Nicolò Rovella, Alejandro José Marques Mendez, and Pablo Moreno Taboada, in which the transfer fees were allegedly inflated beyond their actual value.

These transactions were said to have been part of a broader scheme aimed at falsifying the club's financial statements by generating artificial capital gains (fictitious in character), thereby distorting the economic and regulatory fairness of competition. According to the allegations, the Chief Football Officer's actions formed part of a systematic and deliberate strategy to secure illicit financial and sporting advantages, with serious implications for the integrity of the football system.

On the other hand, the members of the Board of directors of Juventus S.p.A. were charged for the failure to comply with federal regulations and the duties of loyalty, fairness, and integrity, pursuant to Article 4, paragraph 1, and Article 31, paragraph 1, of the Code of Sports Justice, along with Article 19 of the Federal Statute. Specifically, the board was alleged to have drafted, signed, and approved - jointly with other directors - the quarterly reports as of March 31, 2019, March 31, 2020; and March 31, 2021, the semi-annual reports as of December 31, 2019, and December 31, 2020, and the annual financial statements as of June 30, 2019, and June 30, 2020. These documents reportedly recorded fictitious capital gains totaling €

⁹⁷ Federal Court of Appeals, Unified Sections, no. 0089/CFA-2021-2022 of May 27, 2022.

⁹⁸ Federal Tribunal, no. 0128/TFNSD-2021-2022 of 22 April, 2022.

60,376,449 and intangible assets exceeding the maximum limits allowed under regulations governing corporate financial statements, amounting to € 59,398,800. Such conduct is alleged to have aimed at presenting an artificially enhanced economic position, through overstated profits or understated losses, and an inflated net equity at the close of each fiscal year, quarter, and semester.

The Tribunal - after separating the positions of Mr. Orlando Urbano and Mr. Maurizio Rullo and returning the related documents to the Federal Prosecutor's Office - ruled for the acquittal of all the defendants from every charge.

On the merits, the Tribunal held that only some of the transfers examined exhibited characteristics identified by the Federal Prosecutor as potentially symptomatic of fictitious operations. However, although these transactions and the resulting capital gains appeared questionable, they did not surpass the threshold of "*reasonable certainty*" necessary to be legally recognized as fictitious.

Central to the Tribunal's reasoning was the notion of "*fair value*" and its definitional ambiguity within the context of player transfers.

The "fair value" was evaluated and analyzed throughout the case as what would be the selling price of the players, with the Tribunal pointing out to the inexistence of a clear method of evaluation, but only the free market which also lacks a quantitative valuation standard.

While the Federal Prosecutor's Office had relied on certain benchmarks, including comparisons with values from the Transfer market website, the Federal Tribunal found that such tools could not conclusively substantiate claims of fictitiousness. Instead, it emphasized that the market value is determined by the price paid by the acquiring club following a real, free, and effective negotiation. As such, different methods of evaluation - none of which can claim exclusive validity - can coexist, and the absence of a universally accepted standard undermines any attempt to establish the objective fictitiousness of a given transaction⁹⁹. Notably, even the Prosecutor's Office had acknowledged the inherent difficulty in identifying a reliable fair value, referring instead to doctrinal and practical parameters that the Court characterized as subjective.

This lack of a clear, objective reference framework for "fair value" played a decisive role in the Federal Court of Appeals' conclusion, according to which, the charges did not meet the required legal threshold of "reasonable certainty", thereby leading to the full acquittal of the accused parties.

In confirming the decision of the Federal National Tribunal, the Court nonetheless laid down two important principles.

The first being the principle that the absence of a clear and unique valuation method for the purchase or selling of player does not absolve clubs from the duty to adopt criteria aligned with generally accepted accounting principles, which follows a quantitative valuation based on reasoned, transparent and verifiable approach. Indeed, in any assessment of the value of the transfer/acquisition fee for a football player's sporting services, a method must always be used. However, "*the approach cannot be challenged merely because it is just one of the acceptable*

⁹⁹ *ibid.*

*methods; it can be challenged, if at all, only because that method lacks certain essential foundations”*¹⁰⁰.

The second principle stems from a clear call for a regulatory reform stressing the need for a standard on player’s valuation for their registration rights¹⁰¹. The importance to impose the standard is perceived in the impacts that the values attributed to players in these transactions have on financial statements.

Starting from the premise of the absence, at the federal regulatory level, of legally established criteria, the Federal Court of Appeal stated that the transactions carried out by Juventus undoubtedly revealed the existence of significant and widespread critical issues.

However, the Court confirmed the decision of the Tribunal due to the lack of “reasonable certainty” of disciplinary violations.

5. A new evaluation of the “fair value” principle and transactions violating Article 4 and Article 31 of the Code of Sports Justice: the second decision of the Federal Court of Appeals

The decision no. 0063/CFA of January 30, 2023¹⁰², issued by the Federal Court of Appeal (Unified Sections), represents a turning point in the interpretation and application of the “*fair value*” principle within the context of football player transfers.

The case originated from an appeal filed by the Federal Prosecutor’s Office on December 22, 2022, pursuant to Article 63 of the Code of Sports Justice, seeking partial revocation of the prior decision of the Federal Court of Appeals no. 0089/CFA-2021-2022 of May 27, 2022. The appeal challenged specific aspects of the earlier ruling of the Federal Court, based on the emergence of new and decisive elements that had not been previously evaluated and that would have confirmed the existence of a well-established system by Juventus S.p.A. involving cross-trades of players with other football clubs, aimed at generating fictitious capital gains.

With its second decision, the Federal Court of Appeals declared admissible the appeal proposed by the Prosecutor and revoked the prior decision.

This analysis will disregard the strictly procedural aspects related to the prerequisites legitimizing the revocation. It is merely noted that in the Juventus case, the Federal Court found applicable the scenario outlined in Article 63, letter (d), of the Code of Sports Justice, since the documentation transmitted by the Public Prosecutor’s Office of Turin to the Federal Prosecutor’s Office, and submitted by the latter in support of the revocation, was not known to the Federal Court at the time of the original decision, and had it been known, it would have certainly led to a different ruling.

The focus will instead be on the merits of the decision issued by the Federal Court of Appeal.

¹⁰⁰ Federal Court of Appeals, Unified Sections, no. 0089/CFA-2021-2022 of May 27, 2022, 17 (“*non si può contestare il modo di procedere perché è solo uno dei metodi ammissibili; lo si può contestare, eventualmente, solo perché quel metodo manca di determinati fondamenti*”).

¹⁰¹ *ibid* 17 (“*intervento normativo ritenuto tanto più indispensabile se si considera che le operazioni in oggetto – relative alla compravendita dei diritti alle prestazioni dei calciatori – e i valori a cui vengono effettuate, influenzano in misura determinante la qualità del bilancio e la sua finalità, cioè la rappresentazione veritiera e corretta della situazione patrimoniale, finanziaria e reddituale di una società sportiva. Come si è detto, dall’analisi della documentazione in atti vi è la diffusa percezione che alcuni valori si siano formati in modo totalmente slegato da una regolare transazione di mercato ma non è possibile verificare se le modalità della loro formazione rispettino delle regole codificate perché non esistenti. Si ritiene pertanto indispensabile la definizione di principi-guida nelle valutazioni che possano permettere di verificare se le scelte concrete delle società da essi si discostino, individuando una serie di elementi di riferimento*”).

¹⁰² Federal Court of Appeals, Unified Sections, no. 0063/CFA-2022-2023 of January 30, 2023.

The Court affirmed the existence of evidence indicating a pattern of systematic, rather than isolated, conduct, and found that the conduct of Juventus S.p.A. amounts to a violation of sporting disciplinary regulations, with specific reference to Article 4 of the Code of Sports Justice. In particular, a key aspect of the decision is the absence of any reliable method of assessment of the transfer fee for the sale/purchase of a player's sporting performance rights. This led to the registration of fictitious capital gains in the financial statements, aimed at artificially enhancing the economic and financial position of the involved clubs.

The Federal Court highlighted multiple times that although capital gains arise as a difference between the selling price and the purchasing price or book value, the sale price must be grounded on logical and demonstrable economical reasoning.

In addition to this, the systematic character of the transactions was laid down by underlining the presence of multiple unreasoned value assessments instead of a single mistaken or reasonable market transaction, highlighting the consistently reversing valuation process as seen from the numerous transactions with unreasoned selling value.

Moreover, the Court stressed that defining and pursuing a strategy merely for generating capital gains and favorable economic results, without a rational and transparent process, undermines financial integrity and fair accounting standards. Thus, the Court pinned out that the purpose of sporting discipline is not only undermining the artificial character of the capital gain, but rather to establish whether the phenomenon occurred, if it falls under sports misconduct due to its rationality and transparency, and if it is systematic in its occurrence¹⁰³.

In terms of regulatory violations, the Court found a breach of Article 4 of the Code of Sports Justice (CGS), which enshrines the principles of loyalty, fairness, and integrity. The operations involving fictitious capital gains, although formally legal, were deemed to contravene these principles, as they were orchestrated to obtain undue benefits - such as meeting requirements for league participation or improving the club's public image by presenting a financial situation that did not reflect reality.

Moreover, the Federal Court identified multiple aggravating factors under Juventus S.p.A.'s conduct, mainly (a) its repetitive nature and systematic occurrence ; (b) the repeated violation of the principles of truthfulness, fairness and transparency in financial statements, regardless of the formal falsification or numerical distortion in the reporting ; (c) the particular relevance and gravity that has to be assigned to the respective incorrect behavior in light of transparency and good faith expected for a soccer club publicly listed; (d) the already called on attention and awareness of the managers and corporate governance to an incorrect behavior (e) the manipulations under which the behavior of the interested has constantly altered the principle of substance prevalence over form, including obscure swap deals, withholding of relevant documents, and even adjustments to invoicing to conceal the compensatory nature of certain transaction.

Simultaneously, a violation of Article 31, paragraph 1, of the CGS was also identified. This article penalizes the falsification of accounting records and the misrepresentation of economic data. The Court noted that the fictitious capital gains resulted in a distorted portrayal of the

¹⁰³ *ibid* 30-31.

clubs' financial position, thereby constituting an administrative offense under the sports justice framework.

A particularly emblematic example is the accounting of over €60 million in fictitious capital gains, stemming from player exchange deals with inflated valuations and no real underlying economic substance. These practices significantly undermined transparency and integrity within the football system, eroding stakeholder trust and compromising the fairness of sporting competitions.

In conclusion, decision no. 0063/CFA of January 30, 2023 revoked the decision of the Federal Court of Appeals, Unified Sections, no. 0089/CFA2021-2022 of 27 May 2022 and, as a result, ordered the penalty of 15 points in the standing for Juventus and the temporary inhibition for the Sporting Director, Federico Cherubini, from carrying out activities in the FIGC context for 16 months, with a request for extension in the UEFA and FIFA contexts.

This decision affirmed the critical importance of upholding sound accounting principles and ethical standards in sport. It underlined the need for objective evaluation methods for player valuations and the obligation to ensure the truthfulness of financial disclosures in order to safeguard the integrity of the football system.

6. Legal consequences of the case to the governance of the Juventus S.p.A. Club

The decision no. 0063/CFA of January 30, 2023, issued by the Federal Court of Appeal, Unified Sections, had profound legal repercussions for the governance of Juventus S.p.A., going beyond abstract legal principles to impose direct and individual sanctions on the club's top executives.

After acknowledging the existence of a structured and deliberate system of fictitious capital gains, the Court established the personal responsibility of numerous individuals within the club's corporate governance structure, particularly those involved in financial oversight and sporting operations.

The Court found that Juventus' management had intentionally recorded inflated player valuations in the club's financial statements over multiple seasons, specifically from 2018 to 2021. These inflated valuations created fictitious capital gains totaling approximately €60,376,449, and intangible assets exceeding € 59,398,800, which were neither reflective of actual market values nor supported by objective economic substance. Such conduct was not limited to isolated errors in valuation but instead revealed a recurring and deliberate accounting strategy, devised to improve the club's financial health artificially. This manipulation had a direct impact on Juventus' ability to meet regulatory requirements for licensing, financial fair play, and Serie A participation, thereby distorting the integrity of the competition.

As a result, the Court held that several executives violated both Article 4 of the CGS - concerning loyalty, fairness, and integrity - and Article 31, which addresses the falsification of financial statements and false representations in club accounting. Notably, Andrea Agnelli, then President of the Board of directors, was sanctioned with a 24-month disqualification, due to his role in approving the falsified quarterly and annual reports for multiple financial years, despite having an institutional obligation to ensure the accuracy and legality of such reports.

Fabio Paratici, serving as Chief Football Officer during the relevant period, was considered the architect of the fictitious capital gain strategy and was thus handed the harshest penalty, a 30-month disqualification. The Court emphasized that Paratici personally oversaw and signed

a vast number of overvalued player transfers - including high-profile swaps such as those involving Elia Petrelli, Manolo Portanova, Nicolò Rovella, and Alejandro José Marques - all of which were cited as being significantly inflated beyond reasonable market estimations.

Federico Cherubini, as Head of Football Teams, was sanctioned with 16 months of ineligibility, having authorized numerous transactions (e.g., Tommaso Barbieri, Rafael Fonseca) at prices that were judged by the Court to be systematically higher than real market values, forming part of the coordinated club-wide strategy. Pavel Nedved, former Vice President and Board Member, received an 8-month ban, as he was found to have approved the same financial documents without raising objections or exercising due diligence, a failure that was seen as a serious omission for someone in his governance position.

The sanctions did not stop with the most visible leadership. Additional board members and senior executives - including Enrico Vellano, Paolo Garimberti, Assia Grazioli-Venier, Caitlin Mary Hughes, Daniela Marilungo, Francesco Roncaglio, and Maurizio Arrivabene - were also sanctioned with disqualifications ranging from 8 to 16 months. The Court found that these individuals, through either active participation or negligent oversight, approved the club's financial statements during the periods in which fictitious capital gains and overvalued intangible assets were recorded. In particular, the Court criticized these directors for having failed in their fiduciary duties to act in an informed and diligent manner, especially given the material irregularities and financial inconsistencies that were present and identifiable.

This ruling by the Federal Court of Appeal marks a significant jurisprudential precedent in the accountability of sports governance bodies. It reinforces the legal principle that directors and executives cannot merely defer responsibility to technical or sporting staff but must exercise active oversight and maintain awareness of the financial mechanisms under their supervision. The decision also demonstrated that corporate governance failures in sport are not immune from sanctions, and that individuals holding decision-making power can be held personally liable under sports law for acts that compromise financial integrity and distort competition.

In summary, the legal consequences imposed on Juventus' governance in decision no. 0063/CFA were not only severe but also symbolically important. It was affirmed that governance misconduct, especially when systemic and strategically orchestrated, would be met with proportionate disciplinary measures, aimed at protecting both the credibility of financial reporting and the fairness of the sport. The disqualifications imposed functioned not merely as punishment, but also as a statement on the responsibility of football executives to uphold legal, ethical, and sporting standards in all aspects of club management.

In addition to the personal sanctions imposed on executives, Juventus F.C. as a corporate entity was also subject to disciplinary action. The Federal Court of Appeal sanctioned the club with a deduction of 15 points in the Serie A league standings for the 2022/2023 season, a decision aimed at penalizing Juventus for its institutional involvement and direct benefit from the illicit accounting practices. The Court justified this measure by highlighting that the systematic overvaluation of players and recording of fictitious capital gains had a direct and measurable effect on the club's sporting eligibility and financial compliance, including its ability to meet UEFA and FIGC licensing criteria.

By inflating its financial performance, Juventus secured competitive advantages over other clubs, an outcome that the Court deemed incompatible with the principles of fairness and equal

competition. This points deduction served both as a punitive and deterrent measure, reinforcing the message that systemic violations of accounting and governance norms will not only be attributed to individual actors, but will also carry institutional consequences for clubs that benefit from or tolerate such misconduct.

7. Evolution of the Juventus case before the Sports Justice Authorities

Finally, Juventus S.p.A. filed an appeal with the Collegio di Garanzia dello Sport, Unified Sections, against the Italian organ responsible for football in Italy, the F.I.G.C., along with the FIGC's Prosecutors' Office, challenging the decisions of the Federal Court of Appeals of the FIGC, no. 0063/CFA-2022-2023.

In April 2023, the Collegio di Garanzia partially upheld the appeal of the club, annulling the 15-points deduction proposition that was accused in the decision, due to deficiencies in the reasoning and referred the case back to the Court of Appeals for a new decision¹⁰⁴.

The Federal Court of Appeals subsequently redefined the points deduction penalty to be imposed on Juventus S.p.A and reducing them from 15 to 10 (9 points were proposed by the Prosecutor) with a supportive examination compared to the previous ruling¹⁰⁵.

Although the sporting proceedings have been ruled and settled, the ordinary proceeding undergoing before the Court of Rome and with further evaluation to be determined on May 19, 2025, it is still under examination¹⁰⁶.

¹⁰⁴ Collegio di Garanzia dello Sport, Unified Sections, no. 40/2023.

¹⁰⁵ *ibid* (n 97).

¹⁰⁶ *See* Chapter 3, paragraph 2.

Chapter 4 – Critical Analysis and Hypothesis

1. The main drivers of the Juventus case

The Juventus S.p.A. case stands as a landmark in the enforcement of financial integrity within professional football, not merely due to the penalties imposed, but because of the underlying motivations and systemic behaviors it revealed.

At the heart of the Federal Court of Appeals' analysis, and central to any critical reflection on the matter, lies a question: what were the main drivers of the Juventus case?

The answer, as suggested by both the facts and the Court's reasoning, lies in the interplay of different interdependent factors: regulatory pressure and competitive ambition, on one side, and, on the other, a "failure" in the company's accounting mechanisms and corporate governance.

First, regulatory pressure played a foundational role. Football clubs across Europe operate under strict financial fair play and licensing requirements set by UEFA and national federations like FIGC. Juventus, facing these compliance demands during financially strained periods, seemingly turned to capital gains through player swaps as a flexible tool to improve its financial metrics, at least on paper, and formally comply with regulatory requirements. The ability to create accounting profits without actual cash flow made this strategy attractive, even if legally precarious.

Second, competitive ambition served as a strategic driver. Juventus was not only a dominant force in Serie A but also a regular contender in the UEFA Champions League, a competition with high financial and reputational stakes. Maintaining its position in the industry and preserving investor and fan confidence likely intensified the club's reliance on short-term financial optics over long-term stakeholder value enhancement. The pursuit of continued prestige and on-field competitiveness, fueled by appearances of economic strength, seems to have justified questionable accounting methods in the eyes of those responsible.

Finally, what could appear as the most profound driver of the case lies in the Juventus's S.p.A. accounting practices and corporate governance mechanisms, two aspects that will be explored in the following paragraphs.

From this perspective, the Court's decision reflects a logical and necessary response to a pattern of conduct that transcends subjective valuation and enters the realm of systematic distortion. Although the concept of "fair value" is inherently fluid in football, especially in player trades, the Court's focus shifted from debating numerical precision to identifying consistent, intentional behaviors that violated the principles of transparency, fairness, and integrity. This interpretive approach is both pragmatic and ethically grounded; it recognizes that in the absence of fixed valuation standards, the consistency and intent behind accounting practices become the most reliable markers of legality.

In sum, the main drivers of the case - regulatory evasion, competitive pressure, and "failure" in corporate governance and accounting - formed a mutually reinforcing combination that shaped not only the behavior of the club but also the legal framework through which the case was judged.

Juventus S.p.A ruling reinforces the crucial issue underpinning this research: even when financial valuations are open to interpretation, accountability remains a constant obligation, and the absence of clear valuation standards cannot be exploited to circumvent the spirit of the rules.

1.a Financial “Subjectivity”

The first and very complicated issue concerning the financial management of Juventus S.p.A. revolves around the subjective exercise of asset valuation or, more precisely, player values.

The distinction between “value” and “price” often fails to be established when addressing subjective valuation. The two terms are often used indiscriminately even though they differ greatly both in economic terms and in legal statutes.

In its decision, the Federal Court of Appeals highlighted multiple concepts around the phenomenon of financial “subjectivity”. Broadly defined, this subjectivity refers to value as an estimated quantity derived from a logical proposition based on a set of assumptions and determined through the application of appropriate valuation methodologies¹⁰⁷.

When considering value, it is an abstract and theoretical notion, usually relatively constant across time and associated with inherent or long-term features of the asset. Price, on the other hand, is factual, it is the result of a negotiation at a particular point in time and its determination is the outcome of the intersect between supply and demand. Price, therefore, is unstable and highly contextual, impacted by many factors including irrational and often non-linear behavior in the market, liquidity or liquidity demands, or external shocks that are pervasive in speculative and emotional domains such as football.

This distinction is especially significant given that in the football transfer market, value and price are often misaligned. Players are sold not only based on their technical or performance attributes, but also on subjective and intangible factors such as strategic potential. This latter refers to the potential for clubs to realize additional value from a transaction, in addition to the sporting aspect (e.g., enhanced market exposure, merchandising opportunities, or alignment with non-sporting or broader tactical objectives).

While the general motivations of clubs are legitimate and have economic impact, they are individualistic, with very subjective drivers, and are difficult to express in standardized models.

The Federal Court also cautions against a strict reliance on comparable market prices to measure value, since the football players’ market is not perfect. Players are non-fungible assets with differentiated attributes since market actions: (i) occur irregularly, (ii) are rarely transparent, and (iii) are often influenced by subjective factors such as club rivalries, media scrutiny, or immediate tactical needs¹⁰⁸.

Therefore, when comparing theoretical valuation with actual price realization, substantial deviation arises. This comparative capability greatly devalues the principles of accounting for fair value, and creates room for possible manipulation or fictitious capital gains.

The distinctiveness of the soccer players as assets and the difficulty in assessing their fair market value is enhanced with “homegrown players” and the influence of media in a highly subjective business¹⁰⁹.

Unlike typical assets that are easily appraised using standardized financial metrics, the valuation of soccer players is far more complex. This is especially evident when it comes to “homegrown players” (those developed through a club’s academy system) who do not involve

¹⁰⁷ *ibid* (n 97).

¹⁰⁸ *ibid*.

¹⁰⁹ Morrow (n 12) 65.

a traditional purchase or transfer fee. As such, the academy players are not recorded as financial assets on a club's balance sheet, despite training and playing with the first team at professional levels and contributing to the overall value and success of the club.

This leaves the floor to a situation where a player's true financial worth is not reflected in the club's financial statements, potentially leading to a disconnect between the club's reported value and its actual market potential (e.g., a young academy player undergoing a good debut on live television with the professional first team).

Additionally, the role that media plays in influencing public perceptions of player worth is of crucial importance. In fact, the attention players receive in media exposure and television broadcasting, along with their brand ambassador's sponsorship deals, can drastically shape their market value, often in ways that are not easily quantifiable through traditional financial accounting methods.

This subjective nature of valuation, driven by external factors like media coverage and fan engagement, complicates the process of determining the true worth of players and, by extension, the financial health of soccer clubs.

1.b. The lack of clear valuation standards of players' value

Another critical driver of the case is the lack of universally accepted or standardized criteria for players' valuations.

As mentioned earlier through this research¹¹⁰, while no codified methodology dictates how a player's value should be assessed, the legal and accounting void cannot be exploited to undermine the broader regulatory and ethical principles of sports.

This gap enabled clubs to operate in a liminal space between subjective financial interpretation and intentional manipulation.

In fact, the absence of a definitive metric does not imply an absence of responsibility. The argument that ambiguity in valuation shields actors from liability was rejected by the Federal Court of Appeals. Instead, the Court affirmed that subjectivity must be exercised within the bounds of regulatory consistency and ethical judgment. In fact, as seen from the decision affirmed by the Court¹¹¹, the lack of a universally accepted method for valuing player's transfers does not prevent clubs from adopting their own valuation models in a reasonable, verifiable and transparent manner.

The sports justice system thus reaffirmed that accountability is not contingent upon precision, but rather on intent, diligence, and ethical standards where ignorance or ambiguity cannot excuse deliberate patterns of distortion, and therefore, even in grey areas, transparency, consistency, and oversight remain mandatory responsibilities for corporate governance in professional football.

This sets a critical precedent: regulatory systems cannot be gamed through technical loopholes, and clubs must engage with rules in good faith, not merely with legal minimalism.

The Juventus' defense relied heavily on the concept of "fair value", arguing that in the absence of objective standards, their valuations could not be proven to be fictitious. However, the Court emphasized that the spirit of the rule – i.e., preserving competitive fairness and

¹¹⁰ See Chapter 1, paragraph 5.

¹¹¹ See Chapter 3, paragraph 4.

financial transparency - must guide behavior, even when explicit valuation norms are lacking. In fact, despite the lack of a unified method to evaluate the player's performance rights that a club purchases during their trading transaction, a club must be capable of providing the rational, verifiable and discretionary "fair player value".

Additionally, the Federal Court, while acknowledging the current regulatory void, clearly signaled the necessity to adopt structural reforms by calling for an objective standard for player's valuations. The introduction of such regulations could not only imply a technical improvement in the valuations of the models, but a foundational requirement to safeguard the credibility of the financial statement and reinforce the financial subjectivity along with accountability ethical standards.

Without such regulations and legal frameworks intervention, the risks of asset manipulation remain high with threats to transparency, governance, and ethical sustainability of soccer clubs.

1.c. Corporate governance mechanisms

The Juventus S.p.A. case is significant not only in relation to financial reporting and the criteria for determining the value of football players, but has important implications in terms of corporate governance mechanisms and practices.

As seen in the previous chapter¹¹², the Federal Court of Appeals outlined five crucial characteristics of the club's transactions which deviate from the standards of what a "fair" governance is. These factors are: (a) repetitive misconduct of the management; (b) violation of reporting principles; (c) seriousness of misconduct; (d) management awareness; and (e) manipulative practices.

Thus, according to the Court, executives either orchestrated or approved financial statements containing fictitious capital gains, signaling not just passive negligence but active complicity.

Essentially, this misconduct stems from a fundamental defect in the governance framework of the club. The nomination and appointment processes for both directors and executives failed to achieve the necessary perspectives on the appropriate board's behavior which should have taken root and allow managerial predominance to be exercised.

Additionally, the internal control framework, with particular reference to the Audit Committee and the Board of Statutory Auditors, were clearly ineffective. These structures either failed to identify or consciously disregarded multiple red flags in relation to inflated player valuations and unearned capital gains. In particular, the Board of Statutory Auditors failed in its required review of financial statements and compliance with applicable accounting rules.

This governance failures raises a critical question for this research: *Is the case of Juventus S.p.A a result of a failure in corporate governance or a result in the governance behavior with omission and inadequate oversight breaching accountability standards?*

The evidence indicates that these are at least related, but the repetitiveness of the transactions and the lack of reasoned explanation to assign a fair value to the player's traded signify a lean towards an omission and inadequate oversight in the board of directors' behavior.

Heavily manipulated financial reporting does not seem to be purely a matter of unintentional mistakes or misunderstandings. Rather, it appears to stem from a governance structure where

¹¹² See Chapter 3, paragraph 5.

management systematically colluded to increase capital gains through dubious transactions, in particular when trading players, that were so subject to “financial subjectivity” valuation, inconsistently applied and devoid of any market related rationale. This suggests but far worse conduct that likely contravened regulations by abusing an absence of properly defined valuation metrics and weak oversight.

2. Possible solutions to the drivers of the case

Emerging from Juventus S.p.A. defense, the drivers of the accuse steam from the absence of a clear regulatory system defining the conception of “fair value” for players’ trading, which imposes a very important opportunity for the club to inflate financial reports. This exhibits how some of the financial, but also non-financial regulations of the industry, target only to a certain extent asset manipulation, and thereby risk circumnavigating the issue, leaving the floor to ambiguity and lack of clarity.

In contrast, the second major driver of the accuse, the conduct and behavior of directors, concerns an area whereby the regulations and legal frameworks are much more defined as regards their duties and tasks. With specific reference to financial statements, directors are in charge of preparing the financial reports embrace the principle of transparency, and are liable even of any intentional behavior behind the operations and transactions.

In other words, it is their responsibility to foresee a possible “fictitious” character in the transaction, which if present, will not justify them from not perceiving it, even if there is no illicit secondary purpose.

From this perspective it emerges a crucial point setting the configuration of corporate governance in the industry, and which is capable of regulating the “grey area” left by the financial “subjectivity” of asset valuation and the lack of a uniform standard for players’ valuations. Managers overseeing the financial reports can ensure a reasonable valuation method to their current players, empowering both ethical conduct on accountability rules and avoiding ambiguity in the player’s fair value reasoning.

2.a. Could the Fit and Proper regime fix the issue arising in the case?

The Juventus S.p.A. case reveals a deep breakdown in both governance and oversight, where directors tolerated, and in some cases enabled, systematic manipulation of financial data through inflated player valuations.

In this context, a possible solution for the described “failure” in the corporate governance of Juventus S.p.A. would be the application of the “*Fit and Proper*” test.

The “*Fit and Proper*” person test originated in the financial industry¹¹³, where it evolved and refined from a corporate governance principle into a legally binding requirement for both executive and non-executive directors. Given the riskiness of the banking sector and financial industry on the deposit guarantees, regulators have adopted rigid standards in the field.

The “*Fit and Proper*” is established in order to prevent the appointment of individuals who could pose a threat to the stability and integrity of financial institutions, and it does so by ensuring that key decision makers (executives and non-executives) exhibit technical competences and integrity. The individuals should be capable of identifying, understanding,

¹¹³ Lucia Ana Tomić, David Tomašek, Marko Žunić, “*Fit and Proper Assessment of Board Members*” (2020), Journal for the International and European Law, Economics and Market Integrations.

and responding to complex risks such as market, credit, liquidity, operational and event-risks. Nowadays, the “*Fit and Proper*” assessment is of crucial importance for risk management and corporate leadership, making it valuable also for other industries.

For the soccer industry, this principle - already adopted in the English Premier League - aims to ensure that individuals in key executive or directorial positions in the governance of soccer clubs possess the integrity, competence, and ethical standards required to uphold the values of the sport. By mandating that only individuals who meet these criteria can hold managerial roles, the regulatory system not only reacts to misconduct but proactively prevents it, reinforcing a culture of responsibility and ethical consistency at the highest levels of club management.

The “*Fit and Proper*” assessment, as defined by International Organization of Securities Commissions (IOSCO) Best practices¹¹⁴, aims to ensure that individuals in key positions, such as directors, executives, and other responsible persons, demonstrate sustained competence, ethical integrity, and financial soundness. This regime is not merely a licensing tool; it is a continuous standard by which individuals must maintain trustworthiness and capability throughout their tenure.

In light of these findings, the question arises: could a robust application of the “*Fit and Proper*” regime have prevented the misconduct of Juventus S.p.A. or at least mitigated its effects?

In the context of Juventus, this framework could have addressed both the individual and structural vulnerabilities that allowed fictitious capital gains to persist.

Firstly, had the regime been applied systematically to the Chief Football Officer and board members, it could have raised red flags regarding the ethical conduct and decision-making history of key individuals. In fact, the case against Fabio Paratici (Chief Football Officer) centered on orchestrated player trading strategies that relied on inflated valuations to fabricate capital gains. These transactions, while legally ambiguous due to the lack of a universal valuation standard, clearly breached principles of transparency and integrity.

Under a “*Fit and Proper*” test, Paratici’s actions would likely have failed to meet the standards of honesty and fair conduct, particularly given the repeated and deliberate nature of the practices involved. The “*Fit and Proper*” regime seems to be particularly suitable to those cases since it evaluates not only legal compliance but also patterns of behavior and ethical consistency, which are crucial in cases involving “grey” regulatory areas like player valuation.

Secondly, and perhaps more crucial for the case of Juventus S.p.A, the “*Fit and Proper*” framework places continuing accountability on board members, even in the absence of direct knowledge of suspicious transactions.

This aligns directly with the Juventus case, where the Court emphasized that the board’s liability arose not necessarily from knowing participation in individual transactions, but from their institutional responsibility to ensure financial reports were truthful and compliant.

Thus, a proper application of “*Fit and Proper*” standards, especially of its requirements on oversight diligence and fitness of role, could have imposed higher thresholds for board involvement and awareness, making it significantly harder for such manipulation to go undetected or unchallenged.

¹¹⁴ IOSCO, Final Report “*Fit and Proper Assessment - Best Practice. Emerging Markets Committee of The International Organization of Securities Commissions*” (2009).

Furthermore, the regime's emphasis on recurrent evaluation and disciplinary measures offers a proactive mechanism for identifying risk before misconduct escalates. By requiring that all key persons maintain high standards over time, not just at the point of appointment, regulators can act earlier in response to troubling behavior patterns, including whistleblower reports or financial irregularities. This could have enabled earlier scrutiny of Juventus' accounting practices, particularly the repetitive use of inflated values in consecutive financial statements amounting to over € 60 million in fictitious capital gains.

Lastly, the "*Fit and Proper*" regime promotes a cultural shift in governance expectations, insisting that individuals entrusted with management responsibilities act in good faith and remain capable of making sound, transparent decisions. Such a shift is exactly what the Juventus S.p.A case underscores as lacking: a governance environment where questionable conduct was normalized under the guise of subjective financial interpretation of the player's valuations criteria.

In conclusion, while the "*Fit and Proper*" regime cannot directly eliminate regulatory "grey" areas like player valuation subjectivity, it can provide a powerful structural safeguard against their abuse. By emphasizing personal accountability, ethical behavior, and diligence, the regime could have curtailed the very behaviors that led to Juventus' systemic misconduct. In this sense, its implementation within soccer clubs' corporate governance, mirroring financial industry standards, represents not only a viable solution but a necessary evolution for the integrity of football administration.

2.b. Applying the Fit and Proper Regime: insights from the Premier League

The "*Fit and Proper*" test has been already implemented in the soccer industry, specifically in the Premier League, the major English league¹¹⁵.

The pursuit to implement these legal reinforcement actions stems from the desire to actively engage against financial crimes, which are defined by the Organization for Economic Co-operation and Development (OECD) as illicit financial flows generated by practices and methods distorting financial capitals.

As exhibited in *Figure 2*¹¹⁶, the Premier League is the most profitable industry out of the Big Five European competitors, making it a protagonist and an example to follow for this research.

The Premier League adopted the regime referred to as the "Fit and Proper Person Test" in 2004, when the test was incorporated in amendments to the Premier League Handbook as part of the Rules and Regulations of the league. This is not an Act of the UK Parliament but a private binding rule: each club is required to accept and adhere to it as a term of membership in the Premier League. The test assists in maintaining the integrity and financial sustainability of the league by keeping out owners with unspent criminal convictions for fraud or who have twice placed clubs into administration from taking over or running a Premier League club, thus protecting responsible ownership and management within the competitions.¹¹⁷

¹¹⁵ Peter Duncan and Nicholas Lord, "Fit and Proper? Analyzing the Potential for Illicit Activity through English Premier League Club Ownership Structures" (2024) *Sport in Society*, 1–21, <https://doi.org/10.1080/17430437.2024.2424563>.

¹¹⁶ See Chapter 2, paragraph 1.

¹¹⁷ David Conn, "What Is the 'Fit and Proper Person Test'?" (*The Guardian*, 7 Oct. 2009), www.theguardian.com/football/2009/oct/07/fit-and-proper-person-test.

As detailed in Duncan and Lord's (2024) investigation, Premier League club ownership structures are often highly complex, featuring chains of legal entities registered across multiple jurisdictions, many of which are recognized as "secrecy jurisdictions" due to their lack of transparency and regulatory cooperation¹¹⁸.

Over time, the framework has evolved to include pre-acquisition assessments, mandatory public disclosure of individuals owning more than 10% of a club and limited due diligence on the source of ownership funds¹¹⁹. These measures are formally set out on both English highest professional leagues under the Regulations 3 and 4 in the EFL and Section F in the Premier League, reflecting an effort to align football regulation with principles found in broader governance, particularly in the context of deterring illicit financial flows and safeguarding institutional integrity¹²⁰.

However, the current scope and application of the "*Fit and Proper*" test reveal significant limitations.

The regime only applies full scrutiny to individuals acquiring significant control, implying a gain of 25% or more of the voting rights or holding formal director positions. This is governed by the Premier League Handbook, Section F, under the Owners' and Directors' test, comprising definitions aligned with the UK Companies Act 2006 of "Persons with Significant Control"¹²¹, but leaves a regulatory void wherein influential subjects below this threshold may evade assessment. This structural gap enables actors to exert economic and strategic influence without undergoing any "*fit and proper*" evaluation¹²².

Furthermore, the regime does not presently mandate rigorous assessments of the ownership structures themselves, which often involve chains of layered legal entities across multiple jurisdictions, some of which are internationally recognized as "secrecy havens". The use of such jurisdictions, including the Cayman Islands, Delaware, and Luxembourg, has been documented extensively in Premier League club ownership¹²³, thereby introducing opacity and undermining the regime's capacity to ensure transparency and accountability.

The effectiveness of the test is also hindered by its static and event-driven nature. It functions primarily as a pre-acquisition filter, without a systematic mechanism for continuous monitoring¹²⁴. This contrasts with best practices in sectors such as financial services, where regulatory compliance is an ongoing obligation. Without mechanisms for periodic reassessment or triggers based on financial irregularities or whistleblower reports, the regime cannot respond adequately to changes in ownership, conduct, or governance post-acquisition. As a result, the test becomes more reactive than preventive, weakening its deterrent and corrective capacities.

The broader regulatory context has begun to acknowledge these shortcomings.

¹¹⁸ Duncan and Lord (n 108).

¹¹⁹ English Football League, "Acquisition of Control & Owners' & Directors' Test" www.efl.com/governance/acquisition-of-control-the-owners-directors-test/

¹²⁰ Premier League, "Handbook. Season 2024/2025" (2024) 124.

¹²¹ Duncan and Lord (n 108).

¹²² *ibid* 4-5.

¹²³ *ibid*.

¹²⁴ *ibid*.

The forthcoming establishment of an Independent Football Regulator in the United Kingdom, as outlined in the *Football Governance Bill* of 2024¹²⁵, is a response to increasing concerns over the integrity and sustainability of football governance.

The regulator is expected to possess powers to scrutinize sources of wealth, restrict funding linked to serious criminal conduct, and oversee compliance with ethical and financial standards. The inclusion of these powerful structural safeguards for financial integrity, ethical conduct, and institutional accountability in soccer, signaling a shift toward a more substantive and risk-based approach to ownership regulation, aligning more closely with anti-money laundering frameworks used in other high-risk industries such as Banking and Finance¹²⁶.

Such approach is extremely relevant for the opaque governance structure and speculative financial behavior, as observed throughout this study, threaten the soccer industry.

With the focused regulation in principles of ethical governance standards and economic substance, rather than mere formal legality, the model of the Independent Football Regulator in the United Kingdom provides a concrete institutional response to the lack of valuation standards, ownership scrutiny and enforcement capacity.

Additionally, a more comprehensive application of the “*Fit and Proper Person*” regime would require the inclusion of three interrelated components: (i) a fitness and propriety assessment that extends beyond legal status to include ethical conduct and reputational risk; (ii) enhanced due diligence on the provenance of investment and financial flows; and (ii) structural analysis of ownership networks to identify configurations associated with elevated risk, such as those involving multiple “secrecy” jurisdictions or unverifiable beneficial ownership.

Such reforms would transition the regime from a procedural compliance instrument to an active governance tool capable of detecting, deterring, and addressing vulnerabilities inherent in contemporary football club ownership.¹²⁷

In conclusion, the Premier League offers a valuable case study in the real-world application of the “*Fit and Proper*” regime. While the current model demonstrates a commitment to improved governance, it remains constrained by definitional thresholds, limited scope, and insufficient oversight mechanisms. Full realization of the regime’s preventive potential requires an integrated approach that addresses both the character of individuals and the configuration of ownership structures through a continuous, risk-sensitive regulatory framework.

3. Emerging trends and possible solutions

The case exposed throughout this study exhibits the role of regulatory frameworks in corporate governance practices which aim to distort financial performance with processes of assets manipulation. Therefore, finding an innovative solution to such a legal analysis with today’s emerging trends, mainly relating to artificial intelligence (AI) and technological development is very hard to implement.

The soccer industry is trying to find its way into the innovation pattern with the most important Spanish National league, “La Liga”, utilizing AI for predictive analysis, enhancing

¹²⁵ Football Governance HL Bill (2024-25) [213].

¹²⁶ *ibid.*

¹²⁷ Duncan and Lord (n 108).

match strategies, and enriching fan engagement through initiatives like “Beyond Stats” in collaboration with Microsoft¹²⁸.

Along with this, the wearable technologies such as the Catapult GPS¹²⁹ are of extreme importance in monitoring each player’s performance, pitch positioning and many other interesting features. These technologies could be very interesting if aligned with the AI statistical output towards an objective aiming at closing the “grey” area of the “fair value” assessment, rather than using these technological tools directly into the regulations of asset manipulations.

In fact, it could be very useful for legal frameworks and digital innovation to intersect at a point which addresses “fair value” of soccer players, preventing thereby to expose the grey area from which many football directors manipulate the assets and generate fictitious capital gains. With the use of statistical data of each championships and wearable technologies - but many others yet to be developed and studied - it might be possible to give a standard valuation of a player according to this data-based output, and as a consequence adapt the other players to this standard, in order to efficiently tackle the unforeseeable price differences distorting financial performance in the industry.

Despite the promising potential of technological integration, the implementation of standardized player valuation frameworks poses significant challenges.

One of the primary obstacles lies in the inherent variability of player performance across different leagues, positions, and tactical systems. A player’s market value is not only determined by statistical output but also by contextual and intangible factors such as leadership, marketability, and adaptability, which are all subjective elements that are not easily quantifiable. Therefore, while AI and wearable technology can provide objective baselines, any regulatory framework based on these tools must be flexible enough to account for qualitative assessments without reintroducing the subjectivity it aims to reduce.

Moreover, adopting such innovations across leagues and federations requires a high level of international cooperation and a willingness to overhaul entrenched accounting practices. FIFA, UEFA, and national governing bodies would need to collaborate on defining acceptable methodologies, ensuring data compatibility, and maintaining ethical standards in data usage.

Privacy concerns, especially regarding biometric and performance data, must also be addressed with strict governance protocols.

Despite these barriers, the direction is clear. As the football industry continues to evolve into a data-driven ecosystem, embracing technological innovation in financial regulation may be the only sustainable path forward to protect the integrity of the sport.

¹²⁸ La Liga, “Page Restricted” (*Laliga.com*, 2025), www.laliga.com/en-GB/news/laliga-and-microsoft-unveil-beyond-stats-an-advanced-football-analysis-project-that-provides-in-depth-insights-into-game-play.

¹²⁹ Ali Irfan, “Wearable Tech in Football” (*Zone14*, 6 Nov. 2024), zone14.ai/en/blog/wearable-tech-in-football/.

Conclusion

The Juventus case shows a vital point where sport, business, and law meet.

In its initial professional form football showed community identity and athletic excellence, but it is now showing a completely different story shaped by a variety of business models and strategic operations. Soccer clubs have turned into a financial enterprise that treats players as volatile corporate assets, deriving capital gains from their exchange transactions accounts.

The analysis carried out in this thesis reveals a systemic weakness related to both the current regulatory system and accounting standards in the soccer industry, often leaving the floor to fictitious capital gains, which inflate players valuations and manipulate the enterprise value.

The subjectivity within player valuations and the absence of “fair value” guidelines that are universally enforced causes exploitation of the system, creating a vicious cycle whereby the principles of integrity and fairness in accounting standards are avoided.

The Juventus case illustrates how such weaknesses can be exploited to manipulate financial statements, allowing clubs to temporarily enhance their balance sheets and comply with financial “fair play” requirements, even in the absence of genuine economic value creation.

As a listed company, Juventus S.p.A.’s dual accountability, both in terms of market value and book value, brings an interesting perspective for the research in the soccer industry along with an overview of the complex dynamics for corporate governance toward shareholders and sporting institutions like U.E.F.A and F.I.G.C.

The club’s pursuit for the sake of shareholder value has arguably driven short-term financial engineering. This was increased via the Shareholder primacy model, at the overall expense of planned long-term integrity and the community-based institutions that should characterize soccer clubs.

The legal action against Juventus S.p.A. reached a climax in January 2023 when the Federal Court of Appeals of the FIGC issued ruling no. 0063/CFA-2022-2023, which found the club guilty of manipulating capital gains on player transfers to distort its financial statements for seasons 2018/19 through 2020/21. The Court originally handed down a fifteen-point deduction in the Serie A standings for the ongoing season and banned prominent executives.

At the focal point of the club’s defense was the argument that player valuations are subjective in nature and, as a result, not falsifiable. However, the Court rejected this claim, asserting that Juventus had not simply engaged in subjective estimation but had instead implemented a systematic and coordinated scheme to artificially inflate player values with no objective market basis, particularly in cases such as the Arthur - Pjanić swap deal.

The Court held that valuation subjectivity could not excuse manipulative conduct where consistent overvaluation patterns lack independent justification and are intended to defraud stakeholders and evade financial regulation prerequisites, and along with this, brought attention to the lack of a unified standard for reasonable “fair value” of players’ contractual rights which needs regulatory frameworks in place.

After the decision, Juventus appealed to the Collegio di Garanzia dello Sport, opposing both the decision and the harshness of the sanctions. In April 2023, the Collegio partially accepted Juventus’ appeal, revoking the fifteen-point penalty for flaws in reasoning and referring the case back to the Federal Court of Appeals. Upon rehearing, the Court reduced the penalty to a ten-point deduction, a more proportionate but still punitive decision.

Thus, the proceedings under sports jurisdiction have been concluded; however, the case remains pending before the Ordinary Court of Rome, with a final hearing scheduled for May 19, 2025.

The Juventus S.p.A. case therefore entails more than a mere technical disagreement and miscommunication of the club's directors. The Court's progressive rulings pointed out the breakdown of internal controls and abuse of accounting discretion, fueled by performance and shareholder pressures thrived Juventus S.p.A. towards their unethical corporate governance behavior.

The aim of this thesis has been to investigate the main drivers of the Juventus case and, specifically, to assess whether the fictitious capital gains involving the club are the result of a breakdown in corporate governance structures and practices and/or stem from accounting irregularities and valuation issues. Furthermore, with specific reference to the directors' conduct, this thesis seeks to determine whether the asset manipulation originates from a fundamental failure of corporate governance in its structure or from practices characterized by omissions and insufficient oversight, resulting in breaches of accountability standards.

Based on the financial and legal analysis provided, this thesis reaches the conclusion that Juventus S.p.A.'s unrealized capital gains cannot be accounted for by a technical error or random errors in players' valuations alone. Instead, the case is indicative of a strategy founded upon both systemic accounting manipulations as well as underlying corporate governance failures. The manipulation of assets, especially with artificial inflation of the fair value of players, was employed as a vehicle to distort the club's financial statements, for the purpose of attaining regulatory compliance and shareholder expectation.

This conclusion emerges from five converging factors that characterize the transactions under scrutiny: (a) repetitive misconduct of the management; (b) violation of reporting principles; (c) seriousness of misconduct; (d) management awareness; and (e) manipulative practices.

The evidence, then, discloses a twofold failure: at one level, accounting discretion was exercised, compromising the quality of financial reporting; at another, corporate governance mechanism where internal controls, board oversight, and compliance with ethics, were ineffective or were knowingly circumvented.

This highlights the critical necessity for global standards in the valuation of assets, more robust enforcement of financial "fair play" requirements, as seen with the introduction of the Financial Sustainability Regulation (SRG), and a restructuring of governance arrangements. In this latter case, implementations of legal regimes such as the "*Fit and Proper*" test can hold football clubs accountable not just to regulators and shareholders, but to wider values of sport and public trust.

To address the manipulation of asset values, also the integration of AI and wearable technologies offers a promising path toward standardizing player valuations through objective performance data. While challenges remain, particularly in accounting for intangible qualities, these tools could reduce subjectivity and close the regulatory "grey area". Moving forward, coordinated international standards and ethical data governance will be essential and innovation must become a pillar of financial integrity in football.

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