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UEFA Club Licensing and Financial Sustainability Regulations: Stability and Cost Control Requirements in European football. Evidence from the empirical case of Chelsea FC.

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Abstract

Financial sustainability has become a prominent topic in European football. After recent financial shocks, widespread deficits among clubs and rising debt levels have raised alarms about long-term viability. In turn, UEFA strengthened its club licensing system by introducing the Financial Sustainability Regulations (FSR), the successor to Financial Fair Play (FFP), which establish requirements for stability and cost-control. These include the Football Earnings Rule (FER), which limits allowable net losses, and the Squad Cost Rule (SCR), which caps player wages and player amortization in proportion to income.

This thesis examines the rationale and scope of UEFA's FSR framework and its practical implications, with a focus on the perceived effectiveness of its two core pillars. The first part illustrates the conceptual and regulatory context, documenting the evolution of UEFA's licensing and outlining the FSR rules on stability and cost control. The second part provides an empirical case study of Chelsea FC, a particularly suitable case given they are facing sanctions for having breached FER and SCR in the 2022/23 and 2023/24 seasons. The effectiveness of the regulation from a financial perspective is tested through the perception of the consumer base, encompassing both passionate and non-passionate football supporters, and supplemented by expert interviews that are grounded in governance, accounting and financing. The paper combines a conceptual overview with real-world evidence to present a holistic picture of how these financial sustainability pillars function in European football.

Table of Contents

1. INTRODUCTION 6
2. LITERATURE REVIEW 10
2.1 Financial Sustainability: A Literature Review 10
2.2 IAS/IFRS Standards Applied to the Football Industry 14
2.2.1 IAS 38 – Intangible Assets (Player Registrations) 15
2.2.2 IAS 36 – Impairment of Assets (Player Impairment Tests) 16
2.2.3 IFRS 15 – Revenue from Contracts with Customers (Club Revenues and Player Loan Fees) 17
2.2.4 IFRS 9 – Financial Instruments (Transfer Receivables, Payables, and Financing) 18
2.2.5 IAS 24 – Related Party disclosure 19
2.3 Financial Statements and their Reformulation 19
2.3.1 Reformulated Balance Sheet 20
2.3.2 Reformulated Income Statement 23
2.3.3 Reformulated Cash Flow Statement 25
2.4 Financial Performance Metrics linked to Financial Sustainability Pillars 28
2.4.1 Stability Metrics – DuPont Analysis 28
2.4.2 Cost Control Metrics - Expense Ratios 30
3. UEFA CLUB LICENSING AND FINANCIAL SUSTAINABILITY REGULATIONS: CONTEXT AND REGULATORY OVERVIEW 32
3.1 UEFA Governance and Financial Regulation Evolution 32
3.2 Financial Fair Play between Regulation and Controversy 33
3.3 Financial Sustainability Regulations: A New Regulatory Framework 39
3.3.1 Solvency Requirements (No Overdue Payables) 39
3.3.2 Stability Requirements (Football Earnings Rule) 40
3.3.3 Cost Control (Squad Cost Rule) 44
3.4 Future Scenarios and Critical Perspectives on the FSR 48
3.4.1 Positive effects 48
3.4.2 Subjective Valuation and Capital Gains - Potential Solutions 49
4. FINANCIAL ANALYSIS & FINANCIAL VALUATION OF CHELSEA FC – A CASE STUDY APPROACH 51
4.1 Introduction 51
4.2 Ownership Framework and Financial Reorganization 51

4.3 Regulatory Financial Analysis – FSR Perspective 53
4.3.1 Financial Outlook 54
4.3.2 Football Earnings Rule 56
4.3.3 Squad Cost Rule 64
4.4 Managerial Performance Analysis 68
4.5 Divergence between Premier League PSR and UEFA FSR 73
5. RESEARCH METHOD AND RESULTS 76
5.1 Introduction 76
5.2 Quantitative Analysis: Perceptions of UEFA's Financial Sustainability Regulation 77
in European Football 77
5.3 Results from Quantitative Research 79
5.4 Qualitative Analysis 88
5.5 Results from Qualitative Research 90
6. DISCUSSION AND CONCLUSIONS 96
7. APPENDIX 100
8. SUMMARY 115
8.1 Introduction 115
8.2 Literature Review 116
8.3 UEFA Club Licensing and Financial Sustainability Regulations: Context and Regulatory Overview . 117
8.4 Financial Analysis & Financial Valuation of Chelsea FC – A Case Study Approach 119
8.5 Research Method and Results 120
8.5.1 Quantitative Analysis 120
8.5.2 Qualitative Analysis 122
8.6 Discussion and Conclusions 123
9. REFERENCES 126

1. Introduction

European professional football has experienced a profound financial shock in recent years. The Covid-19 pandemic revealed the fragilities in club finances that had developed over the years: empty stadiums and halted competitions brought a sudden end to matchday and commercial revenue streams. Union of European Football Associations (UEFA) reported that top-division clubs collectively swung from net losses of €1,6 billion in 2009 to profits by 2018, but the pandemic inflicted unprecedented damage[1]. Operating revenues plummeted and fixed wage and transfer costs remained high, yielding cumulative losses on the order of €7 billion among top clubs after 2020[2]. Equally, when fans returned in 2021/2022, "big five" European leagues could still only manage an aggregate operating loss (-€324m in 2021/2022), despite revenue rebound[3]. These numbers highlight the size of the crisis and the urgent need for reform. At a structural level, the shock also served to crystallise the dynamics between a hardened structural cost base and structural revenue gaps between elite and mid-tier clubs, sharpening the classic soft budget constraint problem, whereas club spend above their means in expectation of future bailouts.

In this setting, UEFA transitioned from the old Financial Fair Play (FFP) regime to the Financial Sustainability Regulations (FSR). Approved in 2010 and implemented from 2011/2012, FFP aimed to deter chronic overspending by applying a break-even requirement with a ban on overdue payables[4]. Despite it having brought professionalism to disclosure and reduced the worst kind of arrears, experience revealed its weaknesses: an essentially ex-post break-even test, scope for accounting discretion (e.g. timing of transfer gains, related party sponsorships), and limited progress on the main driver of costs-player related spending. UEFA's director of research and financial stability, Andrea Traverso, acknowledged that the pandemic further exposed these limitations, as the liquidity crisis made retrospective break-even assessments ineffective. Specifically, tighter controls on wage spending and transfer dealings were recognized as fundamental in saving off structural indebtedness and also curbing inflated transfers[5].

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[1] UEFA. (2022, Apr 7). *Explainer: UEFA's new Financial Sustainability Regulations* https://it.uefa.com/news-media/news/0274-14da0ce4535d-fa5b130ae9b6-1000--explainer-uefa-s-new-financial-sustainability-regulations/

[2] Bellinazzo, M. (2022, February 4). *Report UEFA: 27 miliardi di premi ai club, il Covid impatta per 7 miliardi.* Il Sole 24 Ore https://marcobellinazzo.blog.ilsole24ore.com/2022/02/04/report-uefa-27-miliardi-premi-club-covid-impatta-7-miliardi/

[3] Deloitte. (2023, June 14). *European football market revenues rise by 7% to €29.5 billion in 2021/22 season* (Annual Review of Football Finance) https://www.deloitte.com/uk/en/about/press-room/deloitte-s-annual-review-of-football-finance-european-football-market-revenues-rise-by-7-to-29-5-billion-in-2021-22-season.html

[4] UEFA. (2018, May). *UEFA Club Licensing and Financial Fair Play Regulations (Edition 2018)*

[5] MacInnes, P. (2021, March 25). *Football financial fair play rules to be ripped up after Covid crisis*. The Guardian

In 2022 UEFA approved the FSR, which was implemented starting from the 2022/2023 season. The new financial regulations reframe the approach around three prospective pillars: i) No overdue payables (solvency and payment discipline) ii) the Football Earnings Rule (FER), which imposes a limit for aggregate losses over a rolling monitoring period, and iii) Squad Cost Rule (SCR) which caps total squad costs as a percentage of football revenues. The underline regulatory intention is to protect going-concern prospects and direct cost trends toward recurring, verifiable income[6]. The analytical focus in this thesis is specifically on FER and SCR; the two levers most closely aligned with earnings quality and the affordability of spending.

The study asks whether, and to what extent, the FSR, through FER and SCR, foster the financial sustainability of European clubs by means of hardening the budget constraints and aligning the cost bases with the recurring revenues. Considerations about competitive balance is not part of the primary research question but emerge as a secondary dimension from both the survey and the interviews. Both survey respondents and expert from interviews repeatedly associated the financial robustness of the system with the broader health of competition

Chelsea FC offers a deliberately demanding case to observe the FSR in "action". With the club coming into new ownership (since 2022) combining extensive transfer activities with extra-long player contracts that spread amortization over time, potentially alleviating short—term SCR compliance pressure but increasing medium-term burdens. Simultaneously, high-profile transactions between group entities, notably the sale of two hotels to an affiliated entity and the transfer of Chelsea Women within the group, were pushing Fair Market Value (FMV) and substance over form issues into the spotlight. In July 2025, UEFA imposed fines for breaches of the FER and SCR[7]. The case serves as a negative benchmark: it demonstrates how the formal compliance strategies could be stress-tested by the earnings quality lens of FER and by the proportional cap incorporated in SCR, and how the FMV adjustments can operate against accounting inflations of income.

To carry out the research, both a quantitative and a qualitative analysis have been utilized. The quantitative survey focused mainly on Generation Z and Millennial respondents and was intentionally planned for a mostly skewed male distribution, targeting the demographic most engaged with European football (media consumption and match attendance). The qualitative analysis is based on

https://www.theguardian.com/football/2021/mar/25/football-financial-fair-play-rules-to-be-ripped-up-after-covid-crisis

[6] UEFA. (2024, June). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024).

[7] UEFA Club Financial Control Body. (2025). *Chelsea FC – Summary of Settlement Agreement (4-year),* https://editorial.uefa.com/resources/029b-1e280acc9f0c-a8b2ed192749-1000/chelsea_summary_version_4-year_sa_20250704173903.pdf

two semi-structured expert interviews: Marco Bellinazzo (*Il Sole 24 Ore*; sports-business analyst) and Marco Fazzini (European University of Rome; accounting/IFRS). The pair was selected to complement a regulatory-financial reading with an accounting-governance lens. The mixed-methos design serves two distinct purposes: the survey maps perceptions of necessity, equity and perceived feasibility among both informed and not informed sport consumers, while the interviews provide mechanism-level insight on enforcement and reporting discretion that perceptions alone cannot reveal.

By situating the FSR within a post-pandemic reset, this thesis distinguishes what can reasonably be credited to the design of the rules (FER and SCR incentives and constraints) from what rests upon the degree of monitoring and enforcement. Further, through triangulation of survey perceptions along with expert reasoning and a financial accounting-based case study, the work elucidates how the pillars travel from legal text to financial behavior, where they are likely binding, and where offsetting discretion may undermine their intent. This contribution is both empirical and conceptual. On the empirical side, it provides documentation of the channels through which FSR/SCR can bind (or fail to bind) spending. On the conceptual side, it elaborates that financial sustainability depends not only on the amount of earnings but also on their quality.

Beyond this introduction, which outlines the scope of the thesis and guides the reader through the forthcoming material, the rest of the analysis is structured as follows.

Chapter 2 reviews the scholarly and technical foundations of financial sustainability in sport, along with an overview of the accounting frameworks available to football clubs. It covers the IAS/IFRS topics most relevant for club reporting and sets out the theory of reformulated financial statements and introduces the ratio toolkit linked to the two pillars under assessment.

Chapter 3 provides the regulatory background: UEFA governance and the evolution from FFP to FSR. It clarifies the scope of the three pillars and details how FER is computed over rolling monitoring periods and how SCR is defined on both numerator and denominator. The chapter also explains FMV assessment and the treatment of related party transactions and briefly outlines CFCB processes.

Chapter 4 develops the Chelsea FC case study by reformulating statutory statements to isolate operating performance and clean classification noise, reconstructing FER over the monitoring period (measuring quantitative deficit/surplus against acceptable deviation and limits of equity coverage), and reconstructing the SCR by analyzing the composition of squad costs in relation to football revenues. Particular attention is paid to intra-group transactions, with FMV checks and reconciliation

to the treatment under FSR; where relevant, points of divergence with Premier League PSR are noted as context rather than focus.

Chapter 5 sets out the research design and reports the results of the quantitative survey and the qualitative interviews. Specifically, the quantitative survey measures awareness of FSR, its perceived fairness, proportionality, and the expected effectiveness of FER/SCR. The qualitative strand comprises two semi-structured expert interviews.

Chapter 6 discusses the findings on the research question of financial sustainability, reading FER as a budget-constraints hardener and SCR as an affordability anchor, and exploring where these levers are binding in practice versus where discretion offset intent. It reflects on enforcement credibility (dealing in broad strokes with settlement agreements and the UEFA domestic divergences) before opening a secondary lens on competitive balance as a possible derived outcome (including design ideas such as hybrid caps and redistributive mechanism referenced by interviewees).

Chapter 7 refers to the Appendix, which includes the balance sheets and the income statement for Chelsea FC used for the case study, the full survey questionnaire and the full interview transcripts with Marco Bellinazzo and Marco Fazzini. Chapter 8 recaps the main contributions of the previous chapters and Chapter 9 includes the complete list of references.

2. Literature Review

2.1 Financial Sustainability: A Literature Review

Financial sustainability is regarded as a fundamental control parameter that supports shareholder value and can be perceived by risk-averse investors as an additional criterion in their investment decisions. It lowers the chances of refinancing and insolvency risks, which results in risk-adjusted above average returns in an imperfect capital market with financing restraints and insolvency costs. As a first step, the classic definition of sustainabilit*y* declared by the Brundtland Commission in 1987, describes it as "meeting *the needs of the present generation without compromising the ability of future generations to meet their own needs"*[8]. Over the years, this concept has progressively gained relevance in both academic and corporate domains, particularly when analyzed through the scope of *CSR*[9] . In this context, financial performance has usually been considered as a variable strongly influenced by CSR initiatives, commonly referred to in the literature as a *CSP*[10] . One of the earliest frameworks was the three-dimensional CSP model including social responsibility categories (economic, ethical, legal and discretionary), philosophies of responsiveness (pro-action, accommodation, defense, reaction), and related social issues (environment, consumerisms, discrimination, occupational/product safety). This scheme did not include financial sustainability, as it was considered as a distinct dimension. Indeed, the economic responsibilities of firms were limited to the "*responsibility to produce goods and services that society wants and to sell them as a profit*"[11]. In contrast to these sources of thought, the *triple bottom line* idea introduced the notion of economic sustainability. It represents a business concept that states firms should commit to measuring their social and environmental impact, in addition to their financial performance, rather than exclusively focusing on generating profit. The aim is that both organizations and individuals adequately address all three goals of the concept in question: social, ecological and economic (or financial)

[8] World Commission on Environment and Development. (1987). *Our Common Future: Report of the World Commission on Environment and Development*. United Nations

[9] Corporate Social Responsibility: management concept through which companies integrate social and environmental considerations into their operations and stakeholder interactions.it reflects the effort to balance economic, environmental, and social goals while meeting the expectations of shareholders and stakeholders Source: United Nations Industrial Development Organizations. *Official website* https://www.unido.org/our-focus/advancing-economic-competitiveness/competitive-trade-capacities-and-corporate-responsibility/corporate-social-responsibility-market-integration/what-csr

[10] Corporate Social Performance: company's ability to integrate and manage social, environmental, and ethical responsibilities in its operations, reflecting both its responsiveness to stakeholder expectations and its societal impact Source: Wood, D. J. (2016). *Corporate social performance*. In *Oxford Bibliographies in Management*. Oxford University Pres https://www.oxfordbibliographies.com/display/document/obo-9780199846740/obo-9780199846740-0099.xml

[11] Carroll, A. B. (1999). Corporate social responsibility: Evolution of a definitional construct. *Business & Society, 38*(3), 268–295.

sustainability[12]. These three sustainability goals also referred to as the three pillars of sustainability or the 3Ps: people, planet and profit. The latter consists of the financial return an organization generates for shareholders. In the past, many firms' goals were primarily centered around financial impact and growth. Now, purpose-driven business leaders have realized that they can leverage their businesses to create positive change globally while still maintaining strong financial results.

Within this framework, financial sustainability arises as an essential element of the economic dimension, representing an organization's ability to maintain operations over the long run while safeguarding financial balance, asset solidity and resilience to external shocks. When applying the basic concept of the Brundtland Commission on sustainable development to financial sustainability, the proposal is that companies' financial management must ensure present financial prosperity without endangering future financial prosperity, inclusive of the success of upcoming generations.

Although financial sustainability isn't often included in definitions and measurement of economic sustainability, it is possible to clearly distinguish among different research streams that deal with it on the organizational dimension.

An example of research that integrates financial sustainability within the broader concept of corporate sustainability focuses on a sample of 65 FTSE 350[13] companies over the 2006-2012 period. The study scrutinized the financial sustainability as one of nine binary criteria to evaluate corporate sustainability, measured by comparing:

- Actual growth rate: percentage change of a variable over a specified time
- Sustainable growth rate estimates how fast a company can grow using only internal financing. It is calculated as:

  Equation 2.1

  $$SGR = ROE \; x \; Retention \; Rate$$

  Where:

  I) *Return on equity* indicates how shareholders' efficiently use equity to generate net income. A higher ROE suggests a stronger ability to convert equity financing into profits. It is calculated as:

  Equation 2.2

  $$ROE = {}^{Net\ Income}/_{Shareholders'Equity}$$

[12] Elkington, J. (1994). Towards the sustainable corporation: Win-win-win business strategies for sustainable development. *California Management Review, 36*(2), 90–100

[13] Financial Times Stock Exchange Group: stock market index that considers the 350 largest companies listed on the London Stock Exchange. Source: London Stock Exchange. https://www.londonstockexchange.com/indices/ftse-350

II) *Retention Rate* measures the proportion of net income that is reinvested in the company rather than being paid out to investors as dividends. It is calculated as:

Equation 2.3

$$Retention\ Rate = 1 - Dividend\ Payout\ Ratio$$

The study reveals that corporate sustainability firms are characterized by higher financial risk exposure, lower asset growth rates, lower book value/market value[14] ratios, lower EVA[15] ratios and higher MVA[16] ratios. The outcome is that firms embracing sustainability in their business operations are able to utilize their resources better than other companies. This ultimately allows these firms to achieve better financial performance and shareholder value creation[17].

An evolution of the financial sustainability concept originally introduced by the Brundtland Commission involves the identification of four necessary conditions that a company must fulfill to be considered financially sustainable. Specifically, these conditions are:

1) Real capital preservation (growth > inflation rate)

A company's ability to maintain a positive inflation-adjusted growth rate over time. This parameter distinguishes between nominal and real preservation of corporate value, specifying that only the latter ensures long-term enforceability. Obtaining only nominal growth equal to inflation indicates stagnation, while real growth trailing inflation suggests a dwindling competitive advantage. Consequently, having a real profit growth trajectory, is essential for safeguarding the persistence of value in a rapidly changing economic environment.

[14] The comparison between the accounting value of shareholders' equity (book value) and the market capitalization (market value). It assesses the market's perception of the company's intrinsic value relative to its accounting value as reported in the financial statements. Source: Investopedia https://www.investopedia.com/terms/b/booktomarketratio.asp

[15] A measure of a company's financial performance, Economic Value Added is based on the residual wealth generated after deducting the cost of capital from operating profit, adjusted for taxes on a cash basis. It is calculated as:
EVA= NOPAT– (Capital Invested x WACC), where: NOPAT is the net operating profit after taxes and the WACC is the weighted average cost of capital.
Source: Corporate Finance Institute https://corporatefinanceinstitute.com/resources/valuation/economic-value-added-eva/

[16] Market Value Added is the difference between the current market value of the company's stock and the initial capital that was invested in the company by both bondholders and stockholders. It reflects cumulative value creation over time. It is calculated as: MVA= Market Value of Equity and Debt – Total Capital Invested.
Source: Corporate Finance Institute https://corporatefinanceinstitute.com/resources/valuation/market-value-added-mva/

[17] Gómez-Bezares, F., Przychodzen, W., & Przychodzen, J. (2017). Bridging the gap: How sustainable development can help companies create shareholder value and improve financial performance. *Business Ethics: A European Review, 26*(1), 1–17

2) Sufficient survival probability

A company's ability to survive over time without making demands on its owners. This condition is strictly related to the going concern principle and represents a minimum investment requirement from the perspective of risk-averse and long-term investors. The firm's ability to avoid risks and crises depends on how it manages risks that could flow into structural failures. Achieving financial sustainability requires only warning systems to identify and manage risk promptly.

To enhance the rating of a firm's probability of survival, firm rating should be based on more than just historical data. Past information, often relying on financial ratios such as the equity ratio, ROCE[18], or interest coverage ratios[19], only capture existing threats to the firm's going concern and they fail to account for future potential risks to the company's continuity. A more precise evaluation of the threats to a company's existence and, therefore, its financial sustainability, involves the use of Monte Carlo simulation[20] techniques, by simulating variations in cash flows, earnings and liquidity into thousands of what-if scenarios, such as breached of covenants, borrowing restrictions or illiquidity[21].

3) Total earnings risk exposure acceptable to owners

A further pillar of financial sustainability is the acceptability of the company's total earnings risk exposure from the owners' perspective, which requires considering the volatility of expected returns However, future risk, not past volatility, is what should really concern for assessing sustainability.

Therefore, to assess the earnings risk, future oriented methods are necessary. In this view, the acceptability of earnings risk can also be explained with reference to the professional standards of risk management:

I) risk bearing capacity measures the current risk level as the distance to the threshold beyond which the company would become non-viable.

[18] Return on Capital Employed: a profitability ratio that measures how efficiently a company is using its capital to generate profits. The formula is as follows: ROCE = EBIT/ Capital Employed where: i) EBIT is the company's profit, including all expenses except interest and tax expenses ii) Capital employed is determined by subtracting current liabilities from total assets, which ultimately corresponds to the sum of shareholder's equity and long-term debt. The higher the ratio, the greater the profits generated from capital. Source: Corporate finance institute https://corporatefinanceinstitute.com/resources/accounting/return-on-capital-employed-roce/

[19] It indicates the number of times operating income (EBIT), or operating cash flow cover net interest expenses. Source: Borsa Italiana https://www.borsaitaliana.it/borsa/glossario/interest-coverage.html

[20] Statistical technique used in financial modeling when the appearance of certain outcomes in a problem cannot be worked out by direct calculations due to the interference of a random variable. The simulation is based on random sampling that is repeated many times to obtain meaningful numerical results. It helps clarify the impact of uncertainty and randomness on forecasting models. Source: Corporate finance institute https://corporatefinanceinstitute.com/resources/financial-modeling/monte-carlo-simulation/

[21] Grisar, C., & Meyer, M. (2015b). Use of Monte Carlo simulation: An empirical study of German, Austrian and Swiss controlling departments. *Journal of Management Control, 26*(3–4), 249–273.

II) risk tolerance measures the permissible distance before the internal performance target, or the rating target is violated.

III) risk appetite is the level of negative deviations from expected performance (e.g. EBIT or net income) a company is willing to take under normal operating conditions,

These frameworks permit companies to examine whether the current degree of risk exposure continues to fall within the limits consistent with the company's capital base and strategic rating goals[22]. Consequently, a financially sustainable firm is one whose earnings volatility still within the acceptable margins for its stakeholders, assuring that its risk-return trade-off continues to legitimize long-term capital allocation.

4) Continuation of the company (attractive risk-return profile)

The final condition reflects the company's ability to remain economically appealing to its owners in the long run. In this context, financial sustainability implies that a company guarantees a risk-return profile at least equal to alternative investments opportunities with similar levels of risk. From a financial perspective, this means that the expected average return must exceed the company's risk-adjusted cost of capital. Furthermore, the cost of capital should consider the actual aggregated earnings risk of the company rather than historical volatility as measured by CAPM[23], which assumes perfect capital markets and full diversification.[24]

2.2 IAS/IFRS Standards Applied to the Football Industry

Professional football clubs adhere to the same IFRS/IAS accounting principles as any other entity. However, there are certain standards that are of particular relevance due to the unique nature of the club's transactions. It is these key accounting principles, first more generally, and then in their specific application to football (particularly regarding player transfers, player contracts, and club specific revenue streams), that will be discussed below. The discussion will draw upon both official IFRS guidance and academic as well as industry analyses.

[22] Institute of Risk Management. (2011). *Risk appetite & tolerance: Guidance paper*. Institute of Risk Management

[23] Capital Asset Pricing Model: a financial model that calculates the expected rate of return for an asset or investment based on its systematic risk, assuming perfect markets. However, in real word imperfect markets, distinguished by finance constraints and insolvency risks, CAPM fails to obtain key aspects of financial sustainability. Source: Corporate Finance Institute https://corporatefinanceinstitute.com/resources/valuation/what-is-capm-formula/

[24] Günther, T., & Günther, E. (2017). Finanzielle Nachhaltigkeit – Messung, finanzielle Steuerung und Herausforderungen. In A. Hoffjan, T. Knauer, & A. Wöhrmann (Eds.), *Controlling – Konzeptionen, Instrumente, Anwendungen* (pp. 79–90). Schäffer-Poeschel.

2.2.1 IAS 38 – Intangible Assets (Player Registrations)

IAS 38 prescribes disclosure requirements and specific accounting treatment for non-financial assets with no physical existence. Intangible asset is recognized only if is identifiable, if the entity has control over it, and it provides future economic benefits. Common examples include patents, licenses, and in the football sector, the contractual right to a player's services. The principle dictates that separately acquired intangibles be initially measured at cost. Subsequent measurement can follow the cost model (cost minus amortization and impairment)[25].

When one club buys a player from another, it is paying a transfer fee to acquire that player's registration. Under IAS 38, the fee (plus any directly attributable costs, such as certain agent fees) are capitalized on the balance sheet as an intangible asset, commonly known as *player registration rights*. This asset is then expensed on a straight-line basis over a player's contract term of life, which represents the consumption of the player's service capacity over time. For instance, if a player is signed on a 5-year contract, the club will usually amortize the capitalized transfer fee on a straight-line basis over those 5 years. By contrast, a home-grown (e.g., through a youth academic) player is not capitalized as an asset, since the "cost" of the player represents player training expense, which is expensed as incurred[26].

If a club sells a player to another club, it must derecognize that intangible asset from the balance sheet. The difference between any net disposal proceeds and its carrying amount is recognized in profit or loss as a gain or loss. Since some clubs see player trading as an ordinary activity and argue that transfer fees should be accounted for as revenue, IAS 38 states that the transfer fee of a player represents the disposal of an intangible asset and then the gain should be recorded as gain on disposal, not revenue[27].

A notable IAS 38 issue for football is player-swap transaction (exchanges). It's common for clubs to sell a player to another club with little or no cash trading hands. IAS 38 paragraphs 45-47 apply to exchanges of intangibles. In most situations, when an intangible asset is acquired in exchange for another one, the acquired asset will be recognized at cost, provided that the fair value[28] of at least one

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[25] FRS Foundation. (2021). *IAS 38 intangible assets*. In *International Financial Reporting Standards (IFRSs) – Part A: The conceptual framework and requirements*. IFRS Foundation. https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards/english/2021/issued/part-a/ias-38-intangible-assets.pdf

[26] Stolowy, H., & Wu, H. (2025). The recognition of football players in the balance sheet: Accounting for self-developed players. *HEC Paris Research Paper* (pp. 3–4).

[27] IFRS Foundation. (2020). *Tentative agenda decision – Player transfer payments (IAS 38).* IFRS Foundation. https://www.ifrs.org/projects/completed-projects/2020/player-transfer-payments/tad-presentation-of-player-transfer-payments/

[28] The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Source: International Accounting Standards Board (IASB). (2011). *IFRS 13: Fair value measurement*. IFRS Foundation.

of the assets exchanged can be measured reliably and the transaction as a commercial substance. Otherwise, in the absence of a reliable market price, the accounting standard establishes that the profit from the sale of an outgoing player's registration must not result in recognized revenue exceeding the net book value of that player's registration in the club's financial statements, adjusted for any net cash exchanged as part of the transaction. Similarly, the registration cost of the incoming player must be capitalized up to the maximum of the outgoing player's carrying amount, again adjusted to take account of any net cash paid by the club in the context of the exchange transaction. [29].

2.2.2 IAS 36 – Impairment of Assets (Player Impairment Tests)

IAS 36 prevents assets from being carried higher than their recoverable amount. Where the carrying amount of an asset is greater than the estimated recoverable amount, the asset is considered impaired and must be written down to the recoverable amount and a loss arising would be charged to profit or loss. IAS 36 requires an entity to make an assessment at each reporting date to determine whether there is any indication that an asset may be impaired[30]. The standard also introduces the concept of CGU[31].

In the football sector, where players' registration rights are recorded as intangible assets, impairment must be assessed when specific signals suggest a permanent loss of value. Specifically, these may include a permanent exclusion from the team in the case of a player placed on the transfer list and classified as held for sale, or a serious injury that prevents the player from returning to professional activity. Conversely, temporary underperformance or minor injuries are not sufficient to trigger an impairment, as an individual player is not considered a CGU on its own. Even if some cash inflows might be directly attributable to a specific player, such as shirt sales, they depend on the teams' overall performance and are not independent. Therefore, the recoverable amount of the main squad CGU would then be compared with the carrying amount of the whole CGU, which includes the registration costs of all players, in order to determine whether an impairment loss exist[32].

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https://www.ifrs.org/issued-standards/list-of-standards/ifrs-13-fair-value-measurement/

[29] IFRS Foundation. (2025). *IAS 38 intangible assets* (paras. 45–47). International Accounting Standards Board. https://www.ifrs.org/issued-standards/list-of-standards/ias-38-intangible-assets/

[30] IFRS Foundation. (2023, May). *Business combinations—Disclosures, goodwill and impairment: Effectiveness of impairment test—criteria and application (IASB Agenda Paper 18C, Staff Paper)*. International Accounting Standards Board.https://www.ifrs.org/content/dam/ifrs/meetings/2023/may/iasb/ap18c-bcdgi-effectiveness-criteria-and-application.pdf

[31] Cash Generating Units: the smallest identifiable group of assets that generates largely independent cash inflows. CGUs are identified at the lowest level to minimize the possibility that impairments of one asset or group will be masked by a high-performing asset. Source: Grant Thornton. *IFRS – IAS 36: Identifying cash generating units.* https://www.grantthornton.global/en/insights/articles/IFRS-ias-36/ifrs----ias-36---Identifying-cash-generating-units/

[32] PwC. (2024). *Accounting for typical transactions in the football industry – IFRS Accounting Standards guide* (pp. 24–26).

In the case of a serious injury, the club would have the player's registration right tested for impairment immediately, rather than performing the test deferred to year-end. As the player would no longer add on-field team success (and cash flows), his registration can be tested for impairment on its own merit. Any deficiency between the carrying value and the recoverable amount would be recognized as a loss. Another clear indicator is if a club permanently removes a player from the squad and placed on the transfer list.

When a player is subjected to an impairment test (or the squad CGU as a whole is), the club will estimate the asset's recoverable amount. For CGUs being the team, value in use can be determined (future projected revenues from competitions, prize money, broadcasting, etc., which the team can achieve) and compared to the total carrying amount of all player registrations plus other assets of the unit. For example, if a team is relegated, this could be seen as an external indicator that the squad's recoverable amount (as defined by the future cashflows in the lower division) is lower than the current book values – which could signify an impairment[33].

2.2.3 IFRS 15 – Revenue from Contracts with Customers (Club Revenues and Player Loan Fees)

IFRS 15 establishes a five-step framework for the determination of revenue: identify the contract, identify performance obligations, determine the transaction price, allocate the price to obligations, and recognize revenue once obligations are fulfilled. The principle aims to synchronize revenue recognition with the transfer of goods or services[34].

A football club revenue is likely to be within the scope of IFRS 15. Key revenue streams are:

- Matchday revenue (e.g. season tickets, matchday single tickets): season ticket income is not taken as revenue when cash is received (upfront) but gradually spread over the games as they are played. Any advance receipts are recorded in the balance sheet as a contract liability (deferred revenue) prior to the match being played. On the other hand, matchday single tickets are recognized when the match is played[35].
- Broadcasting/media revenue (e.g. TV rights money from leagues and competitions): league and cup TV deals often pay clubs based on the number of matches they play or how well they perform.

[33] *Ibidem*
[34] IFRS Foundation. (2014). *IFRS 15 revenue from contracts with customers*. International Accounting Standards Board. https://www.ifrs.org/issued-standards/list-of-standards/ifrs-15-revenue-from-contracts-with-customers/
[35] PWC (2024). *Accounting for typical transactions in the football industry – IFRS Accounting Standards guide*, p. 30

- Commercial revenue (e.g. merchandising, sponsorships and advertising): merchandising revenue us recognized upon product delivery, sponsorship over the contract period[36].

A unique revenue stream in football is fees from loaning out players. Loan fees are recognized as a revenue over time, while the player remains an asset on the lending club's books and is paying off just by being amortized. From the borrowing club's perspective, the loan fee is a period expense. In addition, if there is an obligation to buy the player (a loan-to-buy deal), clubs, even if the purchase price is declared, can treat it as a purchase upfront, with a payable recorded by the borrower, but if it's just a loan with an option to buy, no purchase is recognized until that option has been exercised[37]. IFRS 15 is relevant to day-to-day club's revenues, meaning that sales and shirt sponsorships is booked as and when the club fulfills its obligations. The principle reflects the economic substance of club revenues in the relevant periods, complementing the treatment of transfers in accordance with the other standards.

2.2.4 IFRS 9 – Financial Instruments (Transfer Receivables, Payables, and Financing)

IFRS 9 applies to the recognition and measurement of financial assets and liabilities such as trade receivables, loans, payables and derivatives. Key elements of this principle include the classification of financial assets (e.g. amortized cost, fair value through profit or loss etc.), the recognition of expected credit losses on financial assets[38].

In football, the main applications are usually related to trade receivables/payables, loans and hedging instruments. Clubs frequently engage in because of player transfers. Transfer fees are often spread over many years and, from the selling club's standpoint, it's already a receivable. Secondly, IFRS 9 says this receivable should be measured at amortized cost (provided it´s a simple right to receive cash) and if there is a financing element that it should initially be recognized at present value of future payments. Many transfer fee agreements will pay no explicit interest, but the timing gap will have a financing element. Clubs may decide not to discount if the time value effect on their revenues is immaterial (as per IFRS, if not 'material' the entity does not have to discount).

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[36] PWC (2024). *Accounting for typical transactions in the football industry – IFRS Accounting Standards guide*, pp. 32-40

[37] Baroncelli, A., & Lago, U. (2019, June). *Accounting for football players' registration rights: Historical evolution and a fair value perspective*

[38] IFRS Foundation. (2022). *IFRS 9 financial instruments*. International Accounting Standards Board. https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards/english/2022/issued/part-a/ifrs-9-financial-instruments.pdf

Credit risk is also a key consideration. Football clubs sometimes default on or find it difficult to meet their transfer obligations. Assuming Club B owes Club A €20m over 3 years and Club B faces relegation or insolvency, Club A could report a provision against that receivable, reflecting that risk. For payables, IFRS 9 does not mandate a symmetric provision, though restructuring or forgiveness could trigger a gain for the debtor[39].

2.2.5 IAS 24 – Related Party disclosure

Many clubs have related party businesses that need to be disclosed. If the club's owner also owns another company that sponsors the team, the sponsorship deal is a related party transaction that requires disclosure of the amount and terms. If a club is part of a multi-club ownership (increasingly common in football, with the same owners owing clubs in different leagues), then any transfers or other deals between those related clubs will count as related party transactions. Loans from the owner, sales of players to a sister club must be disclosed under IAS 24[40]. This principle ensures transparency so that if, for example, a club sells a player at an unusually high price to a related club, financial statement readers will know that the deal was not arm's length if properly disclosed. This topic will be a central focus of the following chapters.

2.3 Financial Statements and their Reformulation

Companies prepare their financial statements in accordance with accounting standards (e.g. IFRS). The statutory financial statements are primarily intended to satisfy legal and regulatory reporting requirements and to provide a uniform reporting language among companies and industries. However, from a management or analytical viewpoint, these financial statements usually fail to reflect a fair view of the economic reality of the value of a company's operations and financial position. They often bring together operating and financing activities, disguising important factors such as internally generated intangible assets or the effective use of capital.

To overcome these limitations, financial analyst and practitioners often rely on reclassified financial statements, which reorder the statutory balance sheet and income statement in a way that is perceived as more suitable with the firm's underlying business operations. The reclassification procedure typically involves distinguishing between operating components, the ones that are directly linked to

[39] PWC (2024). *Accounting for typical transactions in the football industry – IFRS Accounting Standards guide*, pp. 24-26

[40] IFRS Foundation. (2022). *IAS 24 related party disclosures*. International Accounting Standards Board.https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards/english/2022/issued/part-a/ias-24-related-party-disclosures.pdf

the firm's value creation process, and financial components, which are related to the financial structure. The above analytical framework makes it easier to examine profitability, working capital, solvency and general macro-financial sustainability factors.

Reclassified statements serve as a key tool for understanding how the various resources are funded and allocated and how operational decisions affect financial results. For example, they separate the operating performance of the business (e.g., via EBIT) from the financial structuring impact (e.g., interest charges), therefore providing a clearer picture of whether a company can create value irrespective of its financing policies.[41]This re-formulation has "substantial benefits in industries or circumstances where there is complex or industry-specific accounting" treatments, with statutory information not necessarily capturing economic truth, at least fully. In addition, reclassified financial statements provide an essential basis for financial ratio analysis, forecasting and decision-making, and thus allow a better and more functional description of the financial position of the company.

As regards the football sector, the reformulation of the financial statements enables a clearer examination how football clubs' resources are deployed, both in terms of investing in the squad, and how that investment is funded, which sets the stage for deeper financial analysis.

2.3.1 Reformulated Balance Sheet

The balance sheet is used to track a company's financial position reporting assets, liabilities and equity in IFRS format, and it distinguishes between current and non-current items[42].

Assets	**Liabilities and Owners' Equity**
Current Assets	*Current Financing*
Cash and Cash Equivalents	Accounts Payable
Short Term Investments	Other short term liabilities and debts
Accounts Receivable	*Long Term financing*
Inventories	Long Term debt
Non Current Assets	Other long-term obligations
Property, Plan and Equipment (Net)	*Shareholder Equity*
Intangibles	Capital Shares
Long Term Investments	Reserves
	Retained Earnings

Figure 2.1 - Example of IAS/IFRS Balance Sheet Structure (Source: Paolone, 2023, unpublished lecture notes)

[41] Haller, A., & Schloßgangl, M. (2005). Shortcomings of performance reporting under IAS/IFRS: A conceptual and empirical study. *International Journal of Accounting, Auditing and Performance Evaluation, 2*(3), 222–234.

[42] Current assets include cash, accounts receivable, and inventories to be realized within 12 months. Current liabilities include payables and overdrafts maturing within the same period. Non-current items do not meet these criteria.
Source: IFRS Foundation. (2022). *IAS 1: Presentation of financial statements* (paras. 66–76). International Accounting Standards Board.
https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards/english/2022/issued/part-a/ias-1-presentation-of-financial-statements.pdf?bypass=on

Its managerial (reclassified) goes a step further by distinguishing between operating and financing items. The attempt is to separate the resources invested in the core business and the resourced related to financing (debt and investments).

By the perspective of a football club, key operating assets would include player registrations (transfer fees paid for players) on the intangible asset, training facilities and stadium as property assets, inventory/merchandise, and receivables owed to the club from broadcasting or sponsorship. On the other hand, operating liabilities would encompass trade payables, tax liabilities, accruals and deferred revenues, which are quite prevalent in football as advance season ticket income or broadcasting income receipted before being earned. All aspects of the club's funding (bank loans, bonds, shareholder loans, or investment in other companies) are categorized as financial assets or liabilities, separate from operations[43].

Importantly, the reclassified balance sheet also retains the separation between current and non-current for both operating and financing categories. This enables to compute summary metrics to be used to evaluate companies' financial structure. It is therefore essential to distinguish between short-term and long-term components of both operating and financial assets and liabilities.:

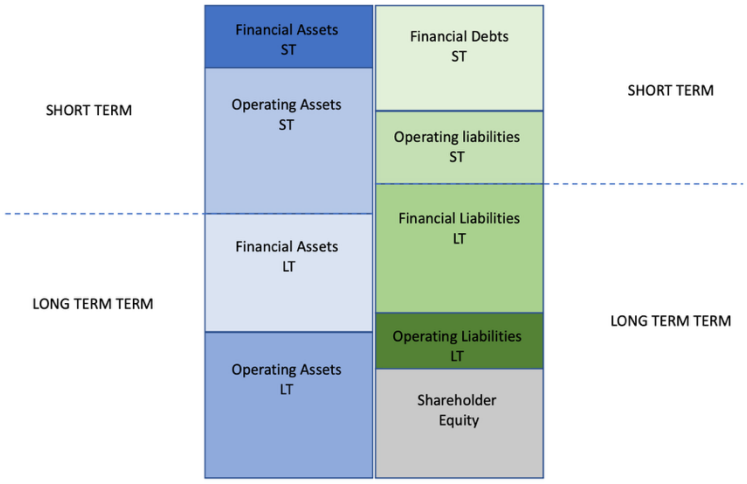

Figure 2.2 – Example of Reformulated Balance Sheet (Source: Paolone, 2023, unpublished lecture notes)

The reformulation of short-term operating assets and liabilities allows for the determination of Net Working Capital (NWC):

[43] UEFA. (2024). *UEFA club licensing and financial sustainability regulations – Annex F.2: Balance sheet,* pp. 72–73.

Equation 2.4

$$Net\ Working\ Capital = Operating\ Assets\ (ST) - Operating\ Liabilities\ (ST)$$

The indicator represents the net investment in the operations that is locked up in the day to day running of businesses. (receivable + inventory + cash & cash equivalents – payables and other current operating liabilities). A positive NWC indicates that some of the company's operating assets are financed by long-term capital, whereas a negative NWC shows a certain portion of operating assets that are financed by current liabilities.

An illustrative example from the football industry concerns advance revenues (deferred income), which can lead to a negative NWC. However, this is not necessarily a sign of financial weakness, since clubs would normally have been paid upfront for items such as ticket sales or TV deals.

Moving forward, the Net Long Term Operating Assets (NLOA) result from the difference between long-term operating assets and long-term operating liabilities:

Equation 2.5

$$Net\ Long\ Term\ Operating\ Assets = \ \ Operating\ Assets\ (LT) - Operating\ Liabilities\ (LT)$$

Long-term Operating Assets usually comprise components such as tangible fixed assets, intangible assets (e.g. book value of player contracts, which are recognized and amortized on a straight-line basis over their useful life) and other fixed assets used in operations. Long-term operating liabilities can include provisions, long-term payables and other non-current liabilities not connected to financing or investments.

Lastly, Net Financial Obligations (NFO) represents the company's net debt, obtained as financial liabilities net of financial assets.

Equation 2.6

$$Net\ Financial\ Obligations = Net\ Financial\ Postion(ST) + Net\ Financial\ Position(LT)$$

Where:

$$NFP\ (ST) = Financial\ Debts\ (ST) - Financial\ Assets(ST)$$

$$NFP\ (LT) = Financial\ Debts\ (LT) - Financial\ Assets\ (LT)$$

This is the financing side: interest bearing debts (bank loans, bonds, etc.) net of any financial asset or cash not being used for operations. A positive NFO indicates net debt, and a negative NFO indicates net financial assets (more cash/investments vs debt).
Football clubs tend to have high debts or shareholder loans, so NFO measures the leverage.
Using these elements, the reclassified(managerial) balance sheet reveals an important identity:

Equation 2.7

$$Invested\ Capital = Capital\ Employed$$

Where:

$$Invested\ Capital = Net\ Working\ Capital + Net\ Long\ Term\ Operating\ Assets$$

$$Capital\ Employed = Net\ Financial\ Obligation + Shareholder\ Equity$$

The Invested Capital, which equals the sum of NWC and NLOA, is financed by a combination of Shareholder's Equity and NFO; together, these financing sources constitute the company's Capital Employed. In other words, the club's invested capital in operations must come from either the owners' funds or borrowed funds. This relation is explicit in managerial balance sheet format, reflecting how some portion of the club's operational investment is financed by debt in contrast to how much is financed by owner's equity. It is a more revealing layout for analysis, since it plainly displays, for example, how much capital is tied up in player contracts and other assets, as well as how those are paid for (e.g. if a club has a high NFO, it suggests that its squad and operational costs are heavily financed by debt).

2.3.2 Reformulated Income Statement

The income statement (profit and loss account) determines the financial performance of a club over a period (usually a fiscal year). It records the amount of revenues made and expenses incurred resulting in net profit or loss. Under IAS 1 (IFRS) clubs can disclose expenses by nature (e.g. wages, materials, depreciation) or by function (e.g. cost of sales, administrative expenses), but in both cases the standard form generates operating profit (EBIT) subtotal and then adjusts by financing costs and taxes to obtain net income[44]. A notable complexity in IFRS P&L is that there are kinds of gains/losses which are not realized (e.g. revaluation of assets or certain currency translation differences), which

[44] IFRS Foundation. (2022). *IAS 1: Presentation of financial statements*. International Accounting Standards Board. .https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards/english/2022/issued/part-a/ias-1-presentation-of-financial-statements.pdf?bypass=on

are recorded in Other Comprehensive Income (OCI) instead of the standard P&L. However, operating performance is measured focusing on the Profit and Loss statement area (revenues, expenses and profit).

As with the balance sheet, the attention in restructuring an income statement (classifications) is to isolate operating results from financing and non-recurring results.

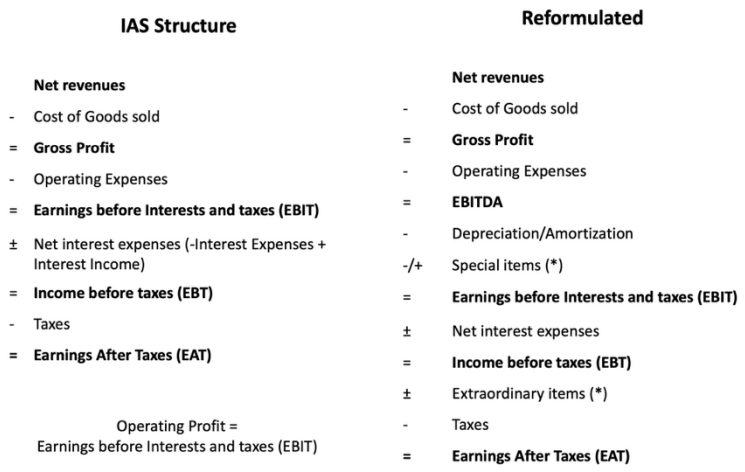

Figure 2.3 – Comparison Between IAS and Reformulated Income Statement (Source: Paolone, 2023, unpublished lecture notes)

The profit and loss account are reformulated to give an unambiguous view on the profit contribution from core operations without the distorting effects of the financial structure. One of the main advantages offered by the reclassification approach is the more straightforward connection between the variables appearing in the balance sheet and the corresponding performance follows reported in the income statement.

Starting from the top, the Cost of Goods Sold (COGS) measures the "direct cost" incurred in the production of any goods or services. It includes material cost, service cost, direct labor cost, any direct factory overheads, and is directly proportional to revenue.

EBITDA represents a useful proxy for operating cash, as it excludes non-cash items such as depreciation, amortization and impairment losses. It is also considered one of the best results to show company operating profitability, as it excludes non-recurring or special items that can distort the assessment of core business performance.

EBIT is such a critical line: it's the earnings from operations (e.g., the club's profit from football-related activities such as matchday, broadcasting, player trades etc.) once all operating expenses have

been deducted. Analysts frequently adjust "special items" or non-recurring items[45]to obtain EBIT. A positive EBIT shows that the company's operations generated profit (before the cost of financing and tax), while a negative EBIT indicates that the club's expenses exceeded its revenue.

The items below EBIT relate to how the clubs is financed, such as net interest expenses (or income) on loans or bonds, interest income from cash holdings, and any other financing-related charges. This section represents the cost of the company's debt (or the benefit of any interest income if the company has net cash). By splitting out this line, one can witness how much earnings are absorbed by satisfying the debt. This part corresponds to the effect of the NFP on the income statement; essentially, it's what is left over from the club's capital structure decisions.

After interest, there is Earnings Before Tax (EBT). Taes are then deducted to get the Net Income.

This separation between operating and financial components shows more clearly each area contributes to the final profit. In other words, the reformulated income statement neatly reflects the results of the NWC and NLOA (through EBIT) and the impact of its NFP, via interests and financing costs on overall profit[46].

2.3.3 Reformulated Cash Flow Statement

The cash flow statement offers a more dynamic perspective of a club's financials, to help absorb what the reclassified income statement and balance sheet provide by focusing on liquidity and actual cash flows. According to IAS 7 Statement of Cash Flows, its purpose is to provide information about the historical changes in cash and cash equivalents of an entity be means of a report between the business's cash inflows and outflows in a certain period. This enables analysts to judge the financial structure and liquidity of the company, and whether it can remain solvent and liquid while keeping up with obligations like debt repayments and dividends. The cash flow statement analyzes divergencies between accounting profit and actual cash flow from operations, discovering the reasons why a club's income statement cannot translate immediately into cash increase or decrease. IAS 7 defines cash as "cash on hand and demand deposits" and cash equivalents as "short-term, highly

[45] Nonrecurring sources of revenue or a one-time financial transaction that the company is not expected to recur on a regular basis (e.g. loss/gains on tangible/intangible assets disposition impairment of tangible/intangible assets, other non-recurring operating items). IFRS insists on separating out unusual items in the income statement or notes. However, IFRS no longer uses the noun "extraordinary items", which meant truly unusual and infrequent gain/losses. Extraordinary items refer to events that are both unusual and infrequent, whereas special items (or non-recurring items) meet only one of those two criteria, but not necessarily both. Source: Del Bello, A., & Sargiacomo, M. (2017). The income statement and the problem of extraordinary items under IFRS. *Accounting and Business Research, 47*(2), 178–204.

[46]Paolone, F. (2023). Lecture on financial reporting and performance measurement: Reformulation and interpretation of financial statements - balance sheet and income statement. *Unpublished lecture notes*. Luiss University, Master's in Management.

liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value"[47].

IAS 7 requires cash flows to be divided into three categories: operating, investing and financing cash flows. Operating activities are the company's principal revenue-producing activities and other cash flows that are not investing or financing. In practice, this consists of received cash received from core activities (ticket sales, tv rights, and sponsorship) and paid cash from operating costs (player wages, suppliers, taxes). Investing activities typically involve purchases or sales of long-term assets and other non-current assets different from those included in cash equivalents. For a football club, this includes outflows of cash to sign new players (purchase of intangible asset transfer fees); and inflows from selling players, which IFRS counts such proceeds under investing cash flows rather than operating income. It also includes capital spending on facilities or equipment and the money obtained from asset sales. Financing activities are those affecting the size and structure of a company's equity and debt. Common sources of financing cash flow include proceeds from issuing shares or taking new loans, payment of dividends to shareholders, or other distributions[48]. By disaggregating these elements, the cash flow statement breaks down how the key areas of the company's core operations, investment in assets and financing activities each impact the movement in net cash.

In financial analysis the cash flows are frequently reclassified so that key elements of operating, investing and financing cash flows can be viewed in a more intuitive way. The basic stats are the same but broken down into elements that facilitate ratio analysis and cash flow forecasting.

Cash flow from operating activities can be projected by starting from an operating profit (such as EBITDA or EBIT) and adjusting for non-cash items (e.g. depreciation and amortization) and working capital changes. The formula is as follows:

Equation 2.8

$$Cash\ Flow\ From\ Operating\ Activities = EBITDA^{(1)} \pm \Delta\, NWC^{(2)} - Net\ Interest\ Expenses - Taxes$$

Where:

$$(1) EBITDA = Sales - Cost\ of\ goods\ sold - Selling\ , General\ \&\ Administrative\ expenses$$

[47] IFRS Foundation. (2025). IAS 7: Statement of cash flows. In *International Financial Reporting Standards (IFRS) Consolidated.* pp. 7–8. https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards/english/2022/issued/part-a/ias-7-statement-of-cash-flows.pdf?bypass=on

[48] BDO Global. (2022). *IFRS in Practice – IAS 7 Statement of Cash Flows, Classification of cash flows as operating, investing or financing*, par 4, p. 9

$$(2)\Delta\, Net\ working\ capital = \Delta\,(Accounts\ and\ interest\ receivable + inventories + prepaid\ expenses) - \Delta\,(Accounts\ and\ interest\ payable - accrued\ expenses)$$

The cash flow from investing activities can be calculated by considering net capital expenditures and investment disposal:

Equation 2.9

$$Cash\ Flow\ From\ Investing\ Activities = Property\ Plant\ \&\ Equipment(net)_{end} - [\,Property\ Plant\ \&\ Equipment(net)_{beg} - Depreciation\ (tangible\ assets)]$$

Where:

- For Intangible Assets the formula is the same
- For Financial Assets the formula is the same (except for Depreciation nor Amortization)

Finally, cash flow from financing activities is obtained from changes in financing sources:

Equation 2.10

$$Cash\ Flow\ From\ Financing\ Activities = increase\ short\ term\ debt + increase\ long\ term\ debt + issue\ of\ new\ shares - decrease\ in\ short\ term\ debt - decrease\ in\ long\ term\ debt - dividend\ payment - repurchase\ of\ shares$$

These reformulated views, which represent the indirect method of cash flow calculation, act as an analytical shortcut because they link changes in balance sheets accounts into potential impacts on cash and are useful ways to shed light on how each area of activity affects the company' cash balance. One of the key effects of the cash flow statement is on Free Cash Flow (FCF) analysis. It represents the cash generated by a company's operations after covering investments in long-term assets necessary to maintain and grow those operations. In other words, it is the residual cash available for all capital suppliers (both debt and equity holders) after operating and investing outflows have been paid. Importantly, FCF is computed before any financing decisions, so interest expenses and revenues are not factored in, leaving cash generated from operations and investments on their own.

Equation 2.11

$$Free\ Cash\ Flow = EBIT \times (1 - t_c) + Amortization - \Delta NWC - Cash\ Flow\ From\ Investing\ Activities$$

Where:

$-\ NOPAT\ (Net\ Operating\ Profit\ After\ Taxes) = EBIT \times (1 - t_c)$

$-\ t_c$ denotes the corporate tax rate used by the company to calculate the amount of taxes owed.

A positive FCF means that the company's core business is producing more cash than is required to replay or grow its asset base; a positive FCF is a sign of potential self-sufficiency. Conversely, when a negative FCF is observed, it indicates that operating cash is not enough to finance investment activities, and then the difference must be financed by external funding (debt or equity inflows)[49].
In football finance, a high number of clubs spending heavily on player acquisitions have negative free cash flow and must rely on capital contributions from owners and lenders. Thus, FCF is a significant measure for determining a club's ability to survive and expand on the base of the cash generated within the club. A stable habit of positive FCF would imply healthy liquidity and room to invest; whereas consistently negative FCF would imply high financial instability, as the club is financing its ambition with external funding.

2.4 Financial Performance Metrics linked to Financial Sustainability Pillars

UEFA's "Financial Sustainability Regulations" is based on three pillars: solvency, stability and cost control, each with its own key metrics. In chapter 3, the official UEFA indicators for each pillar (respectively, no overdue payables, break-even requirement on football earnings and squad cost ratio) will be deeply analyzed. Here, is intended to elaborate on other financial and performance metrics referenced in literature and applied in practice for stability and cost control pillar. While the UEFA-defined metrics are noted, the focus here is on broader financial ratios and indicators that researchers and analysts use to assess club's operational and financial performance.

2.4.1 Stability Metrics – DuPont Analysis

The stability pillar is concerned with a club's potential to be sustainable over the long term, depending on its own income without ongoing losses. The FSR is monitored by UEFA through the football

[49] Paolone, F. (2023). Lecture on financial reporting and performance measurement: Preparation and reformulation of Financial Statement - cash flow statement. *Unpublished lecture notes.* Luiss University, Master's in Management.

earnings rule, under which an aggregate loss is permitted (by up to €60 million over a three-year period if covered by equity), with a presumption in favor of break-even[50].

The break-even metric in the form regulated is not the sole financial indicator of a club's performance and stability. One of the strongest frameworks to analyze a club's profit and sustainability is the DuPont Analysis, an integrated framework that allows decomposing firm's financial statements and examining its financial health. The firm return is decomposed into three parts: operating efficiency, which is measured by net profit margin, asset use efficiency, which is measured by asset turnover ratio, and financial leverage, which is measured by equity multiplier[51].

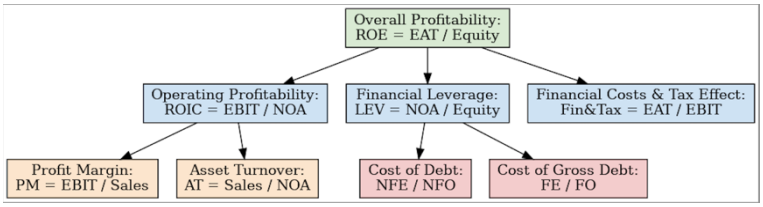

Figure 2.4 – Example of DuPont Analysis (source: Paolone, 2023 unpublished lecture notes

The profit margin and asset turnover define the return on invested capital (ROIC). The profit margin indicates the portion of revenues that can be kept after operating costs and is often modeled by the ratio of EBIT to sales. It is therefore largely dependent on sales and operating expenses. In turn, the asset turnover ratio describes the effectiveness with which a firm turn its assets into sales, and this metric is computed as sales per Net Operating Asset (NOA). This measure can be substantially impacted by changes in NOA components (i.e. changes in working capital and long-term operating assets). In other words, the idea is that there can be a leverage effect with respect to a firm turnover (and therefore of ROIC as well) by keeping operating assets artificially low and raising sales.

The other major determinant is financial leverage, defined as the ratio of net operating assets (NOA) to equity. It shows the degree to which a company is leveraged and therefore financing with debt as opposed to equity. A ratio close to 1 indicates that the company is financed mainly by equity; larger values indicating more leverage. Higher leverage can boost ROE during good times (i.e., when the return on operations exceeds the cost of financing), but can place the company into a state of financial peril should the cost of debt be greater than returns. We can calculate the cost of debt (COD), by using the Net Financial Expenses over total net financial debt (NFO). If interest revenue is higher than interest expenses, the gross debt ratio can be applied (financial expenses/ financial debt). If the

[50] UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024), Art. 80.04, p. 50
[51] Investopedia. *DuPont analysis* https://www.investopedia.com/terms/d/dupontanalysis.asp

spread between ROIC and COD is positive, financial debt is profitable, making it rational for the firm to continue using borrowed capital to expand its operating activities.

Lastly, taxes and financial costs are considered in the DuPont framework through the ratio of EAT to EBIT. An index near 1 indicates low tax and interest distortion, signaling cost-effective management and good fiscal discipline. This element is commonly quantified using the tax effect ratio, which shows the extent to which taxation impinges on profitability:

Equation 2.12

$$Tax\ Effect\ Ratio = {}^{EAT}/_{EBT}$$

The DuPont model is a synthetic formula which combines these drivers as follows:

Equation 2.13

$$ROE = \left[ROIC + \left(ROIC - \frac{NFE}{NFO}\right) \times \frac{NFO}{Equity}\right] \times (1 - t)$$

Each term in this expression describes the interaction between operating performance, leverage and taxation, and together they add up to the overall return on equity.

Applied to the football industry, the DuPont analysis indicates that the headline ROE figures, sometimes boosted by exceptional profits on player transfer sales, or by owner-supported transactions, typically disguise low quality of profits and low efficiency across the sector, as will be further evidenced in the case study[52].

2.4.2 Cost Control Metrics - Expense Ratios

The cost control pillar is intended to ensure that club spending, especially wages and transfers, is kept in line with revenue, addressing a key historical driver of financial distress. UEFA's new squad cost rule means that clubs' squad-related costs can be no more than 70 per cent. This rule prevents the wage overhang and promotes responsible budgeting[53]. Very similar to the squad cost ratio regulated by UEFA, the wages-to-revenue ratio is another common measure used but not formally regulated. It is explained in detail below:

I) Wages to Revenue Ratio (Payroll to Revenue Ratio):

[52]UEFA. (2024). The European Club Footballing Landscape: *Club Licensing Benchmarking Report*. UEFA

[53] UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024), Art. 80.05 p. 50

Equation 2.14

$$Total\ Staff\ Costs\ (Total\ Payroll\ Expenses) / Total\ Revenue$$

Where:

$$Total\ Payroll\ Expenses = Wages\ and\ Salaries + Performance\ Bonuses + Employer's\ Taxes\ and\ Contributions$$

This ratio calculates the share of a club's income that goes toward players'(and staff) salaries. It's considered one of the major financial KPI's in football because player salaries are considered as a team's largest cost. A low wages-to-revenue ratio signals cost discipline, while a high ratio (especially over a threshold of 70-80%) is a warning sign of financial stress. Since the wage-to-revenue ratio provides a powerful explanation of club finances, this ratio is widely employed in the analyses of club efficiency and remains a centerpiece in discussing the financial sustainability in football. In essence, this ratio has a direct relationship with Pillar 3 as it tells if a club is inscribing to live within their means on operational level[54].

[54] Perechuda, I. (2019). Salaries to Revenue Ratio Efficiency in Football Clubs in Europe. In: Bilgin, M., Danis, H., Demir, E., Can, U. (eds) *Eurasian Economic Perspectives. Eurasian Studies in Business and Economics*, vol 10/2. Springer, Cham.

3. UEFA Club Licensing and Financial Sustainability Regulations: Context and Regulatory Overview

3.1 UEFA Governance and Financial Regulation Evolution

The history of UEFA dates back to the aftermath of World War II, when European football associations sought to unite under a single umbrella, with greater influence and greater solidarity between member associations. UEFA was officially founded on June 15, 1954, in Basel, Switzerland, with 28 member associations. The first official statute was approved during the inaugural UEFA Congress, held in Vienna on March 2, 1955.

Between the end of the old millennium and the beginning of the new one, European football underwent significant transformations, evolving from a global social phenomenon into a multi-billion-dollar industry. In response, UEFA introduced structural changes both in governance and finance.

An important step in football governance was reached in the 2004/2005 season with the introduction of the UEFA Club Licensing System., designed to enhance the financial and operational management of clubs. The system required clubs to meet specific economic and financial standards by adopting appropriate financial planning tools while ensuring compliance with UEFA regulations.

To ensure the continuity of this initiative, in September 2009, the UEFA Executive Committee approved a Financial Fair Play (FFP) plan, which was officially introduced in 2011. The FFP framework consisted of a set of regulations aimed at ensuring the financial sustainability of European football clubs. Its main objectives were to reduce the rising debts of football clubs and to ensure that teams do not spend more than they generate, thereby maintaining financial balance and fair competition[55].

In 2022, UEFA Club Licensing and Financial Sustainability Regulations (FSR) substituted FFP with a more structured and flexible system for financial sustainability with a focus on cost control and solvency. This regulation was directly linked with the COVID-19 pandemic's influence on football in Europe. Overall, the pandemic caused more than €7 billion losses, primarily due to a sharp fall in

[55] UEFA. (2005). *2002-2007: Moving into the future*. https://www.uefa.com/news-media/news/01ab-0f84767888ba-b87c1415a6bb-1000--2000-2007-moving-into-the-future/

matchday revenue, broadcastings rights, and commercial revenue[56]. As the break-even rule (BER)[57] under FFP was no longer effective in dealing with serious economic issues that clubs were facing due to economic losses from the pandemic, UEFA switched to a more structured and transparent system.

3.2 Financial Fair Play between Regulation and Controversy

FSR was implemented to replace FFP, which had become increasingly ineffective, particularly in the wake of the financial turmoil caused by the COVID-19 pandemic. FFP Regulations was fully implemented in the 2013/2014 season with the aim to regulate the world of European football and enhance a more competitive environment. In order to be admitted to UEFA club competitions, such as Champions League, Europa League and Conference League, every club must fulfill a list of requirements regarding principles related to five different categories: financial, legal, sporting, infrastructures and personnel requirements. Over the years of FFP regulations, financial aspects have ended up dominating the whole system of regulation and were added additional financial requirements under the control of the UEFA Club Financial Control Body (CFCB)[58].

The reasons behind the introduction of financial rules in European football stemmed from the urgent need to curb excessive spending and financial instability. When announcing the new legislation in 2009, the UEFA president emphasized that 50% of clubs were operating at a loss, a trend that was continuously worsening. Many clubs had spent beyond their means, accumulated unsustainable debt, and failed to meet financial obligations. From 2007 to 2011, the financial situation had deteriorated significantly, with 63% of top-division UEFA clubs reporting operating losses and 38% having net equity, meaning their debts exceeds their assets. Given these alarming figures, FFP Regulations were introduced as a disciplinary framework to enforce financial responsibility in a sector where economic mismanagement had become widespread. The two principal goals of Financial Fair Play were the protection of the long-term financial stability of European football clubs and the restoration of the competitive balance between clubs and leagues.

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[56] Bellinazzo, M. (2022, February 4). *Report UEFA: 27 miliardi di premi ai club, il Covid impatta per 7 miliardi.* Il Sole 24 Ore https://marcobellinazzo.blog.ilsole24ore.com/2022/02/04/report-uefa-27-miliardi-premi-club-covid-impatta-7-miliardi/

[57] A club's financial balance was required to remain positive over a three-year period, with a maximum deviation of €30 million in total. In the event of a violation, sanctions were applied based on the severity of the infraction, ranging from financial penalties to exclusion from European competitions. Source: UEFA. (2018). *UEFA Club Licensing and Financial Fair Play Regulations* (Edition 2018)

[58] The organ for the Administration of Justice in charge of determining whether licensors (national associations or their affiliated league) and licensee applicants/licensees (clubs) have fulfilled the licensing criteria or the financial sustainability requirements, and to decide on cases relating to club eligibility for the UEFA club competitions Source: UEFA https://www.uefa.com/running-competitions/integrity/club-financial-control-body/

The basic rule of Financial Fair Play is the BER, which serves as the key distinction between the original FFP regulations, and the UEFA club licensing and Financial Sustainability Regulations introduced in 2022. This rule mandates that clubs must balance their revenues and expenditures at the end of the financial year. According to this rule, "relevant expenses" of each club are not allowed to exceed the club's "relevant income". UEFA's notion of "relevant income" does not include income from non-football operations. Funds obtained externally, i.e., either from equity participants or patrons, is not permitted to cover the cost of a club unless it is used for youth development programs or infrastructure. All such expenses are excluded from the notion of "relevant expenses" because they are considered to be "good" expenditures in comparison to excessive transfer fees[59]. The table shown below easily summarizes what is included and excluded in relevant income/expenses.

Relevant Income	**Relevant Expenses**
Gate Receipts	Cost of sales/materials
Sponsorship and Advertising	Salaries and Wages
TV rights	Other operating expenses
Commercial activities	Costs for temporary acquisitions
Other operating income	Amortization of multi-year rights to players' services
Capital gains and revenue from player transfers	Financial expenses and dividends
Financial Income	~~Expenditure on youth development activities~~
~~Non-monetary credits/income~~	~~Expenditure on community development activities~~
~~Income from non-football operations not related to the club~~	~~Expenditure on women's football activities~~
	~~Expenditure for investments in sport infrastructure~~
	~~Depreciation of tangible fixed assets~~

Table 3.1 - Relevant Income and Relevant Expenses for the break-even calculation (Source: personal processing)

BER is assessed by the UEFA for a three-year period according to the Article 59 "Notion of monitoring period". For instance, the observation period covered during the 2018/2019 licensee season covers the observation period ending in 2018 (reporting period T), 2017 (reporting period T-1) and 2016 (reporting period T-2)[60]. In general, BER is characterized by a moving average over a three-year period and must be met every year. Such regulation on the monitoring period ensures that

[59] UEFA. (2018). *UEFA Club Licensing and Financial Fair Play Regulations* (Edition 2018). UEFA, p. 38.
[60] UEFA. (2018). *UEFA Club Licensing and Financial Fair Play Regulations* (Edition 2018). UEFA, p. 39

there is a continuous limit but at the same time provides flexibility so that club management can make corrections over time while avoiding irregular dynamics. However, there are exceptions to the BER expressed in the Article 61 "notion of acceptable deviation". The acceptable deviation is the maximum aggregate break-even deficit possible that a club can have while still being compliant with BER. It corresponds to €5 million, but it can exceed this level up to €30 million if the deficit is guaranteed and entirely covered by contributions from equity participants or related parties[61].The deviation allows clubs that are mostly financed by private investors and donors to adjust their management policy so as to be aligned with BER regulations.

It is essential to create a common thread between the financial constraints previously analyzed and the original goals behind the introduction of the regulation. On the one hand, FFP significantly contributed to the economic recovery of many European clubs; on the other, it implicitly favored the concentration of wealth, instead of promoting its fair redistribution, thus leading to the generation of technical oligopolies. The attempt to restore competitive balance, both in national and international competitions, proved to be unsuccessful and pushed clubs to discover financial shortcuts to comply with the thresholds set by the regulation.

As for the beneficial effects of the FFP, its introduction improved the profitability of football clubs, securing a better balance between incomes and expenditures, rather than a reduction in expenses. From 2011, when the legislation was introduced, to 2018, European clubs went from accumulated losses of €1.7 billion to a profit of €600 million. The biggest achievement of FFP was its role in sublimating club expenditures towards more financially responsible management. This growth was driven by the fact that revenues grew faster than player wages, contributing to debt reduction and the creation of a stronger financial base[62]. However, it's fundamental to consider that the positive economic results obtained by the FFP were also influenced by external agents, such as the exponential increase in revenues from the sale of TV rights. By way of example, the combined domestic and international broadcasting rights income of the Premier League rose from £3.2 billion for the 2010-2013 cycle (during the FFP and BER implementation period) to £10.3 billion for the 2022-2025 cycle, with a continuously growing trend[63]. Definitively, the FFP blended with the rise in TV revenues led to an increase of the "relevant income" for the calculation of the BER, making the financial constraints less stringent for clubs with a higher capacity to generate commercial revenues.

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[61] UEFA. (2018). *UEFA Club Licensing and Financial Fair Play Regulations* (Edition 2018). UEFA, p. 40.
[62] Enrico Vaccaro (2019, June 10). *Il Fair Play Finanziario dalle origini alla riforma del 2018.*Calcio e Finanza https://www.calcioefinanza.it/2019/06/10/fair-play-finanziario-come-funziona/
[63] MOS Editorial Team**.** (2022, February 14). *Premier League TV rights revenue to exceed £10 billion*. Ministry of Sport https://ministryofsport.com/premier-league-tv-rights-revenue-to-exceed-10-billion/

To fully understand the reasons that led UEFA to revise the regulatory framework and approve the FSR, it's essential to look more closely at the indirect effects caused by the FFP.

Firstly, the FFP contributed to increase the competitive gap, allowing football superpowers to consolidate their supremacy while reducing the chances of competition for other clubs. This negative effect is closely related to the restrictions imposed by UEFA to comply with the BER, since the spending limits were set according to the relevant income generated by the companies, which differed substantially from club to club. Among the most significant factors, income from TV rights favored elite clubs, allowing them to continuously increase their revenues and facilitating a virtuous circle that worsened the gap with lower-ranked clubs.

Moreover, FFP did not allow owners with expansionist intentions to inject liquidity into clubs to cover losses. As a result, while already rich clubs enjoyed higher spending freedom, emerging clubs with lower revenues, even if they were financially robust and strategically ambitious, could not invest to lower the gap since they did not have a strong base of relevant income. This restraint was one of the causes of the widening gap between top clubs and mid-ranked teams.

Over the years that FFP was in force, many clubs modulated their conduct through the use of elusive practices and accounting artifices in order to comply with the limitations set by the BER. The following strategies, not always in direct violation of the rule, were usually used to circumvent its purpose and contributed to the progressive weakening of FFP. Below are the two main techniques used to elude the regulations:

- Player trading and capital gains manipulation[64]

The transfer market underwent deep changes following the introduction of the FFP, moving from an opportunity to strengthen squad value to a means of accounting management and financial compliance. To respect the BER, many clubs benefited from player trading, gaining an advantage from fictitious capital gains purely to adjust their financial statements. Transfers overall increased by 115% in clubs subject to the regulation (from €3.08 million to €6.63 million) and the increase in exchanges was even larger, at 141%[65]. Clubs under the UEFA regulation significantly increased capital gains from player sales compared to the period prior to FFP. The distorting effect was showed using inflated valuations in transfers, especially in player swaps between clubs. A comparison

[64] Positive difference between the price of a registered player (the residual cost, i.e., the purchase value minus the amortizations part, calculated as the purchase value divided by the number of years of the contract) and the transfer price.. Source: NT Plus Fisco. (2019, 11 maggio). *Bilanci, il nuovo diritto di riacquisto dei calciatori cerca la compatibilità con i principi OIC*. Il Sole 24 Ore – NT+ Fisco. https://ntplusfisco.ilsole24ore.com/art/bilanci-nuovo-diritto-riacquisto-calciatori-cerca-compatibilita-i-principi-oic-ABP4tCuB

[65] Bonacchi, M., Cianconi, F., Marra, A., & Shalev, R. (2021, December 1). *The consequences of accounting-based regulation: Real effects on European football players transfer market,* pp. 2–7

between the official registered transfer values in the swaps and the market values, according to the Trasnfermarkt[66]database, demonstrated an evident artificial inflation of player prices. The average premium paid compared to the market value of the players went from -4% in the pre-FFP period to +19.3% after the introduction of the regulation. In substance, clubs were reporting player sales in their financial statements at values increased by a fifth compared to the actual market value, with the sole objective of generating capital gains and return within the parameters of the BER. The misrepresentation appeared even clearer in the so-called "*suspect club-years*[67]*",* i.e. financial years in which clubs complied with the BER only thanks to the profit generated from player sales. Empirical evidence shows that the percentage of suspect *club-years* increased from 30% to 52% in the post-FFP period, while average capital gains per transfer increased by around €4 million and by €5,6 million capital gains per transaction[68].

An emblematic case of this dynamic is the player swap between Pjanic (Juventus) and Arthur (Barcelona), which took place in 2020 and was formalized by two separate transactions just before the financial year-end. In this case, Pjanic was sold for €60 million, despite having a residual book value of €16.3 million, producing a capital gain of €43.6 million. Likewise, Arthur was sold for €72 million, with a residual book value of €20 million, generating a capital gain of €52 million[69]. Both estimates were well over the real market value of the two players, proving how swaps allowed clubs to inflate prices and record higher profits to fulfill the BER under FFP. These swap deals took advantage of amortization and residual value as accounting levers artificially improve the club's financial performance, without any real improvement in the economic sustainability of the companies.

- Sponsorships

Sponsorships are included among the relevant income for the BER calculation and represent a fundamental component in the football business. They include shirt sponsorships, technical sponsors, commercial sponsor and, more generally, companies that take advantage of the exposure of football to reinforce their brand. A specific category of sponsorship is that of *related party transactions*. This type of sponsorship serves as powerful tool for clubs to adhere the limits imposed by the BER. In this

[66] A German based website that provides comprehensive information on football. The platform is renewed for its player market value estimates that are used as references in the football industry. Source: Transfermarkt https://www.transfermarkt.it

[67] Bonacchi, M., Cianconi, F., Marra, A., & Shalev, R. (2021, December 1). *The consequences of accounting-based regulation: Real effects on European football players transfer market* (pp. 2–7)

[68] *Ibidem*

[69] Juventus Football Club. *Official website* www.juventus.com

case, these contracts are usually overestimated to inflate relevant income, making it easier to offset relevant expenses and eluding FFP principles.

The case of Paris Saint Germain (PSG) is emblematic. After its acquisition by Qatar Sports Investments in 2011, the club carried out record signings, including Neymar for €220 million and Mbappé for €180 million, that conflicted with FFP standards. To justify these expenses, PSG declared inflated sponsorship revenues from Qatari companies, notably the Qatar Tourism Authority. UEFA commissioned an independent assessment that valued the agreement at less than €5 million per year, compared to the €100 million reported by PSG. Despite internal disputes within UEFA's control bodies, the case was closed in favor of the club, raising doubts about the credibility and consistency of FFP enforcement.[70].

The concerns regarding UEFA's governance were further amplified in the context of the economic crisis caused by COVID-19, which marked the end of FFP and the subsequent adoption to FSR in 2022. During the pandemic, top-tier European clubs suffered overall operational losses of around €7 billion, mainly stemming from the drastic reduction of stadium revenues (matchday-revenue) and TV rights. In 2019, before the crisis, matchday revenues for European clubs amounted to €3.3 billion, accounting for 14% of overall income. The Premier League alone earned €680 million from ticket sales and stadium-related activities. English clubs saw their average matchday revenue fall from £23.3 million to £10.3 million. At the same time, TV rights, though still significant, became less reliable, with delays in payments and rebates issued to broadcasters due to scheduling disruptions. Focusing again on the Premier League, the average total income per club decreased from £179.2 million to £165.6 million during the pandemic, while overall costs continued to rise. This imbalance led to a sharp increase in net losses, and the average EBT declined dramatically, from -£3.36 million to -£31.8 million.[71]

The crisis highlighted the inadequacy of FFP to adapt to external shocks and the consequent ability to meet a balanced budget as revenues decreased dramatically while operating costs remained high. Andrea Traverso, UEFA's director of research and financial stability, confirmed that the pandemic had provoked a liquidity crisis, affecting club's ability to meet their financial obligations. He recognized that the existing Break-even requirements, which evaluates financial performance based on past accounts and specifically focusing on profit and loss over the previous three seasons, were no

[70] Tariq Panja. (2019, July 24). *Paris St.-Germain Used Creative Accounting. UEFA Took Its Word for It.* The New York Times https://www.nytimes.com/2019/07/24/sports/psg-uefa-ffp.html

[71] Alabi, M., & Urquhart, A. (2023). *Football finance and Covid-19. Sports Economics Review, 4* https://doi.org/10.1016/j.serev.2023.100021

longer effective in the context of the financial disruption caused by the COVID-19 crisis[72]. Traverso also argued that the new rules should focus more on the present and future sustainability of clubs, moving away from the retrospective BER method. He pointed out two areas two areas that would need tighter control under any revised system: wage spending and transfer activity. In his opinion, the regulation of excessive salary levels was fundamental to prevent the raise of structural debts. On the other hand, the increase in scrutiny of the transfer market could help to reduce overstated deals and manipulated profits.

3.3 Financial Sustainability Regulations: A New Regulatory Framework

On the 7th of April 2022 UEFA approved a new set of regulations to replace FFP. As of June 2022, FFP was no more effective with the new rules entitled "UEFA Club Licensing and Financial Sustainability Regulations". It marked the biggest change in the way UEFA attempt to combat excessive spending by club owners since FFP's introduction in 2010. The announcement was drafted by the cooperation with European Club Association (ECA)[73]. UEFA's president Alexander Ceferin announced the updated measures would help European football withstand any potential future shocks, while also encouraging rational spending and laying the foundations for a more sustainable future.
The FSR updated UEFA's club monitoring requirements, with which all clubs competing in UEFA club relevant competitions (i.e., the UEFA Champions League, the UEFA Europa League and the UEFA Conference League) must comply[74]. These requirements are centered around three main pillars: solvency, stability and cost control. Decisions related to an exemption to the requirements are taken by the CFCB. This section will provide a detailed analysis of the key rules associated with each of these pillars and the changes in respect of FFP.

3.3.1 Solvency Requirements (No Overdue Payables)

With the aim of endorse the preservation of creditors and to encourage greater solvency among clubs in the short-term, the FSR reinforced the pre-existing norms on overdue payables. Payables are considered relevant only if they concern amounts due to other clubs (such as transfer fees), employees (such as salaries, participation fees and bonuses), social security or tax authorities and UEFA, which

[72] MacInnes, P. (2021, March 25). *Football financial fair play rules to be ripped up after Covid crisis*. The Guardian https://www.theguardian.com/football/2021/mar/25/football-financial-fair-play-rules-to-be-ripped-up-after-covid-crisis
[73] An organization that is officially recognized by both UEFA and FIFA as the sole, independent body for football clubs at the European level with a membership base of over 700 professional clubs.
Source: ECA website https://www.ecaeurope.com
[74] UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024), Art. 80.01, p. 50.

has been added to the list of entities to whom clubs must ensure all overdue payables have been settled. By enforcing timely payments on these parties, UEFA aims to reduce the risk of bankruptcies, and the negative domino effects hat one club's default can have on other. FSR requires to settle overdue payables three times per license season (30 June, 30 September, 31 December), one more time compared to FFP. The new regulation also allows clubs an extra fifteen days to meet their obligation in respect of overdue payables. Hence, payables due by 30 June, 30 September and 31 December during each license season must be settled by 15 July, 15 October and 15 January respectively[75].

The solvency requirements are directed at all clubs, with no size or revenue exemptions. Furthermore, UEFA intended to impose heavier financial and sporting sanctions on clubs which fail to comply with the solvency requirements. On that note, the FSR includes a new article which states that UEFA will treat overdue payables that remain unpaid for more than 90 days as a severe violation, potentially leading to a club 'exclusion from future competitions[76]. The power to exclude club represents the ultimate sanction reflecting how critical solvency is deemed and it's not new since it was firstly debated in the FFP regulations. However, the FFP did not make reference in the context of overdue payables. In contrast, the FSR regulations assign the responsibility for sanctioning to the CFCB, which is empowered to act when clubs fail to respect payment deadlines. Nonetheless, this will constitute a true step forward only if the CFCB proves willing to take drastic decisions, such as banning clubs from competitions, when necessary. Such action would demonstrate a shift from the previous FFP, which has often been somewhat reluctant to ban clubs for overdue payables in the past.

3.3.2 Stability Requirements (Football Earnings Rule)

The stability pillar addresses clubs' medium – term financial balance, formerly known under the FFP as the break-even requirements and now reframed under the FSR as the "Football Earnings Rule". This rule applies to all clubs admitted in the relevant competitions except those clubs that have employee benefit expenses below than €5 million in each of the reporting periods ending in the two calendar years before the beginning of the UEFA club competitions[77]. The regulation encourages clubs to carry out with their own revenues and to incentivize responsible spending for the long-term well-being of the football industry. By limiting excessive deficits, the stability requirements aim to discourage imprudent financial practices (such as owners incurring substantial losses to gain

[75] UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024), Articles 80–83, pp. 50–54.
[76] UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024), Art. 97.02, p. 60.
[77] UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024), Art. 80.04, p. 50.

international standing and improve their ranking positions) and to improve transparency and credibility of club finances.

A club will comply with the FER if it has either an aggregate football earnings surplus or an aggregate football earnings deficit within the acceptable deviation. Football earnings are calculated as the difference between relevant income and relevant expenses (as defined under the FFP) of a club and are measured annually, within what the FSR defines as *Reporting Period*. The aggregate football earnings of a club, and therefore its compliance with FER, are measured over three successive reporting periods (T, T-1 and T-2) and collectively referred to as the *Monitoring Period*. Therefore, a club's aggregate football earnings represent the total sum of its annual football earnings across a monitoring period, which specifically includes the reporting period that ends in the same calendar year the relevant competition begins (which is referred to as Reporting Period T with the FSR)[78]. The rule allows clubs to add back to aggregate football earnings specific *relevant investments*, those spendings in dedicated activities that offer long-term benefits for football, such as:

- Youth development activities
- Women's football activities
- Community development activities
- Non-football operations related to the club net of the corresponding income
- Construction and/or substantial modification of tangible assets.
- Leasehold improvements

The cost of investments in sports facilities (tangible assets) must be expensed in full in the year in which they are actually incurred. In addition, the rule states that the investment must be made entirely with the football club's own and already available financial resources, avoiding burdening the teams balance sheets with debt instruments that cannot be repaid in the long term[79].

Importantly, the "*profit/loss on disposal and depreciation/impairment of tangible assets"* are not included in the calculation of football earnings[80]. It implies that any profit made on the sales of property, or from the disposal of activities (e.g. Chelsea's Women football club) are not included in the calculation.

In analyzing aggregate football earnings, a club is considered to have a surplus, and is therefore compliant with the FER, if its aggregate football earnings are positive. On the other hand, if a club's aggregate football earnings are negative, a deficit springs, and it must be assessed whether this deficit

[78] UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024), Articles 85-88, pp. 54-56

[79] UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024), Art. 90 p. 57

[80] UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024), Annex J.4, p.106

falls within the acceptable deviation. A football earnings surplus/deficit is generated when relevant income is greater/lower than relevant expenses. The acceptable deviation is the first main difference of the requirement compared to the FFP. Precisely, the acceptable deviation is the highest possible aggregate football earnings deficit which a club can contract and still be considered to have met the requirements of the Football Earnings Rule. For the FSR, the acceptable deviation is €5 million. However, the deficit may go beyond this threshold, up to a limit of €60 million and providing that the excess amount is fully offset by contributions (such as injections) made during reporting period T or by equity held at the conclusion of the same period[81]. In the matter in question, if a club anticipates losses beyond €5 million, shareholders need to cover the excess, up to the €60 million limit, by making voluntary contributions, such as capital increases or irrevocable donations. This rule aims to reduce the accumulation of excessive debt levels by the club; in addition, it transfers the financial responsibility directly to the owners. The club has the burden of providing that the contributions are real and unconditional.

With regards to this article, the FSR is less strict than the FFP, as the allowable deficit increases from EUR 30 million (FFP) to €60 million (FSR). Nevertheless, this apparent flexibility is counterbalanced by more stringent condition on how the excess can be covered. The FFP allowed clubs to cover their excess through contributions or equity injections at any point during the reporting period within the monitoring period. Instead, the FSR limits the possibility solely to the reporting period T, trying to foster better long-term financial health among clubs. In line with this stricter approach the FSR tackles one of the main critical issues of the FFP regarding revenue manipulation through related-party sponsorships. Under the new FSR, income from inflated related-party sponsorship can be revised and changed down to a fair market value by UEFA. This represent a direct reaction to past situation in which attempts were made to bypass the FFP through inflated sponsorship deals.

Moreover, the €60 million limit can be further increased by up to €10 million for each reporting period within the monitoring period (€30 million total) if the club respects the conditions mentioned below:

- It has not been subject to any sanctions related to non-compliance with the club monitoring rules
- It is not subject to a Settlement agreement[82] with the CFCB

[81] UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024), Art. 87 p. 55

[82] Formal arrangement between a football club and the CFCB when the club fails to respect the rules imposed by FSR. Under the arrangement, the club is monitored by the CFCB, during which a roadmap is developed to return to financial compliance. The club may be required to pay financial contributions to UEFA and could suffer sporting restrictions (limitation on player registration or squad sizes). If, at the end of the monitoring period, the club does not fall within the agreed parameters, it may be exposed to heavier sanctions (transfer bans, exclusion from UEFA competitions).

- Complies with the following financial conditions
  - i) Positive equity[83]: at the end of the reporting period, the club reports a positive equity
  - ii) Quick ratio[84]: at the end of the reporting period, the club reports a quick ratio equal to or above 1.
  - iii) Sustainable debt ratio[85]: at the end of the reporting period, the club's net debt[86], excluding the portion directly linked to the construction and/or substantial modification of a stadium and/or training facilities, must not exceed three times the average of its relevant earnings for the reporting period in question and the one immediately preceding it. Relevant earnings are calculated as seen for FFP.
  - iv) Going concern: the report provided by the auditor for the financial year must not raise any issues regarding the club's ability by continuing to operate. Specifically, it can't have any emphasis of matter, key audit matter or a qualified opinion[87].

The economic imbalance must be fully covered by capital contributions (share capital increases or shareholder loans) or absorbed by the club's equity within the same financial year in which the deviation occurs, and no longer at the end of the monitoring period, as was the case under the previous regulatory framework already discussed in this paper. In essence, well-managed clubs that are financially healthy and compliant get a higher margin, potentially up to €90 million aggregate loss. This concept, newly introduced by the FSR, was designed as a response to the financial challenges

Source: UEFA. (2025). *Procedural Rules governing the UEFA Club Financial Control Body – Article 15: Settlement Agreements*. UEFA.

[83] The difference between total assets and total liabilities, A positive equity indicates that assets exceed liabilities, resulting in a healthy financial position and the ability to meet financial obligations. Source: Investopedia https://www.investopedia.com/terms/e/equity.asp

[84] An indicator of a company's short-term liquidity position and measures a company's ability to meet its short-term obligations with its most liquid assets. The quick ratio formula is (current assets- inventories)/ current liabilities.
The higher the ratio (>1), the better a company's liquidity and financial health; the lower the ratio (<1), the more likely the company will meet short-term obligations Source: Investopedia https://www.investopedia.com/terms/q/quickratio.asp

[85] It indicates the proportion of a company's assets that are financed by debt Source: Investopedia https://www.investopedia.com/terms/d/debtratio.asp#:~:text=Generally%20speaking%2C%20a%20debt%2Dto,to%2Dequity%20ratios%20than%20others.

[86] The aggregate of the following components: i) bank overdrafts, bank and other loans, and payables to group companies or related parties, less cash and cash equivalents; ii) player transfer net balance (i.e. difference between receivables due on player sold and payables linked to player acquisitions); iii) payables (non-current) to social security and tax authorities. Source: UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024), p.14

[87] UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024), Art. 88 p. 56; Annex J.6 pp. 110-111

caused by the Covid-19 pandemic to not penalize clubs that are usually financially solid but experience an unexpected decline in football related income.

CFCB applies the same sanctions as those in the FFP for clubs that do not respect the restrictions imposed by the FER. Therefore, the CFCB can take any disciplinary measures listed in the Procedural Rules Governing the CFCB, ranging from minor penalties such as warnings to more severe sanctions like disqualification from competitions in progress and/or exclusion from future competitions[88].

UEFA introduced the FER with a gradual approach to give clubs an opportunity to adapt to the described changes. In particular, the break-even requirement remained in force for the 2022/2023 season. In the 2023/2024 and 2024/2025 seasons, the FSR came into force progressively, with an increased allowable deficit of €60 million, provided any excess over EUR 5 million was covered by shareholder contributions. From 2025/2026 season onwards, the FER will be in full effect. This phased implementation reflects UEFA's intention to follow a step-by-step transaction from the retrospective vision of the FFP to a more cutting-edge model of financial governance.

3.3.3 Cost Control (Squad Cost Rule)

The cost control requirements represent a new pillar introduced by the FSR, with no direct equivalent under the previous FFP regulations. Its primary objective is to promote stronger financial discipline by reducing excessive spending on player wages and transfer fees proportionally to a club's revenues. While the solvency and stability rules focus on debts and deficits, cost control focuses on the expenditure side, aiming to prevent unsustainable cost structures. During the FFP decade, it emerged that wages and transfer costs had reached excessive levels, and a new approach was required to incentivize responsible spending for the medium-long term. The new pillar is applied to all clubs which qualify for the group stages of the relevant competitions, except those that have employee benefit expenses in respect of all employees below €30 million in reporting period T and the reporting period immediately preceding it[89].

The most important aspect of the cost control requirement is the Squad cost Rule (SCR), which provides that the squad cost ratio of a club mustn't be higher than 70% per season[90]. In this way, a club's spending should be established to 70% of the money it earns from football activities. For

[88] The sporting sanctions referred to in Article 29 of the CFCB Procedural Regulations include: (i) warning;(ii) reprimand; (iii) fine; (iv) deduction of points; (v) withholding of revenues from a UEFA competition; (vi) prohibition on registering new players for UEFA competitions; (vii) restriction on the number of players a club may register for UEFA competitions; (viii) disqualification from ongoing and/or future UEFA competitions; (ix) withdrawal of a title or award. Source: UEFA. (2021). *Procedural rules governing the UEFA Club Financial Control Body (Edition 2021)*, Art. 29, p. 9

[89] UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024), Art. 80.05 p. 50

[90] UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024), Art. 94 p. 59

example, if the club's total earnings are €600 million, then its spending cap for the relevant expenses referred would be €420 million (i.e. 600m x 70%). The ratio aims to leave part of the revenue unspent, rather than paying it all out in player wages. This pillar is intended to fulfil the idea of the break-even requirement. On the one hand, BER limited the losses a club can sustain. On the other hand, the squad cost rule set a ceiling on the percentage of revenue that can be invested in wages and transfer fees. The expected benefits concern the improvement of the club's profitability and the reduction of inflationary pressures on players' salaries and players registration costs. However, since the squad cost ratio is a percentage ratio, it increases as the club's revenue increase. As a result, a club with higher revenue will be able to spend more than a club with lower revenues, even if both meet the 70% requirement.

The squad cost ratio formula is the ratio between:

i) Wages of players and head coaches
ii) Player amortization and impairment
iii) Termination payments for players and head coaches
iv) Payments made to agents/intermediaries/connected parties

Divided by the sum of:

v) Adjusted operating revenue[91]
vi) Net profit/loss on disposal of player sales and on other transfer income/expenses[92].

In other words, the numerator captures the main expenses related to player and squad acquisition or retention such as wages, transfer fees (amortized) and agent commissions, whether the denominator includes total football related revenues along with the net transfer profit. This structure discourages clubs from artificially inflating revenues through player sales, while recognizing that income can offset the costs of buying new players.

Before setting the squad cost ratio to 70% of the club's revenue (plus net transfer profits) on player-related costs, there two years of implementation. Respectively, in the 2023/2024 season the limit was set at 90%, while for the 2024/2025 season it was lowered to 80%, and then it will be fully implemented starting from the 2025/2026 season. As with the Football Earnings Rule, these transitory ratios allow clubs to gradually reduce wage costs and overall squad investments to meet the 70% limit. The threshold set by the UEFA has to be considered as a cap, not a target. A 70% ratio entails that the remaining part of the revenue (30%) can be allocated to operating costs, potential investments

[91] It considers total revenues from football activities minus certain one-off or unrelated items (income transactions above fair value, income from non-football operations nonrelated to the club, exceptional income) Source: UEFA
[92] UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024), Art. 93 p. 58; Annex K pp. 1113-116

and any residual profits. UEFA set the 70% cap based on industry benchmarks and consultancy reports, which have emphasized that clubs that exceed this limit have a higher risk of suffering financial distress.

This theoretical framework finds clear confirmation in empirical data. By analyzing the financial statements compiled by *Il Sole 24 Ore* as of June 2021 for Inter, Juventus, Lazio, Napoli and Roma it appears that all these teams exceeded 100% in the ratio between relevant expenses and relevant revenues. However, it must be considered that the items reported in the financial statements closed on 30 June 2021 were strongly influenced by the Covid-19 effect, especially in terms of lost revenue and deferred costs. Nonetheless, taking an average of the financial data from the statements closed as of June 30, 2020, the picture does not change tellingly: apart from Atalanta, recording a ratio of 53% in 2019 and 45% in 2020, all other clubs exceeded the 90% ratio. This demonstrate that none of the Italian league's top teams, except for Atalanta, would have been able to comply with the squad cost rule introduced by the FSR.

From an international perspective, the financial performance of elite teams is enough varied. Bayern Munich presented the best financial position in 2021, having recorded revenues of €643,9 million, of which only 65% was allocated to personnel costs (both registered and non-registered staff, €348,9 million) amortizations (€69,4 million), and agent fees (€30,3 million). This shows a ratio below the 70% threshold. Real Madrid slightly exceeded the 70% limit, excluding agent commissions. Quite the opposite, Manchester City in 2021 recorded revenue of £569, 8 million and incurred costs (including salaries, amortization and agent fees) of £ 535,4 million, resulting in a ratio of 94%. The most extreme cases concerned Chelsea and Paris Saint Germain, both of which exceeded the 100% ratio[93]. These findings raise concerns about the capacity of many clubs to comply with the SCR, making it essential to understand the consequences defined by UEFA in such cases.

Non-compliance with the rule entail financial disciplinary measures set by the CFCB based on the extent to which the clubs' ratio is in excess of the imposed limit and the number of breaches during the current and past three licensing seasons. The percentage of the fine increases based on how far above the limit the club is and the number of times the club has breached the threshold in the last four licensing seasons[94].

In addition to financial sanctions and in cases of significant breach (e.g. the squad cost ratio is more than 20% points above in a single reporting period), as defined by the new regulations, clubs may be

[93] Bellinazzo, M., & Giardina, B. (2022, April 11). *Fair Play finanziario 3.0. Per i club della Serie A arriva l'ora dei tagli*. Il Sole 24 Ore.
https://24plus.ilsole24ore.com/art/fair-play-finanziario-30-i-club-serie-arriva-l-ora-tagli-AEvHBIQB

[94] UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024), Annex L, pp.117-118

subject to disciplinary measures. Depending on the specific violation identified by the CFCB, these measures may range from warnings, reprimands, and fines for minor breaches, up to exclusion from UEFA competition in the most serious cases, resulting in significant damage for the clubs involved[95]. The SCR is something now for European football, so its effectiveness will be cautiously analyzed over time. By imposing a cap, UEFA aims to develop a more sustainable spending culture. At first glance, if all top-ranked clubs keep to 70%, this could lower the rate of growth in salaries and transfer fees, improving competitive balance in the long-run and smaller clubs might not be unable to compete if elite clubs are supervised. On the other hand, some challenges are evident. The 70% of an elite club revenue, such as Real Madrid, are much higher than 70% of a lower-ranked clubs. Thus, if the rule prevents on overspending relative to income, it does not reduce the income gap between clubs, which is strongly influenced by other factors like market size, TV rights, commercial revenue, matchday revenue etc. Furthermore, clubs with wealthy owners might still find indirect ways to push their spending power, such as by increasing revenues through related-party transactions.

Another challenge lies in the fact that the wealthiest clubs may decide not to comply with the ratio in the pursuit of titles or higher league positions, considering potential fines as just as an additional cost of doing business. It is therefore essential to ensure the effectiveness of the squad cost ratio by the weighting and the actual enforcing of penalties imposed by the CFCB. All in all, while an effectively applied cost cap could be a cornerstone for the financial sustainability, the existence of creative compliance remains widespread phenomenon.

Figure 3.1 provides a summary of the main features of both the FFP and the FSR, introducing their respective monitoring periods, acceptable deviations and transitional cost-control limits.

UEFA Financial Sustainability Regulations

Financial Stability											Squad Cost Control	
Monitoring Period	Years Included					Acceptable Loss (€m)					Monitoring Period	Defined Limit
	No	Monitoring Period				Deficit	Equity	Total	Additional	Maximum		
Previous Regulations												
2018/19	3	2015/16	2016/17	2017/18		5	25	**30**	0	**30**		
2019/20	3	2016/17	2017/18	2018/19		5	25	**30**	0	**30**		
2020/21	2	2017/18	2018/19	-		5	25	**30**	0	**30**		
2021/22	3	2017/18	2018/19	2019/20 Average	2020/21	5	25	**30**	0	**30**		
2022/23	3	2018/19	2019/20 Average	2020/21	2021/22	5	25	**30**	0	**30**		
New Regulations												
2023/24	1			2022/23		-	-	**-**	-	**-**	2023	**90%**
2024/25	2		2022/23	2023/24		5	55	**60**	20	**80**	2024	**80%**
2025/26	3	2022/23	2023/24	2024/25		5	55	**60**	30	**90**	2025	**70%**

Figure 3.1 – Football Earnings and Squad Cost Rule and FFP and FSR (Source: The Swiss Ramble)

[95] *Ibidem*

3.4 Future Scenarios and Critical Perspectives on the FSR

3.4.1 Positive effects

The introduction of the FSR has made a significant step forward possible towards the financial sustainability of European professional football clubs. A first area of progress lies in addressing accounting make-up operations, manipulative practices formally compliant with FFP rules but used to cover operating losses. In terms of accounting standards, the turning point is attributable to the mandatory adoption of IAS/IFRS[96] (or equivalent national standards) for the implementation of club financial statements, in order to ensure uniform reporting. The *UEFA Club Licensing Manual*[97] specifies that if financial statements prepared under national accounting standards GAAP do not meet all the accounting requirements set by the UEFA, the club is obliged to submit restated financial statements that are compliant with the IFSR, and the specific provision mentioned in *Annex G*[98] of the FSR. Specifically, with regard to the player exchange transactions between clubs, the UEFA Club Licensing Manual requires the use of IAS 38.45-47. This principle represents a significant achievement, as it potentially prevents clubs from producing artificial profits by assessing arbitrary valuation to incoming/outcoming players, undermining financial stability.

Moreover, the FSR also has the merit of extending the concept of fair value to capital gains deriving from transfer market transactions, mainly to curb the abuse of player trading capital gains. The FSR introduced procedures for independent fair value assessments of transactions, monitored by the CFCB. In practice, if it raise doubts about the value of a player exchange transaction between two clubs, it may require the club to adjust the proceeds from the disposal of the player's registration

[96] International Accounting Standards/ International Financial Reporting Standards: a set of accounting standards aimed at standardizing financial reporting globally, facilitating comparability of financial statements across international boundaries. Source: Investopedia https://www.investopedia.com/terms/i/ifrs.asp

[97] Is the official document incorporated within the UEFA Club Licensing and Financial Sustainability Regulations. It outlines the minimum criteria that a club must meet to get the license to take part in UEFA club competitions. These criteria are divided into six categories: sporting, social and environmental sustainability, infrastructure, personnel and administration, legal and financial matters. Source: UEFA.

[98] It contains the key account requirements for the validation of clubs' financial statements. It includes six main points: (i) accounting standards: clubs must prepare financial statements in accordance with national GAAP, IFRS, ensuring fair presentation, consistency and accrual basis for accounting; (ii) consolidation/combination requirements: financial information from all entities must be either consolidated or combined as if they were a single company; (iii) permanent player transfers: costs related to acquiring a player's registration must be recognized as intangible assets and amortized over the contract period(for a maximum of five years). Impairments must be recognized if the player's value decreases; (iv) temporary player transfers: loan fees collected or paid must be recognized over the loan period. Specific treatments apply depending on the presence of purchase options/obligations; (v) specific expense items: agent fees, bonuses, and termination benefits must be recognized as employee benefits and recognized appropriately in the financial statements; (vi): specific revenue items: revenue from season tickets , broadcasting rights/prize money, sponsorship and donations must be recognized based on the period they relate to and the fulfillment of any associated conditions. Source: UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations*, Annex G pp. 82-90

(using the initial cost minus the amortization already recorded), by considering the proceeds as the lower of the actual transaction revenue from the disposal and the net book value relating to the registration costs of the player in the club's financial statements. This means that profits generated from player transfers at inflated prices are no longer effective. This mechanism, which did not exist under the FFP, represents an important step forward in facing artificial capital gains, as it prevents clubs from recognizing accounting profits that are devoid of economic substance[99].

3.4.2 Subjective Valuation and Capital Gains - Potential Solutions

Despite these remarkable advances, structural weaknesses still persist under the FSR, and they are indirectly related to capital gains. The legislative reorganization introduced by the new framework missed the opportunity to establish a common, objective valuation method for players' registration rights; practically, the way players are valued as an asset on the balance sheet. To date, there is no universally accepted parameter for estimating the fair value of a player in a club's accounts. Under IAS/IFRS, player contracts are recorded as intangible assets at historical cost and amortized over time, leaving a significant gap between book value and real market values. This gap creates scope for large one-off capital gains on the sale of a player and leaves spaces for overpriced valuations, especially on swap deals. This enables clubs to boost their immediate accounts and push these costs into the future, whilst raising doubts about the credibility of reported figures. By choosing not to address this issue, the FSR has effectively left professional football clubs with the ability to determine a player's sporting value at their own discretion; an assessment which, in the absence of codified rules, lends itself to a high degree of subjectivity and potential arbitrariness.

This theoretical mechanism finds confirmation in empirical observations from the Italian professional leagues. Aggregate data from Italian clubs' financial statements further illustrate how widespread and relevant these practices became. Aggregate data from Italian clubs' financial statements further illustrate how widespread and relevant these practices became. In a sample of 48 Serie A and B clubs, the balance sheet weight of "other intangible assets", primarily player rights, rose from 31% of total assets in 2016 to 41% in 2020 while amortization climbed from 20% to 32% of revenues. Clubs very rarely impaired these assets, suggesting a convenience in maintaining those inflated values on the balance sheet. From a financial reporting perspective, this pattern damages the true and fair view of accounts: potentially overstated assets and earnings expose the system to risks of financial instability and loss of credibility.

[99] UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations,* Annex J.9, pp. 111-112

Among the potential regulatory solutions proposed to tackle the issue of overstated capital gains, a stricter application of the impairment test, under IAS 36, stands out as a corrective measure. This accounting tool can help restrict the persistence of inflated values in financial statements by aligning book values with recoverable amounts when objective indicators of impairment reveal. However, the impairment test alone does not provide an all-embracing solution, as it is subjective and reactive, intervening only after the loss in value has already occurred. Moreover, the resistance of clubs to record impairment, due to the negative effects on the income statement, further limits its effectiveness.

Given the inherent limitations of the impairment test, it's almost proven that internal accounting mechanism alone are not sufficient to address the problem of establishing an objective valuation for players' registration rights and, consequently, for detecting potentially suspicious capital gains. A notable proposal developed by the Italian Federal Court of Appeal in 2022, following the Juventus case, was a two-pronged trigger mechanism aimed at presumptively identifying suspect transfers:

I) The transfer price significantly exceeds the average market value derived from qualified databases or independent expert valuations

II) The transfer price-to-salary ratio is excessively high, suggesting a disproportion between the player's valuation and his actual remuneration

Only if both conditions are breached the transaction would be presumed artificially inflated[100]. Although this mechanism has not yet been formally codified by either the FIGC or UEFA as an official regulation, it represents a potential remedy to the current lack of control over the discretionary valuation of player registrations. It also offers a retrospective approach to identifying inflated transfers through objective criteria.

[100] Italian Football Federation – Federal Court of Appeal. (2022). *Decision No. 0089/CFA – Appeal by Juventus F.C. S.p.A.*Sezioni Unite. FIGC.

4. Financial Analysis & Financial Valuation of Chelsea FC – A Case Study Approach

4.1 Introduction

The decision to select Chelsea FC as the central case study of this thesis is related to its high exposure to the UEFA FSR, namely having breached two out of three pillars: the Football Earnings Rule and the Squad Cost Rule. These breaches have been officially acknowledged by UEFA and punished, resulting in financial sanctions for non-compliance. Thus, Chelsea emerges as a particularly pertinent example to study the enforcement of FSR and its financial implications.

The analysis will look at Chelsea's account from FY2022/2023 to FY2023/2024 by reclassifying its financial statements to determine whether the club met FSR thresholds. The 2022/2023 season was the first that brought the club under Boehly-Clearlake ownership and the years in which the UEFA FSR were gradually introduced. Managerial performance analysis is also analyzed, assessing short-term liquidity via NWC, the capitalization and depreciation of player registrations, and a decomposition of trading flows and profitability under the DuPont Model.

4.2 Ownership Framework and Financial Reorganization

Chelsea Football Club, founded in 1905, experienced a profound transformation following its acquisition by Russian billionaire Roman Abramovich in 2003 for approximately £140 million. Abramovich provided financial backing over nearly 20 years helping the club to achieve significant sporting success, winning more than £1.5 billion in shareholder loans and delivering five Premier League titles and two Champions League trophies. Yet, it all occurred with a financial model that was unsustainable structurally and deepened upon the owner to repeatedly introduce new capital to support continuing operating losses. The UK government sanctioned Abramovich in 2022 over his links with Russia in connection to the war in Ukraine, forcing the sale of the club. A consortium, led by Todd Boehly and Clearlake Capital, bought Chelsea for £4.25 billion (€5 billion), a deal that received the seal of approval from the British government on 25 May 2022. This figure included £2.5 billion for the club's shares and £1.75 billion for future investment in the infrastructure, squad, academy and women's team.

Over the course of the transaction, financial analysts and stakeholders raised insolvency questions over whether the valuation was economically justified. Chelsea had an enterprise value of € 2.2 billion in 2020 before the pandemic struck according to *Football Benchmark*. In addition, the club racked up

cumulative net losses of €471 million from 2010 to 2020, against £151 million of net profit cumulatively by other large English clubs, such as Manchester United, over the same period. However, Chelsea was always going to be desirable given its international brand status, relative on-field success, and the scarcity of clubs of its stature on the market. Also, market forces including government pressure to get the deal done, worked in Abramovich's favor. Perhaps not notably, he wrote off £1.6 billion in shareholder loans to allow for a change in ownership at the club. Likewise, the consortium was placed under several binding conditions by Goldman Sachs and Deutsche Bank, including a prohibition on selling any shares until 2032, not taking dividends, not loading more debt into the club and a £100 million investment into the women's team. This nomenclature signals a governance strategy to return the club to fiscal health and a model forward away from dependence upon its last owner and toward sustainability[101].

Under the new ownership, Chelsea changed its corporate structure. 22 HoldCO Limited, a Cayman Islands incorporated limited partnership, became the ultimate parent company. The club is controlled by a holding company based in English-registered entities under the BlueCo umbrella.

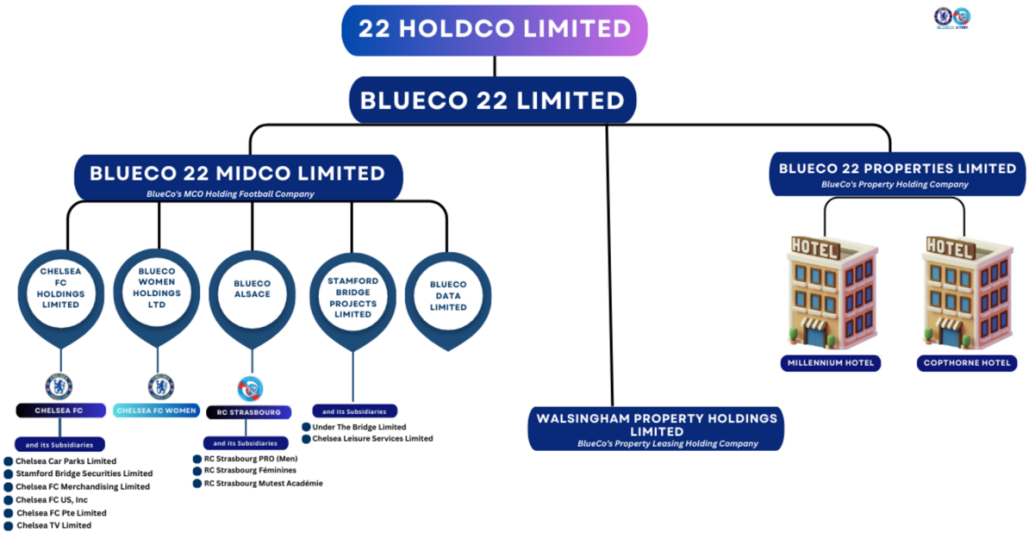

Figure 4.1 - Ownership Model of BlueCO (Source: BlueCOXtra)

In other words, Chelsea FC is a direct subsidiary of BlueCo 22 Midco Limited, which owns all of Chelsea FC Holdings Limited. Chelsea FC Holdings Limited, formerly Chelsea FC plc, is a sub-holding company through which the club owns all operating companies. BlueCo 22 Midco Limited include Chelsea Football Club Limited (the men's firs team) and its subsidiaries, Chelsea Football

[101] Bocconi Students Private Equity Club. (2022, June 22). *Private equity in the Premier League and the acquisition of Chelsea*. https://bspeclub.com/private-equity-in-the-premier-league-and-the-acquisition-of-chelsea/

Club Women (the women's team until), Stamford Bridge Projects Ltd and its subsidiaries. The group, outside of Chelsea, also owns BlueCO Alsace, the owner of RC Strasbourg (a first division football club in France) and its subsidiaries as well as BlueCo Data Limited, a data management service business. The ownership is fully controlled by the Boehly-Clearlake consortium and directors say that any future funding gap will be covered to ensure going concern conditions[102].

Two intra-group transactions were carried out under the new ownership: the sale of two hotels and a parking area from Chelsea FC to BlueCo 22 Properties Ltd for £76.3 million in FY 2022/2023, and the transfer of Chelsea FC Women Ltd to BlueCO 22 Midco Ltd for £200 million on June 28, 2024. In parallel, the new ownership launched its own bold transfer campaign which saw more than £1 billion spent in player signings from summer 2022 and January 2023[103].

In this instance, Chelsea docked a four-year agreement with CFCB covering rule breached for the 2023/2024 financial year. The overall amount of the sanction was €30 million, comprising €20 million for breaching the Football Earnings Rule and €11 million for exceeding the 80% threshold relating to the Squad Cost Ratio in the 2024 transitional period. It also includes up to €60 million in potential conditional payments if the targets set by the agreement are missed going forward.

The next set of issues relates to the reclassification of financial statements and very particular attention will be paid to the club's position in relation to the Football Earnings Rule and the Squad Cost Rule.

4.3 Regulatory Financial Analysis – FSR Perspective

[102] BlueCoXtra. (2024, March 18). *BlueCo's new structure: A masterstroke*. Substack https://bluecoxtra.substack.com/p/bluecos-new-structure-a-masterstroke

[103] Reuters. (2025, July 4). *Chelsea given huge fine for breach of financial rules.* Reuters. https://www.reuters.com/sports/soccer/chelsea-given-huge-fine-breach-financial-rules-2025-07-04/

4.3.1 Financial Outlook

REFORMULATED INCOME STATEMENT		
(£M)	2023/2024	2022/2023
Broadcasting	163,1	225,9
Commercial	225,3	210,1
Matchday	80,1	76,5
Turnover	***468,5***	***512,5***
Other Operating Income	0,7	30,6
Wages	-338	-404
Other Operating Expenses	-138,9	-139,4
EBITDA	***-7,7***	***-0,3***
Exceptional Items		
Player Amortization	-190,1	-203,3
Player Impairment		
Depreciation	-13,4	-12,7
Goodwill / Software Amortization	-1,8	-1,8
Operating Profit / Loss	***-213***	***-218***
Profit on Player Sales	152,5	62,9
Other Once-Off Transactions	198,4	76,5
EBIT	***137,9***	***-78,6***
Net Financial Expenses	-9,5	-11,5
EBT	***128,4***	***-90,1***
Taxation Credit	1,2	0,3
EAT	***129,6***	***-89,8***

Table 4.1 – Reformulated Income Statement (Chelsea FC Income Statement 2022/23-2023/24)

Chelsea FC Holdings Limited filed its consolidated financial statements for the 12 months ended 30 June 2024, showing a consolidated net profit after tax of £129.6 million. This is a major change from the consolidated losses of £89.7 million in 2023. Using an exchange rate of €1= £0.84638(28 June 2024), this profit is around €153.1 million[104].

FY 2023/24 benefited from the sale of the women's team, whereas FY 2022/2023 saw the sale of two hotels and a car park to mitigate losses. Without that sales, Chelsea's underlying football business would once again have been loss-making in 2023/2024. If the once-off transactions were excluded, Chelsea would have lost £70 million, which would be the third worst performance in the Premier League.

[104] Chelsea FC Holdings Limited. (2024). *Consolidated financial statements for the year ended 30 June 2024: Strategic report*, p. 1. Companies House.

In terms of revenue trends, total operating revenues fell from £512.5 million in 2022/23 to £468.5 million in 2023/24, a reduction of approximately 9%[105]. In the latest season under examination, the increase in matchday revenue was largely driven by strong attendance and additional events, despite the absence of European home matches and the limited capacity of the club's stadium, which holds just 40000 seats, over 20000 fewer seats than Arsenal, Tottenham, Manchester United, and Liverpool. This revenue stream returned to being one of the stable pillars of income in this post-pandemic. By way of context, Chelsea's matchday are now approaching those of Arsenal (£102,6m in 2022/23, but £131,7m next season with Champions League participation)[106].

Broadcasting income is made up primarily of the domestic and international Premier League broadcast distribution revenues, and UEFA payments for European competitions and those related to the clubs own broadcast activities. Without European participation for 2023/23, Chelsea's revenue through broadcasting relied almost entirely on Premier League sources. In the prior season, the club the club was paid £81 million from the Champions League. This revenue stream evaporated in 2023/24, but Chelsea's improved domestic finishing partially made up for it, raising the club's Premier League payout by £21 million to £159 million. As a result, total broadcasting income ranked 10th in the league, and below all teams that participated in European competitions[107].

Lastly, commercial revenue includes sponsorship, retail, merchandising, tours, events and player loan revenue. The data from the 2023/24 season represents a 7% increase compared to the previous year. This represented a good result, especially given the absence of European competition, and still marginally ahead of Arsenal, although is mostly driven by loaned players income. However, Chelsea's commercial revenue is considerably below Liverpool and Manchester clubs and has increased by just £40 million (22%) over the last six years[108]. One of the main commercial obstacles is to secure a main sponsor, which is worth £50-60 million a year for leading clubs. Chelsea had sponsor-less periods in the last years but did sign with Infinite Athlete for the 2023/24 season on a one-year contract worth £40 million.

New ownership aggressively trimmed operating costs in the meantime. The clubs wage bill (player and coaching salaries) dropped from £404m in 22/23 to £338m in 23/24, a 16% decrease largely

[105] *Ibidem*
[106] Deloitte. (2025). *Annual Review of Football Finance: Premier League clubs' revenue and wage costs – 2023/24.* Deloitte UK. https://www.deloitte.com/uk/en/services/consulting/research/annual-review-of-football-finance-premier-league-clubs.html
[107] *Ibidem*
[108] Matchday Finance. (2024, May 18). *Chelsea financial results 2023/24. Matchday Finance* https://www.matchdayfinance.com/post/chelsea-financial-results-2023-24

driven by the sale of high wage earners (Havertz, Koulibaly, Mendy, Pulisic, Kanté, etc.) and the absence of European competition bonuses.

Player amortization expense was reduced from £203.3 million to £190.1 million as player contracts were terminated or sold (removing their remaining book value)[109]. Amortization has still been very high in 23/24 but did come down a little given the full-year impact of the expensive signings from the previous season (many of which were acquired in January 2023, so they were only partly amortized in 22/23).

4.3.2 Football Earnings Rule

Building on the regulatory framework that has been detailed at length in Chapter 2, the Football Earnings Rule allows for a €60 million deviation margin over three years as well as fair value transactions oversight[110]. This €60 million limit can be raised by up to €10 million a year (up to a maximum of €30 million over three years) if the club complies with all four financial health criteria (positive equity, quick ratio, sustainable debt ratio and going concern) in the financial year[111]. Regardless of the currency in which the financial position of a club is presented, all amounts must be expressed in euro for the purposes of the break-even result calculation.

For 2024/2025, the assessment only covered the two seasons up to 2023/2024 (22/23-23/24) rather than three seasons, as it would be by the regulation.

Central to the rule (as outlined in Annex J.4) is the treatment of profits on asset disposals in the calculation of football earnings, to ensure that, through one-off extraordinary gains, clubs are unable to inflate results with extraordinary gains unrelated to core football operations. The CFCB also investigated the exchange of players (so called "swaps"). These practices, contributed to the concerns which saw the CFCB open proceedings against Chelsea in September 2024[112].

The *UEFA Club Finance and Investment Landscape Report 2024* features Chelsea alongside those European clubs with the largest pre-tax losses, amounting to -£104 million in 2023 and -£111 million in 2024[113]. This report lays out a much clearer picture of UEFA's own analysis of performance.

The analysis therefore connects Chelsea's official financial reporting with UEFA's CFCB adjusted assessment, showing how regulatory intervention has changed the club's Football Earnings.

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[109] *Ibidem*

[110] UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024), Art. 87 p. 55

[111] UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024), Art. 88 p. 56; Annex J.6 pp. 110-111

[112] UEFA Club Financial Control Body. (2025). *Chelsea FC – Summary of Settlement Agreement (4-year),* Background, p.1https://editorial.uefa.com/resources/029b-1e280acc9f0c-a8b2ed192749-1000/chelsea_summary_version_4-year_sa_20250704173903.pdf

[113] UEFA. (2024). *European Club Finance and Investment Landscape Report 2024*, pp.48-49. UEFA

UEFA Fair Market Value Adjustment			
(£M)	2022/2023	2023/2024	Total
Pre - Tax Loss (UEFA Report)	-104	-111	
Exchange Rate (€/£)	1,1499	1,1644	
UEFA Report	***-90***	***-95***	
Club Accounts (EBT)	-90	128	38
Adjustment: Sale of Chelsea Women		-198	-198
Adjusted EBT	***-90***	***-70***	***-160***
FMV Adjustment	***0***	***-25***	***-25***

Table 4.2 - UEFA Fair Market Value Adjustment, Chelsea FC (Source: personal processing)

The £25 million adjustment illustrates the immediate effect of UEFA's recalibration. The assumption is mainly attributable to player sales. However, the Football Earnings calculation provides a bigger picture of Chelsea's regulatory position as it includes the impact of allowable deductions and the exclusion of extraordinary gains.

Football Earnings Rule			
(£M)	2022/2023	2023/2024	Total
EBT	***-90***	***128***	***38***
UEFA FSR Adjustments			
Youth Development	18	22	40
Women's Football	6	10	16
Community Development	4	6	10
Depreciation (Tangible Assets)	13	13	26
Amortization (Software)	2	2	4
Other Allowable Costs			
(add back) Relevant Investments	***43***	***53***	***96***
Dividends			0
(*less*) Asset Sales	-77	-198	-275
FMV Adjustment		-25	-25
Break - Even Result	***-124***	***-42***	***-166***
Exchange Rate (Deloitte Money League)	1,15	1,16	
UEFA FSR Aggregate Football Earnings (€)	***-143***	***-49***	***-191***
Deficit			5
Equity Contribution			55
Additional Acceptable Deviation			
Aggregate Acceptable Deviation (€)			***60***
Excess (€)			***-131***

Table 4.3 - Football Earnings Rule
(Chelsea FC Income Statement 2022/23-2023/24 , Chelsea FC Balance Sheet 2022/23-2023/24, Deloitte, 2024. Football Money League 2023/24. Sport Business Group)

Several core adjustments influence the break-even result under of Chelsea under the Football Earnings Rule.

- *relevant investments for the long-term benefit of football*[114] (youth development, women's football, community development, depreciation of tangible assets and software amortization) were added back to the total pre-tax loss, comprising 2022/2023 (T-1) and 2023/2024 (T) seasons.
- In line with Annex J.4, sales of assets were removed as clubs are not allowed to benefit from extraordinary gains on disposal to related parties. This involved removing the £77m surplus booked in 2023/2023 for the sale of two hotels and a parking area, and the £198m surplus booked in 2023/2024 for the sale of Chelsea FC Women, resulting in a total adjustment of £275m.

Following these adjustments, Chelsea's two-year aggregate Football Earnings amounted to a loss of -€191million (-£166m). When compared to the upper limit maximum acceptable deviation, comprising €5 million regulatory allowance and up to €55 million equity contributions, the club has a - €131 million excess over the acceptable limit.

In addition, the club did not get the €30 million in potential allowances based on the club's "financial health. Chelsea was below the overall solidity threshold to be able to be granted an expansion of their loss limit above €60 million. Specifically, the conditions for benefitting from the additional €10 million acceptable deviation uplift for each reporting period is that the club reports:

I) Positive Equity

Condition 1	2022/2023	2023/2024
Equity (£)	351	796
Equity Ratio (%)	28%	43%

Table 4.4 - Equity and Equity Ratio, (Chelsea FC Balance Sheet 2022/23-2023/24)

This requirement is fulfilled by Chelsea in each of the two seasons under examination. The year on decline in 2022/2023 therefore follows the significant net loss incurred in that season, while the steep increase in 2023/2024 is driven by the sizeable £129,6 million profit after tax and a £315 million capital contribution accounted through share premium (this increased the share premium reserve from

[114] UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024), Annex J.5 pp.107-110

£1,484 to 1,799 billion). The translation reserve remained negative, but immaterial relative to the overall increase in net assets.

Share capital consists of 214,977 million ordinary shares of £0,01 each as of 30 June 2024 (214,975 on 30 June 2022 and 2023)[115]. They also ignored the equity extent that the improvement therefore was due solely to the retention of profits as well as equity injections elsewhere booked to share premium rather than a significant increase in the number of shares.

In terms of capital structure, the equity ratio (equity / total assets) rose sharply from 28% in 2022/2023 to 43% in 2023/2024, reflecting a greater degree of permanent financing of the asset base and reduced reliance on liabilities.

II) Quick Ratio

Condition 2		
Item (£000)	2022/2023	2023/2024
Scenario A - Including Accruals (UEFA calculation)		
Cash and Cash Equivalents	87.889	36.025
Accounts Receivable	254.581	291.069
Accounts Receivable from Group Entities	1.312	300.121
Other Accounts Receivable	20.305	23.213
Tax Assets	1.476	715
Total Current Assets	*365.563*	*651.143*
Inventories	*28*	*911*
Accounts Payable	272.125	334.259
Accounts Payable to Group entities and Other Related Parties	146.080	303.196
Accounts Payable to Social / Tax Authorities	40.587	37.322
Accruals and Deferred Income	159.109	149.730
Other Liabilities	4.486	4.977
Total Current Liabilities	*622.387*	*829.484*
Quick Ratio (A)	***0,59***	***0,78***
Scenario B - Excluding Accruals		
Total Current Assets	365.563	651.143
Inventories	28	911
Adjusted Current Liabilities	463.278	679.754
Quick Ratio (B)	***0,79***	***0,96***

Table 4.5 - Quick Ratio (Chelsea FC Balance Sheet 2022/23-2023/24)

[115] Chelsea FC Holdings Limited. (2024). *Consolidated financial statements for the year ended 30 June 2024: Notes to the Financial Statements*, p.45. Companies House

According to Scenario A, items have been reclassified within the parameters set out in Annex J.6.1 of the regulation, which specifies the scope of assets and liabilities that must be included for compliance purposes. By analyzing the table:

- on the asset "accounts receivable from group entities" are interest free and repayable on demand. Furthermore, "other accounts receivable" includes "prepayments and accrued income" too.
- on the liability side, "accounts payable to group entities" are interest free and repayable on demand. In addition, £43.3 (2023: £45.6) of the "accruals and deferred income" represents season ticket sales for the 2023/2024 season[116].

Some credit practicians also consider the quick ratio a "cash-payable only" ratio. For this reason, under Scenario B "accruals and deferred income" are excluded from the denominator because these are mostly non-cash liabilities that will eventually be released to revenue as services are performed (e.g. season ticket sales) rather than cash that is going to have to be paid out such as trade payables or taxes.

Within Scenario A, Chelsea did not pass Condition 2 for either 2022/23 (0.59) or 2023/24 (0.78). Under Scenario B, even after stripping non-cash accruals, the ratio climbs at best (0.96) in 2023/2024, which is very exposed to the smallest swings in receivables collection or payables timing. In both cases, the picture is similar: short-term liquidity is weak. Supported by very high trade payables (including group balances) and inadequate buffers of cash/receivables. Even excluded or netted such as accruals and deferred income which inflate the regulatory shortfall, the structural cash liquidity remains thin.

[116] Chelsea FC Holdings Limited. (2024). *Consolidated financial statements for the year ended 30 June 2024: Notes to the Financial Statements*, pp..44-45. Companies House

III) Sustainable Debt Ratio

Condition 3		
Item (£000)	2022/2023	2023/2024
Relevant Earnings		
Total Revenue	512.467	468.486
Total Net Result from Player Transfers	62.861	152.463
Other Operating Income	30.606	715
Total Operating Expenses		
Wages (players and other employees)	403.962	338.021
Other Operating Expenses	139.381	138.868
Depreciation and Impairment of Tangible Assets	12.712	13.445
Amortization and Impairment of Intangible Assets (excluding player registrations)	1.750	1.770
Aggregate Relevant Earnings	***48.129***	***129.560***
Net Debt Components (23 / 24)		
Bank Overdrafts		0
Accounts Payable to Group Entities		303.196
(less) Cash & Cash Equivalents		-36.025
*Net Player Transfers Balance *(90% of trade creditors/debtors)*		241.530
Accounts Payable to Social / Tax Authorities		0
Total Net Debt		***508.701***
Compliance Test		
Average Relevant Earnings (22/23 - 23/24)		88.845
Maximum Allowable Net Debt (3 x Average Relevant Earnings)		266.534
Actual Net Debt (23/24)		*508.701*
Sustainable Debt Ratio		***5,7***

Table 4.6 - Sustainable Debt Ratio
(Chelsea FC Income Statement 2022/23-2023/24 , Chelsea FC Balance Sheet 2022/23-2023/24)

Sustainable debt ratio compares net debt to the average of relevant earnings over the reporting period (2023/2024) and the previous one (2022/2023).

The net player transfers balance (i.e. the net of accounts payable/receivables from player transfers) is a key input in the calculation of net debt. Unlike most clubs, Chelsea do not separately show their transfer-related debts and receivables in annual accounts, which means external modelling is needed to make a robust estimate. The club itself attributed the sharp rise in creditors to *"amounts owed in*

relation to player trading"[117] . An associated analysis by *The Athletic* found very similar figures when measuring Chelsea against other "*big six*" clubs, confirming that transfer liabilities and receivables represented approximately 90% of trade debtors and trade creditors[118].

These ratios, when applied to Chelsea's June 2024 accounts, imply £528m in transfer payables and £261m in transfer receivables, meaning an overall transfer liability of £266m. Importantly, while the club is third in the league on a net basis, Chelsea remains by far the largest gross transfer payables in the Premier League, overcoming Tottenham (£337m), Manchester United (£331m), Arsenal (£268m) and Manchester City (£230m)[119].

With all these inputs into consideration, the analysis concludes that Chelsea has failed the UEFA Condition 3. At the end of the 2023/2024 reporting period, the actual club's net debt is £503,5m, which is approximately six times the maximum permissible net debt (£266,5m) computed as three times the average relevant earnings for the two relevant periods (22/23 and 23/24).

IV) Going Concern

The Condition 4 centres on the club's efforts to show a sustainable going concern position. The financial statements state that day-to-day working capital requirements are mainly satisfied through operational cash flows and intragroup funding from Blueco 22 Limited. The directors modelled cash flows under base and downside scenarios, confirming the need for further support from Blueco, particularly influenced by player transfer activity. Although reliance on group funding involves risk, the directors had no reason to doubt that support would be forthcoming, and the statements were prepared on a going concern basis.

KPMG LLP, the auditors, considered the directors' belief in the appropriateness of this basis and found no material uncertainty that could cast significant doubt over the group's ability to continue as a going concern.

Combining this with the four conditions of the €10 million acceptable deviation rule, Chelsea only meets two: Condition 1 (positive equity) and Condition 4 (going concern), while failing to comply with Condition 2 (quick ratio) and Condition 3 (sustainable debt ratio). As a result, Chelsea cannot benefit from the minimal annual increase on the allowable deviation.

Going back to the FER, the income statement lines from the monitoring period provide an indication on the extent to which Chelsea breached UEFA's requirements. Each season, operating costs (most

[117] Chelsea FC Holdings Limited. (2024). *Consolidated financial statements for the year ended 30 June 2024: Strategic report, p. 1*. Companies House.
[118] Lynagh, D. (2025, April 22). *Bookkeeper: Chelsea finances transfers. The New York Times / The Athletic.* https://www.nytimes.com/athletic/6131046/2025/04/22/bookkeeper-chelsea-finances-transfers/
[119] *Ibidem*

notably, wages and amortization of player signings), always exceeded recurrent revenues, leaving large operating losses that were only able to be absorbed by once-off or non-football income.

In 2022/2023, there was an increase in operating expenses leading wages to £404 million and player amortization to above £200 million, leaving EBITDA at nearly zero and resulting in an operating loss of £218 million, which was offset by a £76 million profit from selling non-core properties to related parties to even reduce that loss to £89,8 million. The club's EBITDA was negative in 2023/2024 (without the £198,7 million non-operating gain from the women's team sale, bottom line results would have shown a loss as well). Football Earnings, however, does not count that sale of a subsidiary between related parties. Thus, the underlying football earnings for the latest season revealed a sizeable loss, once that non-football item was stripped out.

Moreover, in 2023/2024, even after an aggressive clear-out of players resulting in £152,5 millions of transfer profit, amortization charges still left a net trading deficit of £38 million. These baseline net deficits from player trading have had a direct impact worsening the football earnings result and indicates that Chelsea's transfer strategy (buying players at high cost, amortizing the costs over long contracts) have yet to be fully offset by equivalent profits on sales. Without transfer profits and one-off sales, the EBITDA remained in the negative for both years which shows that the club could not underpin itself from its core operations.

The discrepancy between inflated cost bases and dependence on one-off profits they cannot sustain explains Chelsea's break-even loss, leading to a Settlement agreement with UEFA's CFCB for the year 2025. The CFCB confirmed that Chelsea was guilty of breaching the stability requirement, under articles 85-92 of the 2024 Club Licensing and Financial Sustainability Regulations. CFCB focused on transactions for sales of tangible or intangible assets, player exchanges and player loans between related parties and updated financial result from the club[120].

Chelsea agreed to accept a four-year period Settlement Agreement, which cover the four sporting seasons 2025/2026, 2026/2027, 2027/2028, and 2028/2029. The club is also bound to follow a stringent financial plan under this settlement:

- In the 2025/2026 season its Football Earnings deficit cannot be higher than the projected deficit submitted in the business plan.
- In the 2026/2027 season the Football Earnings deficit cannot be higher than €5 million (or €60 million if fully funded through equity).

[120] UEFA Club Financial Control Body. (2025). *Chelsea FC – Summary of Settlement Agreement (4-year)*, https://editorial.uefa.com/resources/029b-1e280acc9f0c-a8b2ed192749-1000/chelsea_summary_version_4-year_sa_20250704173903.pdf

- In the 2027/2028 season it must break even, with the combined Football Earnings deficit never surpassing €60 million.
- In the 2028/2029 Chelsea must comply with the stability requirements, showing an aggregate Football Earnings surplus, or an aggregate Football Earnings deficit within the acceptable deviation of the reporting period ending in 2026,2027 and 2028[121].

On the financial side, the sanction involves an €80 million fine of which €20 million is unconditional and a further €60 million is conditional depending on whether the club manages to meet the yearly objectives. Each target the club misses triggers a conditional fine up to €20 million, which is then applied proportional to the target deviation if the shortfall is below €20 million and doubled if Chelsea misreports or breaches the perimeter of the accounting rules[122].

In addition, the club has sporting restrictions. Chelsea cannot register new UEFA List A[123] players in 2025/2026 and 2026/2027 unless the transfer balance is positive, whereby money raised from player sales must offset the cost of any new signings. For these first two seasons, the restriction applies unconditionally, but it may be extended to the 2027/2028 and the 2028/2029 seasons if the club records a Football earnings deficit in the 2026 and 2027 reporting periods, respectively. The restriction is increased if the Club's excess over the settlement target is greater than €10 million but lower than €20 million, whereby only 50% of cost savings associated with outgoing players may offset incoming player costs[124].

4.3.3 Squad Cost Rule

Squad Cost Rule states that wages of players (male professionals) and head coaches, player amortization, termination payments, bonuses, image rights and agent commissions, net of transfer related results, must not exceed 70% of club revenues. In this context, relevant revenues are adjusted, resulting in operating income plus the net profit on player sales. These profits are required to be

[121] *Ibidem*
[122] *Ibidem*
[123] Official squad list submitted by clubs participating in UEFA relevant competitions. It includes up to 25 players, with at least eight locally trained players, four by the club and four within the same national association. Source: UEFA. (2024). *Regulations of the UEFA Champions League 2025/26 Season* (Article 31 – Player lists). https://documents.uefa.com/r/Regulations-of-the-UEFA-Champions-League-2025/26/Article-31-Player-lists-Online
[124] UEFA Club Financial Control Body. (2025). *Chelsea FC – Summary of Settlement Agreement (4-year), Sporting Disciplinary Measures*, p.4 https://editorial.uefa.com/resources/029b-1e280acc9f0c-a8b2ed192749-1000/chelsea_summary_version_4-year_sa_20250704173903.pdf

averaged over 24 or 36 months (prorated to 12 months), allowing clubs to select the most favorable average. This approach is intended to smooth volatility[125].

Profit on Player Sales			
Item (£M)	Period	2022/2023	2023/2024
Profit on Player Sales	T	63	127
Profit on Player Sales	T-1	123	63
Profit on Player Sales	T-2	28	123
Profit on Player Sales (average)	24 months	93	95
Profit on Player Sales (average)	36 months	71	104
Profit on Player Sales	***Highest***	***93***	***104***

Table 4.7 – Profit on Player Sales (Chelsea FC Income Statement 2022/23-2023/24),

The £127 million is in line with Football Earnings representation of Chelsea's reported £152m profit on player sales less £25m FMV adjustment applied per UEFA guidelines.

The cost ratio is gradually phased in: 90% in 2023/2024, 80% in 2024/2025, and 70% from 2025/2026 onwards[126].

Clubs rarely disclose disaggregated data on player wages in their financial statements. UEFA's *Club Finance and Investment Landscape Report 2022/2023* provided benchmark ratios of player wages as a percentage of total staff wages across the Premier League. In Celsea's case, this ratio was 81%, which is the number used for the calculation of Squad Cost Ratio[127].

Chelsea went through a line of three managers during the 2022/2023 season (Tuchel, Potter and Lampard). The cumulative total wages of head coaches reached £9,2 million (2,2% of the club's total wage bill). The following season, the head coach (Pochettino) was paid £24 million (7,1% of Chelsea's total wage bill).

Transfer fees are experienced through the amortization and impairment charges and are included in the cost control ratio. In England, agent fees are capitalized (and thus captured in this amortization cases).

[125] UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024), Art. 104.02 p. 62-63.

[126] UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024), Art. 93 p. 58; Annex K pp. 1113-116

[127] UEFA. (2023). *European Club Finance and Investment Landscape Report 2022/23*. UEFA Intelligence Centre. https://ecfil.uefa.com/2023?utm

Squad Cost Rule		
Item(£M)	2022/2023	2023/2024
Total Wages	404	338
Players Ratio (UEFA)	81%	81%
Head Coach Ratio	2%	7%
Players & Head Coach Ratio	83%	88%
Player & Head Coach Wages	336	298
Severance Payments & Onerous Contracts		
Player Amortization	203	190
Player Impairment	0	0
Agent Fees (capitalized in England)		
Total Squad Costs	***539***	***488***
Operating Revenue	512,47	468,49
Other Operating Income	31	1
Profit On Player Sales	93	104
Relevant Revenues	***636***	***573***
Squad Cost Ratio	***85%***	***85%***
UEFA Transitional Limit	90%	80%
Excess	***5%***	***-5%***

Table 4.8 - Squad Cost Rule (Chelsea FC Income Statement 2022/23-2023/24)

The 2023/2024 SCR breached UEFA limits. In the latest season, the ratio reached 85%, which puts the club well over the 80% transitional ceiling. The denominator received a positive boost from player sales and while operating revenues also hit record highs, the club still failed to get the ratio below the required threshold. This proved the cost side, especially the wage bill and the amortization of transfer fees on longer contracts, was still disproportionally high compared to revenues.

UEFA subsequently fined Chelsea with a €11 million fine[128]. Although the exact calculation used by UEFA is not revealed, there is a disciplinary framework in Annex L of the regulation that explains

[128] UEFA. (2025, July 4). *CFCB First Chamber finalizes the assessment of the financial sustainability requirements in the 2024/25 season*. https://it.uefa.com/news-media/news/029b-1e280e8c0d89-0a2f9801ea14-1000--cfcb-first-chamber-finalises-the-assessment-of-the-financial/

the sanctioning grid. This grid establishes proportional fines depending on the size of the Squad Cost Ratio excess and the number of breaches in the last four monitoring periods. In the case of a first-time breach, between 0 and 10 percentage point more than the threshold will trigger a sanction from 10% to 25% of the excess amount[129].

Beyond the SCR mandated by UEFA, it is beneficial to look at the wages-to-revenue ratio as a secondary indicator of financial sustainability. This metric gives a more holistic view as it compares staff-related expenses directly with the club's capacity to spend.

As an example, the following table presents the wages-to-revenue ratios for the six major English clubs big six enabling a side-by-side comparison of cost structures between these clubs and assessing their relative sustainability profiles.

Club (2023/ 2024)	Wages	Operating Revenue	Wages / Revenue Ratio (%)	Player Amortization	Wages + Player Amortization / Revenue (%)
Chelsea	*338*	*468*	***72%***	*192*	***113%***
Liverpool	386	614	63%	114	81%
Manchester City	413	716	58%	165	81%
Manchester United	365	662	55%	190	84%
Arsenal	328	617	53%	171	81%
Tottenham	222	528	42%	136	68%

(Values in £ million, except ratios)

Table 4.9 – Wages/Revenue Ratio and Staff Costs ad % of turnover (Source: personal processing based on Matchday Finance, 2024)

Chelsea reported wage/revenue ratio of 72%, which reflects the large financial squeeze in a rather outdated manner. Yet, with player amortization factored in, an adjusted metric closer to UEFA's monitoring logic, the ratio rises to 113%. This figure is significantly higher than big six. Manchester United registered 84%, while Tottenham recorded an incredibly lower ratio of only 68%. It shows how, when amortization is considered, Chelsea's structural imbalance can be amplified, and that sustaining high wages alongside significant transfer fee investment is increasingly a burden[130].

This difference highlights the sustainability or lacks otherwise of the club cost base. A high ratio tells that a club might be living beyond its means, with wages and transfer related obligations taking a

[129] UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024), Annex L.4 pp. 1117-118

[130] Matchday Finance. (2024, May 18). *Chelsea financial results 2023/24*. Matchday Finance https://www.matchdayfinance.com/post/chelsea-financial-results-2023-24

disproportionate chunk of revenues. In these cases, the natural correction is the player sale to cut costs. It embodies a high-risk managerial approach: building a competitive group by pouring cash into wages, banking on the on-field success to deliver enough revenue growth to cover the costs. However, if sporting performance does not meet the needs, the club must depend on player sales which threatens the stability of the squad as a key asset are sold each year.

Financial recalibration started earlier with the new arrivals in Chelsea having contracts heavy on incentives, while the club also adopted a policy of offloading surplus players. The wage bill remains high but will be reduced over the course of the ongoing squad restructuring. Hence, Chelsea finished fourth in the 2024/2025 season, qualifying for the next Champions League. This will bring a very positive contribution to revenues, which not only justifies the high wage costs but also allows to gradually rebalance the ratio under consideration.

The comparison between the two ratios shows one key thing: Chelsea's payroll alone seemed untenable on a revenue basis, but now also adjusting for amortization shows just out of balance Chelsea's book building strategy will be long-term. In this regard, the tailored measure serves as a stronger gauge of impending financial difficulties as it connects today's commitments (wages) with future liabilities (player amortization). The double interpretation of each ratio is thus extremely useful to determine if Chelsea's financial path is one of sustainability or still dependent on extraordinary corrective measures such as large-scale player sales.

4.4 Managerial Performance Analysis

The managerial balance sheet now offers a broader perspective. In this section, the boundaries are extended by assessing liquidity using net working capital, then analyzing player registrations as the central asset of football clubs, before investigating player trading flows that result in annual capital gains or losses. Aggregate, these dynamics converge into profitability indicators, which are summarized by the DuPont model.

CHELSEA FC HOLDINGS LIMITED (£000)	2022/2023	2023/2024
Inventories	28	911
Account Receivables	173.963	207.853
Other Debtors (Other Current Assets)	1.393	3.752
Prepaid Expenses	17.513	18.047
Corporation Tax Recoverable	1.476	715
Operating Assets Short Term	***194.373***	***231.278***
Account Payables	272.125	334.259
Other Taxation and Social Security	40.587	37.322
Other Creditors	4.486	4.977
Accrued Expenses	159.109	149.730
Operating Liabilities Short Term	***476.307***	***526.288***
NWC	***-281.934***	***-295.010***

Table 4.10 – Net Working Capital (Chelsea FC Balance Sheet 2022/23-2023/24)

Wanting to investigate the liquidity of the group, Chelsea's Net Working Capital remained strongly negative in both 2023 and 2024, slightly worsening from -£281.9m to -£295m (-4.7%). Operating assets had grown by 19% over the previous year driven by increases in trade receivables and relatively modest rises in inventories and prepayments; however, this had been outweighed by a 10% increase in operating liabilities. The deeper deficit was driven by a sharp increase in trade creditors (+23%) and persistently high accruals and deferred income, largely influenced by advance payments on broadcasting and season ticket sales.

The structurally negative NWC reflected the industry's financing model: upfront broadcasting and ticket cash inflows offset by deferred transfer liabilities.

For Chelsea, the marginal decline between the two seasons was indicative of greater dependence on trade creditors and deferred revenues to fund operations, a phenomenon mainly related to years of aggressive transfer strategies. Although the club's negative NWC was sizeable, given stable revenues and owner support, the magnitude of NWC indicated that the club was reliant on ongoing cash flows and supported from owners for covering short-term liabilities.

Beyond liquidity, player registrations emerge as football clubs' key intangible asset and provision of both short-term financing needs and long-term profitability. The subsequent chart combines growth in the player asset base (player registrations, i.e. stock values) with the net effect of the transfers recorded in the income statement (player trading, i.e. flow measure) presenting how squad investments directly affect both balance sheet and profitability.

CHELSEA FC HOLDINGS LIMITED (£000)	2022/2023	2023/2024
Player Registrations		
Opening Balance	302.868	704.854
Additions	745.172	552.701
Disposals	139.936	36.791
Player Amortization	203.250	190.056
Closing Balance	***704.854***	***1.030.708***
Player Trading		
Player Amortization	203.250	190.056
Impairments	0	0
Gain / Losses on Player Disposals	62.861	152.463
Net Effect	***-140.389***	***-37.593***

Table 4.11 - Player Registrations (Chelsea FC Income Statement 2022/23-2023/24)

The new ownership of Chelsea has taken the historic player trading model used under Roman Abramovich and ramped it up to levels unseen. From July 2022 to June 2024, the club secured 32 permanents for a total outlay of £1,297 billion while making £389,6 million from 21 disposals, a net outlay of £908,3 million, more than double that of Arsenal, the next highest spender during the same period. This staggering spends led Chelsea boasting the most expensive squad in Premier League history, with a book value slightly above than£ 1 billion; far higher than the other big six clubs. This had major accounting implications: additions were capitalized and then amortized, so the bigger asset base meant structurally high amortization charges in the P&L of the 2022/2023 and 2023/2024 season (respectively, £203,2 and £190,6 million). Investments in the second year were lower (£552,7 million compared to £745,2 million in the first), but this was more than offset by a closing balance above £1 billion, meaning that future amortization will continue to be hard on profits.

This financial dynamic was exacerbated by Chelsea's dependence on disposals for bookkeeping profits. The club reported £152,5 millions of profit on player sales for 2023/24, an increase from £62,9 million the year before. Such transactions were very lucrative given that many of these players were locally grown or had their values been amortized, so their net book values were near zero. The above gains were also non-recurring, because they relied on the club being able to sell talent at attractive prices, which introduced volatility. However, the realized capital gain can still could not cover amortization costs, leading to a net £37,6 million loss from player trading (£140,389 million in the first year). Also, in terms of FSR, UEFA calculated swap-deals or inflated valuations through fair value assessments, limiting scope for creative accounting that previously inflated capital gains.

The cumulative effect of this strategy is evident across key performance metrics, through the DuPont Analysis.

DuPont Analysis		
CHELSEA FC HOLDINGS LIMITED (%)	2022/2023	2023/2024
ROE	***-25,6%***	***16,3%***
ROIC	***-19,3%***	***18,1%***
Profit Margin	-42,6%	29,4%
Asset Turnover	125,6%	61,4%
Financial Leverage	**116,2%**	**95,9%**
Cost of Debt	20,2%	n/a
Cost of Gross Debt	11,2%	6,3%
ROIC - Cost of Gross Debt	-30,5%	11,7%
Financial Costs & Tax Effect	***114,2%***	***94%***
Tax Effect	99,7%	100,9%

Table 4.12 – DuPont Analysis, Chelsea FC (Chelsea FC Income Statement 2022/23-2023/24)

ROE was sharply negative in 2022/2023 (-25,6%), the first full season since Boehly purchased Chelsea, with substantial net losses destroying value for shareholders. In contrast, in 2023/2024 ROE turned positive (+16,3%) due to extraordinary disposals and intra-group transactions, not by football operations.

ROIC mirrored this dynamic: strongly negative in 2022/2023 (-19,3%), modestly positive in 2023/2024 (+18,1%) due to exceptional gains, while underlying football related operations remained loss-making. As a result, this recovery in ROE and ROIC was accounting-based, not real.

The improvement in 2023/2024 is almost completely artificial from the point of view of a shareholder. However, it bolstered equity through retained earnings which changed the capital structure. Equity funding rose relative to debt while other injections, often in the form of asset transfers, strengthened the balance sheet. The reduced financial leverage (debt-to-equity) featured a deliberate shift: the new ownership financed spending mainly with equity injections rather than debt, differentiating from Abramovich ‘s loan-based model. Profit margin was considerably negative in 2022/2023 (-42,6%) and only rebounded in 2023/2024 (+29,4%) thanks to exceptional income. With the ownership pouring nearly £600m into the squad over 2022/2023, contributing to a swollen wage bill and enormous charges from ultra-long contract, operating expenses far outpaced income. Even record revenue (£512m), failed to cover costs in 2022/2023 and the club’s efficiency again deteriorated; asset turnover dropped from 125.6% to 61,4% as huge spend on player contracts absorbed capital

while top-line impact was less than proportional. Capital was locked in long-term player contracts with limited revenue growth. It also meant Chelsea earned less revenue per pound spent in 2023/2024 than in the previous year. Long-term commitments (young players signed to long-term deals) and short-term underperformance (notably, the absence of European competition) kept this a frozen policy.

Focusing on financial leverage, the ownership transition reshaped it. There is a one-time deleveraging in 2022/2023 whereby Abramovich's £1,6bn shareholder loans were forgiven in exchange for equity. Still, very high net financial obligations, even with transfer payables. The losses were primarily funded through cash injections, which were largely unable to offset capital growth. In 2023/2024, the £129,6m profit boosted the equity (and asset sales increased indirect owner funding). As a result, equity grows more quickly than debt and the leverage ratio declines. Crucially, Chelsea avoided reliance on external bank loans, keeping debt levels low. This strategy limited interest costs, maintained moderate debt expenses despite elevated global rates. During the 2023/2024 fiscal year, ROIC outweigh borrowing costs, resulting in a favorable spread; in other words, financial obligations were lucrative as returns from capital investments outshined interest owed, allowing debt to sustain operational undertakings. Conversely, in 2022/2023, ROIC was damaging while debt expenses remained positive, signifying supplementary borrowing would merely have destroyed value. However, mitigated leverage reduced the risk.

The interaction of interest and taxation further shaped ROE outcomes. In 2022/2023, interest charges did not have an important effect, hence the EBT/EBIT ratio was close to 1. Since losses wiped out tax bills, the overall tax effect was 100% on the loss. As such, the decline in ROE was purely the result of operating performance, not financial or fiscal leakage. Extraordinary profits in 2023/2024 passed almost fully to net income due to negligible assets. The financial cost effect also remained positive, as interest costs remain negligible as a percentage of EBIT. Such profits reflected favorable financing decisions, owner equity instead of debt, and tax shields stemming from historical losses.

Chelsea's DuPont indicators for 2022/2023 and 2023/2024 showed an improvement in profitability but mainly due to accounting and not structural factors. The resurgence in ROE an ROIC in 2023/2024 reflected one-off income (primarily from divestments and owner-supported transactions), while core operations remained burdened by high wages and amortization costs. Margins turned positive but still captured a full cost base, and asset turnover fell as large investments outstripped income generation. Financials were also supported as an earlier assumption of equity injections and limited debt keep leverage and interest costs low while tax burdens were mitigated by net losses carried forward.

A panel-data study for 20 Premier League clubs over 2012-2022, revealed an average ROE of 9,2% and only 50% of clubs reported a positive ROE in a year, implying evidence for the existence of chronically low equity returns combined by high variance in the English club financial system. The regression analysis conducted in the paper suggested that liquidity and asset efficiency had a correlation with ROE, while financial leverage had a strong negative effect (correlation -0,64). The lack of systematic variation in equity returns related to sporting success (wins, UEFA participation) highlighted that the financial fundamentals drove the variation[131].

Chelsea fitted this profile closely. Its negative ROE in 2022/2023 is consistent with the overall league underperformance reflected by expanded cost base and continued operational shortfall. In 2023/2024, ROE (+16,3%) jumped ahead of the 9,2% of the industry norm. Yet, the increase went back to extraordinary positions, and not to an improvement in efficiency or structural profit. In line with the panel's findings, Chelsea's case demonstrated that, although owner-financed transactions and accounting adjustments allowed producing temporary equity outperformance, the fundaments (margin pressure, failing asset turnover, poor creditor position, and reliance on equity injections) remained weak. Therefore, the case of Chelsea shows that a spike of equity ROE was possible, the pattern could not be maintained and is unlikely to produce a stable impact.

4.5 Divergence between Premier League PSR and UEFA FSR

Shortcomings in the current financial regulatory system become particularly evident in the treatment of related-party transactions and intra-group dealings. The Premier League adopted the Associated Party Transactions (APT)[132] rules in 2021 and amended in March 2024. The underlying objectives of the APT are twofold: to promote the long-term financial sustainability of clubs by restricting their reliance on inflated commercial revenues derived from entities connected to the ownership, and to ensure fairness among clubs by preventing any one club from gaining an unfair advantage through arrangements that are not conducted at FMV[133]. These regulatory ambitious are particularly relevant in the context of multi-club ownership and intra-group dealings.

Since the acquisition by the BlueCo 22 consortium in May 2022, Chelsea has attracted significant scrutiny over transactions involving affiliated parties, some of which raised doubts about compliance

[131] Rompotis, G. G. (2024). The financial performance of the English football clubs. *International Journal of Finance Research*, 5(2), 181–203

[132] Associated Party Transactions: a regulatory framework specifically intended to supervise transactions involving related parties, especially sponsorship agreements or transfer between clubs and entities linked to their shareholders.
Source: Premier League (2025). *Summary of associated party transactions and fair market value rules.* Premier League Official Website https://www.premierleague.com/en/news/4144827

[133] *Ibidem*

with both domestic and UEFA financial regulations. In 2022/2023 the sale of the Millennium and Copthorne hotels to BlueCo 22 Properties Ltd was presented as a "*real estate portfolio restructure"*[134]. The financial outcome appeared more favorable when assesses against PSR[135] compliance purposes. Notably, the PL examined this sale under its APT fair market value and the hotels' fees were found to be within an acceptable margin to their estimated market values had they been sold to another buyer. Similarly, the club transferred Chelsea Women to BlueCo Midco Ltd. The deal generated a paper profit (£198,7m) that could largely offset PSR deficit. The negotiation raised critical issues regarding the valuation of CWL. During the 2023/2024 season, the club reported record revenues of £11.5 million but also record losses of £8.7 million[136]. Based on these figures, the transaction implies a revenue multiple of 17.4x (198.7 / 11.5), despite the team generated less than £500k in player trading profits compared to £338.6 million earned by the men's team during the same period, highlighting a staggering 700-fold difference[137].

The two transactions bring into sharp focus the regulatory incongruity between the PSR enforced by the PL and the UEFA's FSR. Under the PSR, APTs are not forbidden, provided they are run at fair market value. Therefore, the £198.7 million quote for the FC Chelsea women's club, although likely inflated when compared to the team's financial performance (with revenues of £11.5 million and losses of £8.4 million), was deemed acceptable under the PSR regulation. By contrast, the UEFA FSR has a stricter view. While the principle of fair value still applies, FSR prohibits clubs from counting revenue generated from selling tangible assets to sister companies when calculating a club's football earnings. The misalignment between UEFA's FSR and the Premier League's PSR has developed a condition where a club can be compliant domestically yet in breach of the Football Earnings Rule drawn by UEFA. To address this discrepancy, on 6 June 2024, the Premier League put forward a proposal to exclude the sale of tangible and other assets from PSR calculations. The proposal did not gain the necessary support.

Unlike the Premier League, the English Football League (EFL)[138] excludes both direct and indirect disposals, thus aligning more closely with UEFA principles. In detail, the regulation states that

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[134] Chelsea Football Club Limited. (2023). *Annual report and financial statements for the year ended 30 June 2023*. Companies House.

[135] Profit and Sustainability Rules: Premier League's financial regulations. They cap the total adjusted losses at £105 million over a rolling three-year period. Source: *Premier League. (2024). Premier League Handbook and Collateral 2024/25*, Section E, pp. 104–110.

[136] Chelsea Football Club Limited. (2024). *Annual report and financial statements for the year ended 30 June 2024*. Companies House

[137] Shepard, K. (2025, April 1). Chelsea Women team valuation: expert verdict. *The Times*. https://www.thetimes.com/sport/football/article/chelsea-women-team-valuation-expert-verdict-dgp0f276d

[138] English Football League: it includes all professional clubs below the English top tier of English football, including the EFL Championship (second division), EFL League One (third division), and EFL League Two (fourth division)

profits/loss on disposal of any tangible fixed assets are not permitted. Clubs have agreed that the sale of fixed assets should not be used to achieve compliance with financial regulations. This ensures that clubs cannot exploit accounting loopholes to artificially improve their regulatory position[139].Given its clarity and alignment with UEFA's regulatory principles, EFL's regulation represents well-structured approach to financial oversight. Therefore, this system could serve as a solid foundation for the introduction of equivalent rules within the Premier League. The EFL's clear-cut regulatory approach ensures that only genuinely linked to football activities are considered for financial compliance, thereby protecting both the sporting integrity and financial sustainability of the league. This naturally led to the crucial issue of why Premier League has not yet opted for similar safeguards. Chelsea's confidence in respecting its 2023/2024 PSR obligations was not based on uncertain player disposals in the June window, but rather on carefully arranged internal sales fully under control. Since the early days of Clearlake and Boehly ownership, Chelsea's aggressive financial strategy has unmasked the vulnerabilities of the PSR framework. The club was being permitted to ignore the regulation, operating in full view without any consequence. As proof of this, the failure to implement a system similar to EFL's model appears less related to regulatory complexity than to limited political will within the PL.

[139] English Football League. (2024). *EFL Handbook: Profitability and Sustainability Rules – Championship Clubs, 2024/25 Season*

5. RESEARCH METHOD AND RESULTS

5.1 Introduction

This study employs a complementary sequential research method, initially carrying out quantitative research followed by qualitative research, to give a holistic understanding of the research analysis. Hypothesis and theory testing through the collection and analysis of numerical data is the traditional domain of quantitative research. It entails demonstrating the correlation between independent and dependent variables, where the independent variable is known and can be measured, and is expected to have an impact on the dependent variable that has a strong theoretical justification. Consequently, the purpose of the quantitative research is to provide empirical evidence of causal relationships, following a deductive logic of having theory precede analysis. This type of research is "*an approach to empirical inquiry that collects, analyzes, and displays data in numerical rather than narrative form*"[140].

By contrast, the logic of qualitative research is inductive and interpretative. Rather than testing predefined hypotheses, it enables theories or conceptual ideas to arise directly from the data. These emphasize "*exploring phenomena from the interior and taking the perspectives and accounts of research participants as a starting point*"[141]. This is particularly advantageous if the aim is a discovery of new patterns, extrapolating on outlier dynamic, and rich contextualized insights.

Qualitative	Quantitative
Words	Numbers
Point of views of participants	Point of view of researcher
Researcher close	Researcher distant
Theory emergent	Theory testing
Unstructured data	Structured data
Contextual understanding	Generalization
Rich, deep data	Hard data
Tends to follow an inductive approach	Tends to follow a deductive approach

Figure 5.1 - Comparative of qualitative and quantitative research (Source: adapted from Hammersley, Bryman and Halfpenny)

In fact, whereas quantitative research seeks external generalization through formal data collection and statistical portrayal, qualitative study peruses contextual depth theories and idiosyncratic perspectives of participants on an issue. In practice, using mixed methods provides "*strengths that*

[140] Given, L. M. (2008). *The SAGE encyclopedia of qualitative research methods.* (Vols. 1-0). SAGE Publications
[141] Ritchie, J., Lewis, J., Nicholls, C.M. and Ormston, R., Eds. (2013) *Qualitative Research Practice: A Guide for Social Science Students and Researchers.* SAGE, Thousand Oaks, CA.

offset the weakness of both quantitative and qualitative data, enabling researchers to draw on multiple sources of evidence to construct a richer understanding"[142].

In this research, it was essential to take advantage of both the research methods, albeit with different interpretative keys. Initially, quantitative analysis supplied some numeric evidence in terms of respondents' opinions on the perceived effectiveness of UEFA's FSR, thus providing valuable insights. Qualitative analysis, on the other side, added and completed the study embracing a more in-depth approach regarding the two main pillars of the financial regulation under examination, while also looking for new solutions, especially regarding financial and accounting perspective.

5.2 Quantitative Analysis: Perceptions of UEFA's Financial Sustainability Regulation in European Football

The online questionnaire was created to understand how the respondents perceive UEFA's FSR and its two main pillars. It was intended not only to count awareness but also to determine attitudes on whether the regulation is fair, effective, and how it would impact the financial sustainability of European football. The questionnaire adopted a funnel design: initial items presented the context and objectives of the regulation and subsequent questions advanced toward evaluative assessment. This structure enables unfamiliar respondents to answer appropriately, while still enabling more informed respondents to engage with meaningful nuance.

The questionnaire was sent in English through email and social media. Focusing on age, UEFA Euro 2024 data showed that viewers were predominantly between the ages of 18 and 44 (22,4% aged 18-24, 56,2% aged 25-34, and 15,6% aged 35-44)[143], meaning that Generation Z (1997-2012) and Millennials (1981-1996) are the core consumer base of football. The current breakdown of the demographics makes a strong case for focusing the analysis on these generational segments since they represent the most actionable and relevant strategic group. Additionally, the distribution plan focused on attracting a male audience. Despite recent years have shown a steady rise in female audiences (UEFA Euro 2024, for example, had about 28% female viewers, opposed to around 13% in 2020)[144] football in Europe has historically attracted male audiences, both at live matches and on mainstream media coverage. As such, the strategy focused on maximizing male respondents, while also ensuring inclusivity by accepting responses from all genders.

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[142] Bryman, A. (2016). *Social research methods* (5th ed., Chapter 27, p. 551). Oxford University Press.

[143] Audiense. (2024, June 11). How changes in the UEFA Euro audience are making space for new industry sponsorships. *Audiense*https://resources.audiense.com/en/blog/how-new-uefa-euro-audiences-are-making-space-for-new-sponsorship-deals

[144] *Ibidem*

Each of the 15 questions in the questionnaire were aggregated into thematic sections surveying respondents' awareness of UEFA's FSR, opinions on these financial rules, and expectations regarding the impact of the rules.

Questions 1-3 are demographic ones regarding age, gender and country of origin. Age ranges are grouped as categories. These questions provide important context to the findings and allow for consideration of significant trends or gaps in opinions against the backdrop of participant demographics.

Question 4 to 6 cover respondents' engagement with professional football and their prior awareness of UEFA's financial regulation. This section provides the context of knowledge level of each respondent. The intention is to separate casual fans from well informed ones so that subsequent responses regarding opinions can be taken with an understating of the respondent's knowledge of the topic.

Question 7 and 13 investigate respondents' general attitude or perceived norm about financial regulation in football. Question 7 lists a number of statements regarding UEFA's financial norms. These include support for the financial regulation principle, fairness and intrusiveness of the rules, and skepticism about compliance. Question 13 goes deeper in the analysis and provides a series of financial control measures and asks respondents to say how important each of them is to maintain the health of clubs. These actions relate to key pillars of the FSR (Football Earnings Rule and Squad Cost Rule). Respondents rate the importance of each measure to identify the most critical aspects of financial governance.

Question 8-12 and 14 gauge how respondents believe the FSR will ultimately affect the European football sector in practice. These are basically about how people perceive the practical effectiveness and fairness of the regulations. By elaborating these responses, one can glean whether fans and stakeholders are confident in the potential efficacy of the regulations or if they expect any changes and potential loopholes.

Finally, question 15 measures the willingness of the respondent to entertain an alternative regulatory system (a fixed wide-league salary cap). The purpose of this question is to compare different positions of thought regarding alternative approaches to financial sustainability.

The questions are mainly closed-ended with a single-choice answers, which ensures responses are standardized for quantitative analysis. Question 1, for instance, includes five age categories to choose from. In question 2 the choice is between "Male", "Female", "Prefer not to say". Question 5,9,15 are "Yes" or "No" questions, with the possibility of an uncertain option("Maybe").

Question 6,8,11,12 are single-choice questions with a fixed set of options and neutral or uncertain opinion, such as “Not familiar” for question 6,11,12 and “No opinion” for question 8, to allow responses who lack an opinion or knowledge on that item. Adding these intermediate options prevents having to push respondents into an answer that is not right and thus improves the reliability of the answers. The same type of questions are questions 4,10 and 14, each organized as a single-choice item with 4 possible alternatives. These deal, respectively, the respondent’s awareness of professional football, impressions about which clubs are most likely to benefit from the FSR, and the overall benefits the regulation may provide.

Question 3 is the only open-ended item in the survey issuing country of origin, meaning respondents have to type its own answer rather than selecting it. The open format was selected to avoid an impractical list of countries, and to ensure that any nationality could be reported.

All results from single-choice questions are presented as distributions in percentage, showing how many respondents chose each possible answer. Open-ended answers can be easily encoded as well, with analysis possible by the number of times each nationality is mentioned relative to the others.

Question 7 and 13 are matrix questions using a 5-point Likert scale to measure the level of consensus or significance in response to several connected assertions. This design enables respondents to hold a range of more nuanced attitudes. In the case of question 7, is interesting to capture respondents’ legitimacy and enforceability of UEFA’s rules. Similarly, question 13 asks what financial control measures are perceived as the most important by the respondents. For question 7, the 5-point Likert scale for agreement ranges from “Strongly disagree” (1) to “Strongly agree” (5). On the other hand, the Likert scale for question 13 ranges from “Not important at all” (1) to “Extremely important” (5). The data from Likert scale questions will be analyzed using descriptive statistics, as measures of central tendency (mean, mode, median), indicators of dispersion, such as standard deviation and coefficient of variation, as well as absolute and relative frequency distribution.

5.3 Results from Quantitative Research

The demographic data on age, gender and nationality were collected to better outline the profile of respondents and contextualize their perspectives.

Starting from the age, over half of the respondents (53%) are aged 18-25 and another quarter (25%) are aged 26-35, so about of the sample are under 35 years old. A smaller proportion (19%) are in the 36-45 age group, and very few (around 3%) are aged 46 or older. Meanwhile, when looking at gender, 91% identify as male, 8% female and 1% choose not to disclose. This distribution emphasizes the overwhelming male presence, which is expected given the strong association between football and

male audiences. Participants are also largely homogeneous in terms of nationality, with most coming from Italy (73%). The survey still includes an international influx, with respondents from Germany (9%), France (6%), Spain (5%) and Switzerland (3%), followed by Armenia, Croatia, Kosovo and Serbia (1% each).

The outbreak is similar across demographics, with not statistically significant differences. The distributions are shown in the graphs below.

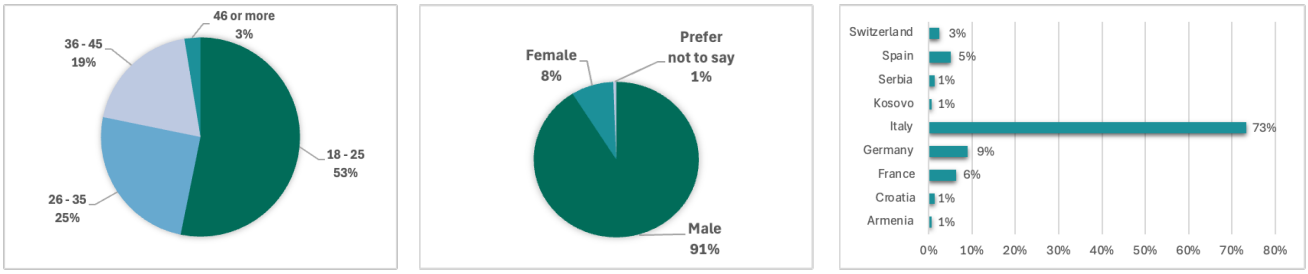

Chart 5.1 - Question 1: Age; Question 2: Gender; Question 3: Which country are you from?

This section assesses respondents' engagement with football (Q4) and their awareness of UEFA's financial regulations, especially the FSR. Starting from Question 4 (How closely do you follow professional football?), 83% declare they follow it very closely (53%) or fairly closely (30%). The rest only follow it on occasion (9%) or not at all (8%). These data reinforce the strength of the sample, since it is heavily football-engaged. This implies that the respondents are mostly active football followers, which is highly relevant because their opinions on financial regulations are likely informed by several exposure to football and its news.

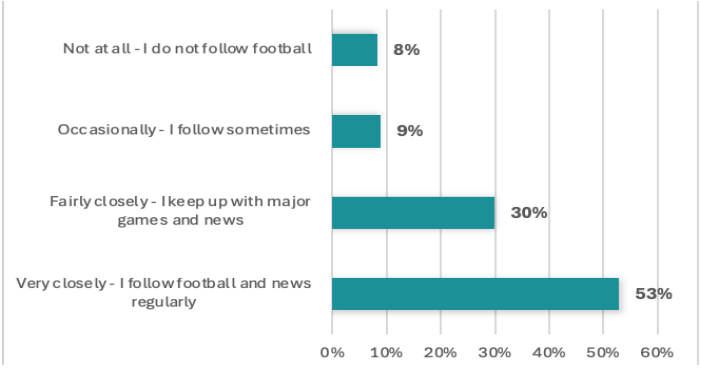

Chart 5.2 – Question 4: How closely do you follow professional football?

Moving to question 5 (Before this survey, had you ever heard about UEFA's new FSR, introduced in 2022 to replace FFP rules?), just over half of respondents (53%) had heard of the new framework officially introduced in 2022/2023 season, while 30% stated they are unaware of it, and 17%

expressed uncertainty ("maybe"). This shows that the term "FSR" just topped a narrow majority of football fans, but nearly half of the sample remained unaware or only vaguely aware of it.
Even more restricted is the awareness of the exact regulations of question 6. Only 8% of respondents claimed to be very familiar with the Stability (limits on club losses) and Cost Control (limits on squad cost relative to revenues) provisions, while 38% stated being somewhat familiar. An additional 36% said they had only heard of them, and 17% said they are not familiar at all. This indicates even among engaged fans, knowledge of the FSR is limited. Many approached the opinion-based questions with just a basic understanding of it, which might account for some of their uncertainty in their responses.

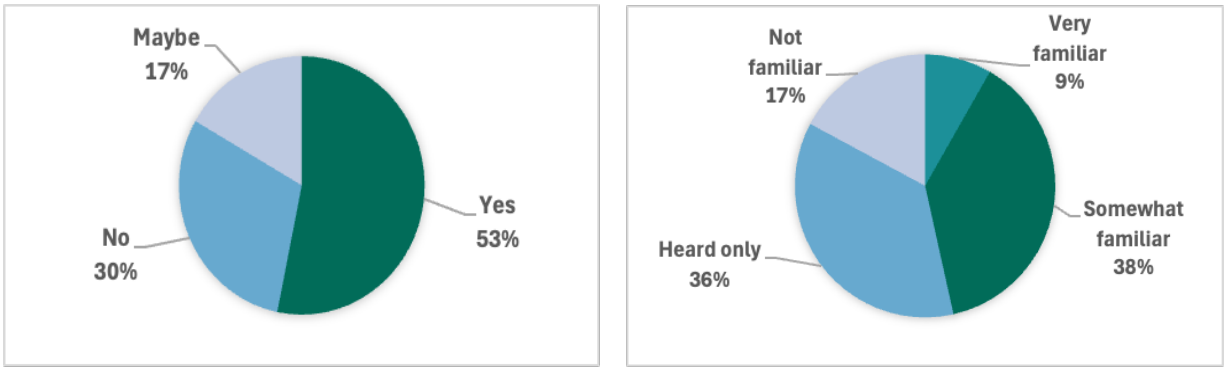

Chart 5.3 – Question 5: Before this survey, had you ever heard about UEFA's new FSR, introduced in 2022 to replace FFP rules?
Question 6: How familiar are you with the FSR's Stability (limits on club losses) and Cost Control (limits on squad cost in proportion to revenues) rules?

Question 7 explores the attitudes of respondents toward various aspects of UEFA's financial framework. The item is evaluated on a five-point Likert scale, and the outputs for the respective indices (mean, median, mode) and measures of dispersion (standard deviation, coefficient of variation), and frequency distributions were incorporated.

Statistics	Financial rules are necessary to keep clubs financially healhty	The new rules will make competitions fairer by preventing overspending	FSR rules are too strict and interfere with club management	Clubs will likely find ways to bypass the rules
Average	4,1	2,83	2,15	3,83
Median	4	3	2	4
Mode	4	2	2	4
St. Deviation	0,86123	0,91170	0,98845	0,97167
Coefficient of Variation	21,02%	32,18%	45,89%	25,36%

Table 5.1 – Question 7: Please indicate how much you agree or disagree with the following statements about UEFA's financial rules

The first item is related to the necessity of the regulations for financial health, and it records a high mean (4,1) median (4) and mode (4) indicating broad and uniform agreement across respondents. In contrast, the second item focuses on perceived fairness, specifically the belief that prevent

overspending works to enhance competitive balance. This statement sits close to neutrally (mean 2.83; median 3; mode 2) and shows greater dispersions (32,18%), suggesting ambivalent opinions on the presumed competition fairness effect. As for the third item, it assesses perception of regulatory rigidity, a generally level of disagreement is found (mean 2,15; median and mode 2), but also the highest variability (45,89%) indicating a relatively polarized item. Lastly, the fourth item captures the expected rule circumvention by clubs. This statement evokes agreement (mean 3,83; median and mode 4) couple with moderate dispersion (25,36%), so one well-supported expectation is that many clubs would be able to circumvent the regulation.

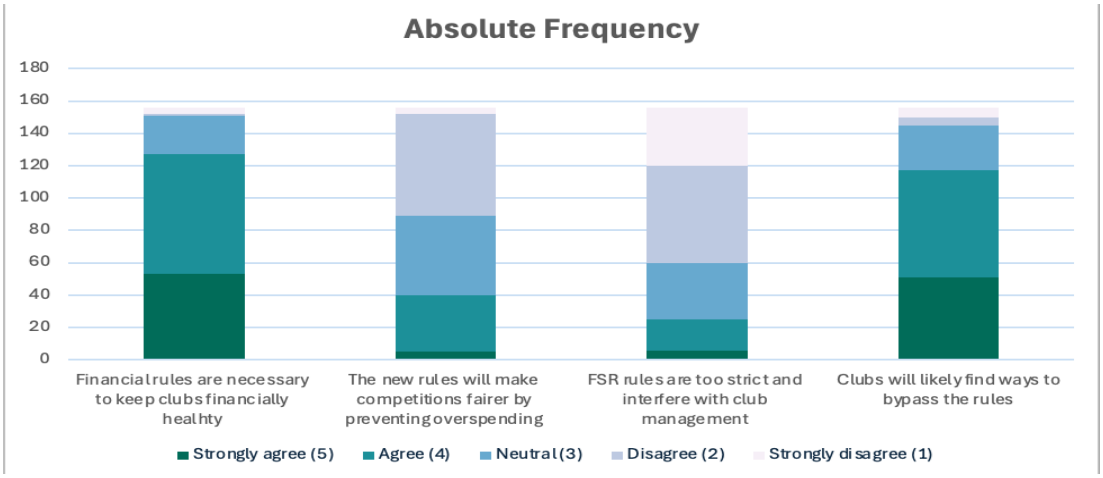

Chart 5.4 - Question 7: Please indicate how much you agree or disagree with the following statements about UEFA's financial rules

The table confirms the insights obtained through statistical indicators. The necessity item aggregates at 4 ("agree") where strong consensus is detectable, while the bypass statement peaks on the agreement side, reinforcing skepticism about full compliance. The concentration around 2-3 ("disagree" and "neutral") reflects doubts that the FSR will significantly change the playing field. The strictness statement focuses on 2 ("disagree") but with a noticeable tail toward agreement an asymmetry that accounts for its larger dispersion and exposes a non-negligible minority critical of the intrusiveness of the rules. Taken together, the findings paint a clear picture: there is overwhelming backing for spending oversight, and, on balance, respondents do not regard the FSR as overly stringent. Where there is less consensus, however, is on the matter of effectiveness, both in terms of fairness and competitive balance and, more importantly, enforceability.

Inspired by the overall attitude revealed in the previous question, question 8 focuses specifically on the Squad Cost Rule (What effect do you think the new 70% Squad Cost Rule will have on player salaries and transfer fees?), the main cost control mechanism of the FSR that limits squad-related expenses to a percentage of football-related income.

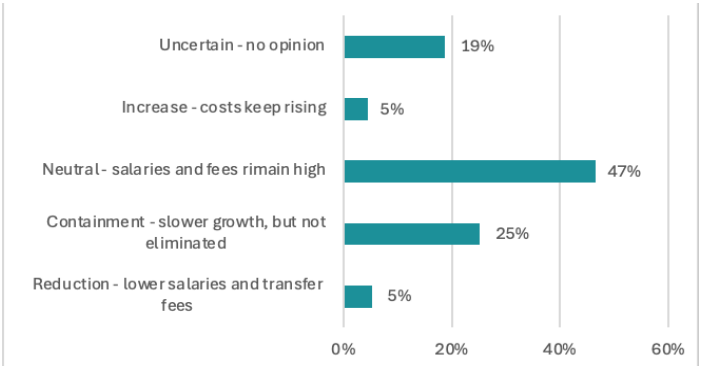

Chart 5.5 – Question 8: What effect do you think the new 70% Squad Cost Rule will have on player salaries and transfer fees?

The pattern of the responses reveals a predominant perception that effectiveness is limited; 72 respondents (47%) choose neutral, indicating lack of change in structural level of salaries and transfer fees despite the rule. In addition, 39 respondents (25%) anticipate only partial containment, while reductions (5%) or increase (5%) are considered marginal scenarios. Furthermore, 29 respondents (19%) are uncertain, highlighting the absence of agreement and skepticism whether the rule would be enforceable, or could structurally alter cost dynamics.

This naturally shifts the analysis from the effectiveness of regulations to the broader dimension of equity and proportionally in FSR. The following questions (question 9 and question 10) focus on respondents' views on the understanding and fairness of the enforcement, as well as distributional implications across club tiers.

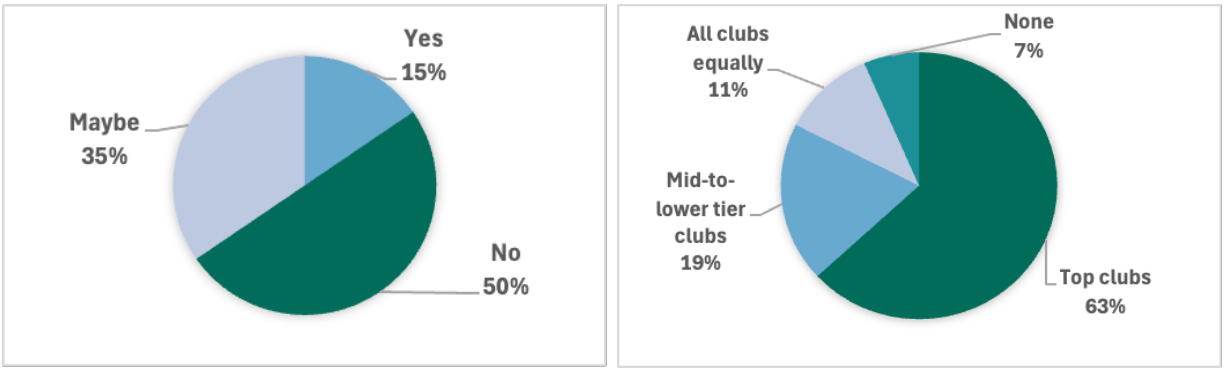

Chart 5.6 – Question 9: Do you believe that UEFA will enforce the new financial rules fairly and consistently for all clubs?
Question 10: In your opinion, which clubs will benefit the most from the new financial rules?

Question 9 shows a low belief in enforcement credibility. Only 15% of respondents believe that UEFA will apply the rules fairly and consistently, with 78 respondents (50%) outright declaring that they do not trust the governing body, and 35% shows uncertainty. This result also conforms to earlier

skepticism regarding circumvention of the rules, raising fears that disparate supervisory practices will undermine the regulatory system.

On the distributive side, question 10 shows that top clubs will be most favored under the new rules, according to 98 respondents (63%), versus 19% who say mid-to- lower tier clubs. Only 11% expect that rules will be applied fairly among all clubs, while 7 of respondents (7%) expect none. The result highlights a paradox, namely that regulations designed to promote sustainability is being interpreted as reinforcing the competitive pyramid of European football.

In case financial requirement are violated, UEFA relies on settlement agreements as a control measure for compliance. However, their effectiveness as deterrents depend on the extent to which they are seen as real enforcement measures or as negotiated compromises with limited deterrent value.

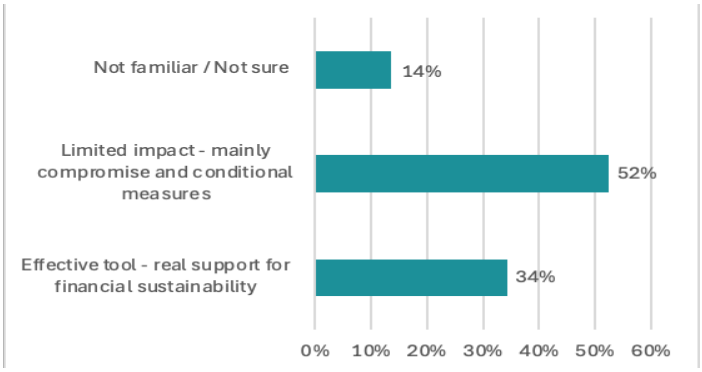

Chart 5.7 – Question 11: Have you heard about UEFA's Settlement Agreements with clubs (e.g. AC Milan, AS Roma, FC Inter Milan under FFP, or FC Barcelona, Chelsea FC under FSR)? If yes, how would you assess their effectiveness?

In question 11, respondents reveal a widespread skepticism. Specifically, 81 respondents (52%) see settlement agreements to only have limited influence, primarily as compromises and conditional measures. On the other hand, 34% see them as a useful instrument enabling financial sustainability, whilst 14% have never heard or are not familiar with the instrument. This distribution indicates that, among those who are aware of the mechanism, skepticism about its capacity to discipline and enforce compliance is dominant, reaffirming earlier issues associated with selective or soft enforcement.

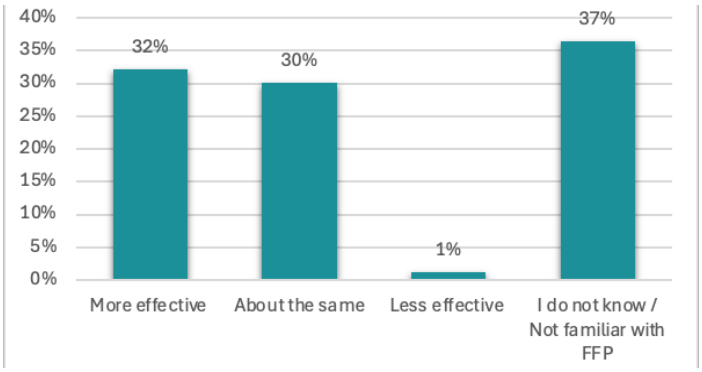

Chart 5.8 – Question 12: How do you evaluate the effectiveness of the new FSR compared to the old FFP?

However, opinions are fairly split when comparing FSR against FFP. By analysing the data, 50 respondents (32%) find FSR more effective, 47 (30%) about the same, and only 2 respondents (1%) less effective. In contrast, 57 participants (37%) indicate that they do not know or are not familiar enough with FFP to make an assessment. The outcomes obtained from these two questions show a near-equal division between those who expect positive developments and those who anticipate continuity. The results demonstrate cautious optimism accompanied by uncertainty and virtually no belief that regulatory reform equal a step backward.

As in the case of question 7, question 13 is also presented in Likert-scale design, complemented by position indices and measures of dispersions. The question takes place after respondents have gathered baseline understanding of the FSR. In this case, the perceived significance of the principal pillars is described by each statement: Football Earnings/Stability dimension (statement 1 and 3), Squad Cost Rule (statement 2), and the rigidity of the sanctions in case of breach of parameters (statement 4).

Statistics	Limiting a club's financial losses within a fixed period and up to a maximum threshold	Capping a club spending (player and coach wages, player amortization, agent fees) to a percentage of revenue	Requiring club owners/shareholders to cover major financial losses with their own funds	Imposing strict penalties (fines, competition bans) on clubs that violate financial rules
Average	3,36	3,45	3,49	3,99
Median	3	4	4	4
Mode	4	4	4	4
St. Deviation	0,92645	0,99547	1,12368	1,10353
Coefficient of Variation	27,58%	28,86%	32,22%	27,68%

Table 5.2 – Question 13: How important do you consider the following measures for keeping football clubs financially healthy?

The sanctioning severity statement (statement 4) has the highest central tendency (mean 3,99; median and mode 4) with moderate dispersion (27,68%), recording a consensus that tough penalties are essential. Owners' absorption of large losses (statement 3) shows slightly lower values (mean 3,49; median and mode 4) but the highest dispersion (32,22%), suggesting opinions are divided on coercing owners to bear large losses. The Squad Cost Rule item (statement 2) yields similar ratings (mean

3,45; median and mode 4; CV 28,9%), suggesting generally high but non unanimous importance. The loss-limit over a fixed period (statement 1) has the lowest mean (3,36) and the same median (4) and mode (4), and the lowest CV (27,58%), indicating a mid-to-high importance but with relatively thick mass centered around the middle.

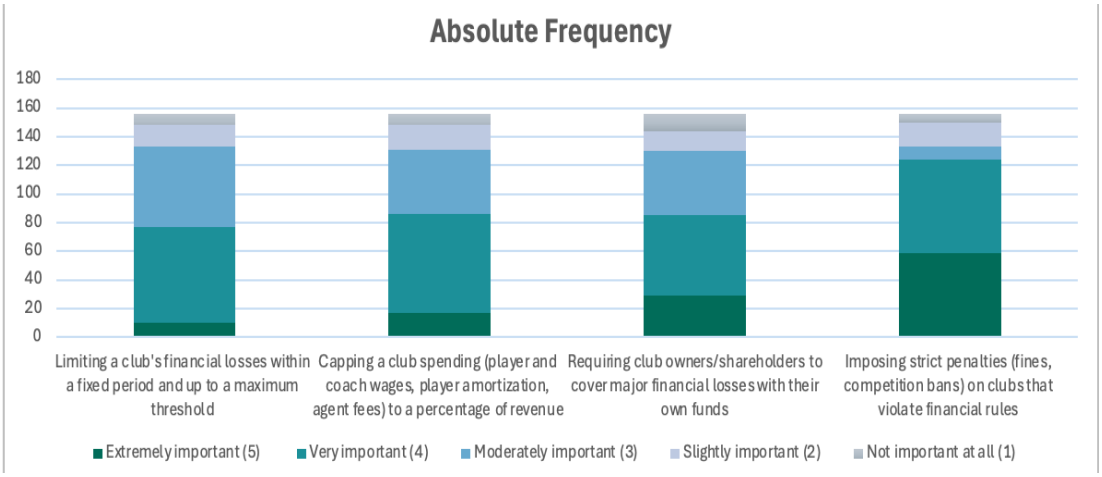

Chart 5.9 – Question 13: How important do you consider the following measures for keeping football clubs financially healthy?

The distribution confirms the statistical inferences. The sanctioning severity statement illustrates a common understanding of the deterrent function of strict punishment. Focusing on the top end, 59 respondents put "Extremely important", and 66 respondents chose "Very important". The Squad Cost Rule and owners covering financial losses also show great support, with 56 "Very important" and 29 "Extremely important", but there are also 45 "Moderately important", which explain the higher dispersion. The loss-limit statement peak at the center, with 56 "Moderately important" and 68 "Very important" and only 10 "Extremely important", confirming its lower salience. The pattern reflects importance placed on strict penalties and structural cost discipline, whereas temporal loss restrictions are viewed as less important for financial sustainability.

The last two questions provide the conceptual building block for the subsequent qualitative analysis focused on the interplay between financial sustainability and competitive balance.

Question 14 investigates the expected outcomes of the FSR as a whole and allows respondents to specify what they perceive as the most concrete systemic advantage that can be derived from its implementation.

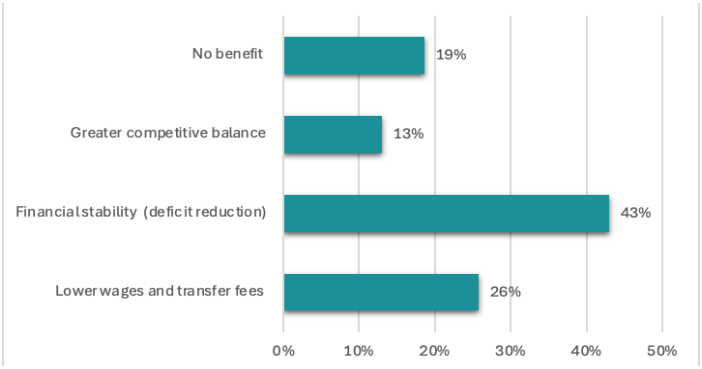

Chart 5.10 – Question 14: If the FSR works, what will be the biggest benefit?

The results indicate that financial stability (deficit reduction) is the key perceived benefit, noted by 67 respondents (43%), consistent with the core objective of the FSR. Another 41 respondents (26%) focus on impact on wages and transfer fees, and just 20 respondents (13%) on increased competitive balance. The residual 28 respondents (19%) say no benefit, signaling a meaningful lack of faith in the effectiveness of the regulations.

Given the concerns about the efficacy of UEFA's current model, the last question asks whether respondents would support a different model of financial regulation in the European football.

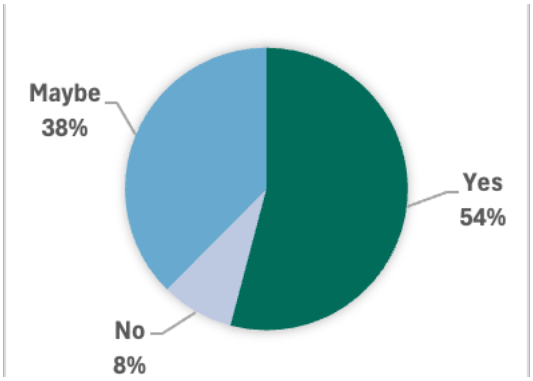

Chart 5.11 – Question 15: Would you support adopting the American sports model (e.g., NBA, NFL), where clubs face a fixed league salary cap negotiated with players' associations, instead of the UEFA model, which limits squad costs to a percentage of each club's revenues?

This question shows that 54% of respondents would support the model, while the remining 34% are uncertain ("Maybe") and just 8% would be against it. This indicates that more than 90% of participants can potentially consider the fixed league salary cap as a plausible alternative, making it a sign of dissatisfaction with the actual UEFA model. The limited dissent suggests weak commitment to the existing system, while the broad maybe proportion signals implementation uncertainty, but also willingness to reform.

5.4 Qualitative Analysis

The qualitative study serves as an insightful tool that complements and enriches previous quantitative analysis of UEFA FSR. Semi-structured interviews were conducted to investigate how to interpret the Football Earnings Rule (for simplicity, FER) and the Squad Cost Rule (for simplicity, SCR). This approach balance structure and adaptability: a prepared guide ensures consistency across interviews whilst the open-ended format enables interviewees to explore multi-faced issues and raise new insights. This strategy is especially appropriate for an emerging regulation such as the FSR, as it adds depth of explanation to the quantitative findings.

Two expert interviewees were chosen for the complementary outlook on the FSR:

Interviewee	**Professional Profile**	**Connection**	**Interview Details**
Marco Bellinazzo	Journalist at *Il Sole 24 Ore*, author of the blog *Calcio & Business*; expert in sports business; pundit for *Sky Sport*, *Rai Sport*, *Radio 24*	Conference "*La sostenibilità finanziaria delle società calcistiche*" held on March 20, 2025, at LUISS Campus, Via Parenzo 11	Videocall on *Zoom*; duration: 60 minutes
Marco Fazzini	Full Professor of Business Administration at the European University of Rome and Chartered Accountant	Conference "*La sostenibilità finanziaria delle società calcistiche*" held on March 20, 2025, at LUISS Campus, Via Parenzo 11	Videocall on *Zoom*; duration: 60 minutes

The combination of interviewees encompasses both regulatory/accounting reading of the FSR and its practical applicability to clubs. Where Prof. Fazzini has an academic and governance-oriented perspective, Dr. Bellinazzo has an insider's eye on the monetary and regulatory aspects of professional football. The full spectrum of their insights encompasses both formal (accounting, disclosure, governance) and practical (economic, competitive, enforcement) aspects of financial sustainability.

A semi-structured interview was created to provide consistency but still tailored to each area of expertise of each interviewee. Both were asked similar core questions regarding the contrast between the old FFP and the new FSR, and whether they believe the foundational elements of FER and SCR do enough as cornerstones of the regulation. Respondents were asked whether the FER (formerly, Break-even requirement), is more effective in strengthening discipline, and whether the SCR, legitimately mitigate overspending. Thus, both interviewee same pillars but from two different viewpoints: technical-accounting on one hand, and regulatory-financial on the other.

Subsequently, the interviews branched out from the common base driven by the background of each expert. Dr. Bellinazzo suggested that an American-style salary cap (hard cap in NFL[145] or soft cap with luxury tax in NBA[146]) could represent a simpler and more transparent rule compared to the current own club revenue-based SCR, and whether such a model could be worked in European football. He also focused on the divergence between domestic PSR and the UEFA FSR (analyzed as per Chapter 3.5).

With Prof. Fazzini, it was discussed about the IFRS most applicable to football (as per the analysis in chapter 1.2), and the IFRS that carry the biggest risk of opportunistically managed financial performance of misrepresentation. Additionally, it was also discussed about the coexistence of IFRS and national standards, highlighting how gaps in UEFA's reclassification tools may still limit full comparability. Finally, both interviewees were asked to propose corrective measures to the FSR to enhance financial sustainability.

The interviews were audio-recorded, transcribed and analyzed through a systematic process of coding inspired by the *grounded theory approach*[147]. This includes three iterative levels of open, axial and selective codes. Open coding involved dividing the interviews into individual pieces, then coding them with codes that were descriptive. In this phase it was used an inductive approach that, from the data, highlighted categories. The axial coding then reassembled these codes by discovering relationships among. This stage emphasized causal conditions, contexts, and consequences. Lastly, selective coding combined the categories around a central theme, providing a rationale analytical narrative[148]. The central category identified from the findings of this study was the financial effectiveness of the FSR. With this core idea, no other category could be integrated without damaging theoretical integration and comprehensiveness of findings.

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[145] The NFL hard cap, capped at $279,2 million per team in 2025, is defined as a rough (about 48%) share of football revenue (media, playoff, and local revenue), less benefits and split equally among the 32 teams, with violations invoking sever sanctions. Source: Rogers, J. (2025, March 7). Explaining the basics of NFL free agency, the salary cap and contract structures. *Detroit Football Network*. https://www.detroitfootball.net/p/explaining-the-basics-of-nfl-free

[146] the NBA soft cap ($154,67m for the 2025/2026 season), is based on basketball-related income that permits structured sanctions but imposes a luxury tax on excess payroll (starting at $187,95m); surpassing aprons, secondary thresholds set at roughly $195,94m (first) and $207,82m (second), incurs severe cap penalties like restrictions on sign-and-trades, cash in trades, and trade picks limitations. Source: NBA (2025, June 30). NBA salary cap for 2025–26 season set at $154.647 million. *NBA.com* https://www.nba.com/news/nba-salary-cap-set-2025-26-season

[147] A qualitative, end-to-end research methodology, where researchers collect and analyze data simultaneously and iteratively, using constant comparison to construct a theory from live data instead of hypotheses of existing theories. Source: Delve. (2021). *Grounded theory: A practical guide*. Delve https://delvetool.com/blog/groundedtheory

[148] Corbin, J.M., Strauss, A. (1990) Grounded theory research: Procedures, canons, and evaluative criteria. *Quaitative. Socioliogy 13(1)*, 3–21

5.5 Results from Qualitative Research

Drawing on two expert interviews (I1: Marco Bellinazzo; I2: Marco Fazzini, see Appendix 4), the grounded theory was considered as the most appropriate, considering the novel setting of the FSR. Starting from the open coding state, the table below lists the key open codes, each disclosed by an excerpt from the interviews:

Open Codes	Interview Excerpt
FSR Regulatory Improvement	"The new FSR is a big improvement over the former FFF… [It] adopts a more articulated approach, aiming to achieve a favorable relation between financial sustainability and competitive balance" (I2)
FFP Loopholes & Weak Enforcement	"Manchester City and PSG…ramped up income... with inflated related-party sponsorships income, effectively circumventing FFP limits to which UEFA has had only mild responses" (I1)
Forward-Looking Monitoring	"FSR comes with much more modern and dynamic controls…now also tied to the respective clubs' plans. This takes a forward-looking perspective" (I1)
Lack of Hard Cap (Not a Quantum Leap)	"Its adoption has not been a genuine "quantum leap": with no global salary cap…nor a strict limit on salaries, amortization and commissions …[Such] tools…were opposed by the larger clubs" (I1)
Effective for Stability, Not Balance	"If…the aim is solely to maintain the system in economic equilibrium, then the FSR (and its pillars) will certainly prove more effective than FFP" (I1)
FER Realistic Target & Cost Controls	"FER is a progress because it introduces a more realistic target that clubs are more likely to meet, allowing a broader span of non-deductible costs and greater restriction on artificially inflating costs" (I1)
FER Scrutiny on Related Income & Gains	"Greater attention is given to revenues from related-party sponsorships compared to the old FFP. Another massive reform is…capital gains…[This] helps prevent large amounts of inflated capital gains from being used to artificially offset losses" (I1)
FER Fragility & Accounting Discretion	"The trouble…is on the accounting side. The areas of discretion are wide…Also…disparate accounting standards…made comparability hard…FER is practical but fragile, and is

	effectiveness depends largely on…rigorous monitoring processes" (I2)
SCR Direct Squad Cost Limit (Clarity)	"SCR is more realistic and concrete...as it directly targets the actual expenses club incur...[thus] provides a clearer and more accurate measure of squad costs" (I1)
SCR Higher Spending Gap	"Bigger clubs…can spend enormous sums while still remaining compliant, whereas smaller clubs are much more tightly fettered…the rule…ultimately reinforces existing imbalances rather than diminishing them" (I2)
SCR Revenue Volatility Impact	"As a result, the spending cap…can vary greatly from one season to another, especially for smaller or less stable clubs that rely more heavily on non-recurring income" (I2)
SCR No Spending Quality	"The rule focuses solely on the quantity of spending, not the quality…Two clubs might share the same 70% ratio and yet be in totally different conditions…The rule…does not account for a club's ability to sustain its investments in the long term" (I2)
Discretionary Enforcement for Big Clubs	"UEFA…adopts a constructive and pragmatic approach. This inevitability entails a high degree of discretion, which can create distortions, inequalities, and inconsistent application… exclusions are avoided…This leads to the perception of inequality among fans…as the penalties seem to change according to the economic weight of the club" (I1)
Strict Oversight & Monitoring Needed	"FER is…fragile, and its effectiveness depends largely on UEFA's ability to implement reclassification standards and rigorous monitoring processes" (I2)
Calls for Salary Cap & Revenue Sharing	"The goal cannot be limited to financial sustainability alone but must embrace… competitive balance. This requires more equitable sharing of revenue…and the introduction of a salary cap…In the absence of such reform, the efficacy, the efficacy of accounting controls is in danger of [being] undermined, [with] competitive differentiation widening" (I1)

Table 5.3 – Open coding (Source: personal processing)

Open codes illustrate a range of insights. The interviewees acknowledge progress under FSR (i.e. more realistic objectives, forward-looking prospective, greater cost control) versus the old FFP. However, they also recognize the enduring problems: loopholes and discretionary practices that

remain (e.g. accounting tricks, uneven enforcement), and structural elements that could hinder competitive balance (like a lack of a salary cap and the current SCR being proportionate, thus naturally benefiting richer clubs). Both interviewees stress that, while FSR does generate greater financial solidity (limiting losses and requiring equity to cover deficits), it risk widening the gap between top clubs and medium-to lower-ranked clubs, in the absence of deeper reforms (revenue sharing, salary caps).

During axial coding, related open codes were clustered together under broad categories that characterize higher interpretation of themes and connections. At this stage, it was analyzed the relationship between different codes (cause-effect) and the research focus (FSR's effectiveness).

Axial Code 1	Associated Open Codes	Key Idea
FFR VS FFP – Progress and Loopholes	FFP Loopholes & Weak Enforcement FSR Regulatory Improvement FSR Forward-Looking monitoring FSR Lack of Hard Cap	FSR improves overall compared to FFP, but loopholes persist, and the inexistence of a salary cap limits its impact

Table 5.4 – Axial code 1 (Source: personal processing)

Axial Code 1 captures the net gains from FSR of the old FFP and unsolved regulatory gabs. Interviewees point to FSR's new rules (e.g. higher deviation allowance, forward-looking perspective) limit some abuses, modernize financial oversight but, despite these, it has not carried out a radical review. For instance, it doesn't have a universal salary cap as elite clubs have opposed. So, to share, FSR is considered an important step forward (more flexible, and tougher than FFP) but not a "quantum leap". Loopholes remain exploitable, as shown by FFP circumvention via inflated related-party-deals.

Axial Code 2	Associated Open Codes	Key Idea
FER Reliability	Realistic Target & Cost Controls Scrutiny on Related Income and Gains Fragility & Accounting Discretion	FER refines cost controls and scrutiny but remains vulnerable to accounting discretion and fragile enforcement

Table 5.5 – Axial code 2 (Source: personal processing)

FER is valuable for being more achievable and for expanding exclusions (good costs) while tightening artificial inflations. Key reform under FER includes increased focus on related-party transactions and transfer profit averaging, which collectively prevent for clubs to angle the system through one-off gains or self-dealing. However, FER's effectiveness is influenced by accounting flexibility and inconsistency. Different accounting standards and subjective judgments (e.g. amortization or impairment assumptions) may create distortions on a short-term basis. FER is therefore conceptually reasonable in promoting solvency (requiring losses labelled into equity) but is "fragile", its sustainability relies on UEFA's enforcement to warrant that numbers are not manipulated.

Axial Code 3	Associated Open Codes	Key Idea
SCR Cost Control and Limits	Direct Squad Limit Revenue Volatility No Spending Quality Higher Spending Gap	SCR ties spending to revenues, but exacerbates disparities and ignores efficiency

Table 5.6 – Axial code 3 (Source: personal processing)

SCR is approved for its transparency and understandability: it ensures that squad costs (wages, amortization, agent fees) will not exceed 70% of revenue, thus linking spending directly to what a club can financially afford. This provides clarity and discourages wage bills. Yet, expert says there are multiple issues: 1) volatile revenue (e.g. a sudden influx of trophy-related earnings or a pop-up sponsorship deal) which makes the cap vary from season to season especially for smaller clubs, resulting in uneven spending caps. 2) The rule measures cost quantity and not quality, it essentially treats all expenses as equivalent, granting zero credit for wise investments while penalizing frugal spending on aging players. Two clubs at a 70% ratio may be in completely different financial health, but SCR ignores. 3) SCR's proportional structures risk intensifying disparities: a rich club's 70% of club-related revenues far exceeds a smaller club's 70% of club-related revenues. Thus, big clubs can spend legally much more than small ones, who are tightly constrained.

Axial Code 4	Associated Open Codes	Key Idea
Enforcement and Accounting Challenges	Discretionary Enforcement for Big Clubs Strict Oversight & Monitoring Needed Accounting Discretion	Uneven enforcement and accounting gaps erode credibility and create room for compliance

Table 5.7 – Axial code 4 (Source: personal processing)

Axial code 4 covers implementations issue that cut across the FSR framework, influencing both FER and SCR. Another critical point is that enforcement is uneven. UEFA is reluctant to punish bigger clubs harshly (as they are significant economic players), driving to pragmatic, case-by-case discipline. The non-prescriptiveness of the rules has led to perception of unfairness and perceived inconsistency of rule application (e.g. smaller clubs may face harsher punishments than economically strong clubs). Such flexibility (e.g. through settlement agreements or negotiated sanctions) can undermine deterrence; clubs could believe that compliance is negotiable if the rules are not enforced evenly. Moreover, accounting mismatches pose a challenge: differences between club's accounting standards (IFRS vs local GAAP) and subjective accounting choices require necessary adjustments and surveillance by UEFA. Both interviewees emphasize that a more reliable and comparable structure must rely on strict standardization and a stringent audit by UEFA. Without this, creative accounting or "grey areas", such as optimistic player valuations, can violate the spirit of FSR.

Axial Code 5	Associated Open Codes	Key Idea
Competitive Balance and Structural Reforms	Effective for Stability, Not Balance SCR Higher Spending Gap Calls for Salary Cap & Revenue Sharing	Existent rules provide stability but not balance, highlighting the need for deeper reforms

Table 5.8 – Axial code 5 (source: personal processing)

This category synthetizes insights regarding FSR's impact on competitive equity, and the possible corollary remedies interviewees believe are needed. Taken together, the interviews suggest that FSR's primary success is financial stability, in preventing excessive losses and disciplining the system, FSR will "prove more effective than FFP" in keeping clubs solvent. On the other hand, competitive balance is still not well handled. The FSR requirements alone do not redistribute wealth or prevent excessive spending power of top clubs; the SCR, as the prior analysis showed, could even inadvertently

consolidate power of richer ownership. Without collective measures, such as the American style salary cap, European football's ecosystem is far from being truly balanced. To bridge this gap, I1 and I2 hint at more radical measures: I1 supports revenue-sharing mechanism and a hard salary cap (potentially with luxury tax) to improve FSR. Specifically, I1 suggests the American sports model where revenues are centrally pooled and redistributed among smaller franchises, while the collectively bargained salary cap ensures that player wages remain fixed at 50% of league turnover. Such measures would limit top-club spending and enable a fairer distribution of resources, which is necessary to achieve the dual goal of sustainability and fairness. In short, if these larger changes in financial governance are not made, competitive inequalities will not only be preserved, but will grow larger, rendering FSR far less effective than it would otherwise be.

The selective coding consolidates axial categories into a central explanatory model: the FSR enforces solvency discipline but remains structurally insufficient for systemic financial sustainability. FER and SCR jointly act as complementary constraints within a single regulatory identity.

The analysis shows that FER increases reliability of reported earnings through fair-value controls and multi-year averaging but remains subject to accounting discretion (IFRS vs national GAAP, impairment assumptions, revenue timing). Thus, SCR ex-ante guarantees affordability by coupling spending power with revenue capacity, but it amplifies disparities by scaling absolute spending power with turnover and by neglecting efficiency and volatility in income flows.

Combined, FER and SCR reduce the scope for opportunistic earnings management and uncontrolled cost creep, thus both boosting confidence in club-level solvency. Yet their interactions do not neutralize structural asymmetries between high-revenue and revenue-poor clubs. Outcomes remain contingent on enforcement credibility and regulatory coherence across forums, giving misalignment with certain domestic regimes (e.g. differing fair-value benchmarks or treatment of intra-group gains) that allow compliance arbitrage. As a result, the FSR can be seen as a solvency stabilizer rather than a systemic equalizer; moving towards system wide financial sustainability would require more harmonization across regimes and, where policy aims to extend competitive balance, complementary system-level instruments beyond the current scope of the FSR.

6. Discussion and Conclusions

The thesis set out to assess whether UEFA's Financial Sustainability Regulations (FSR) can positively translate the economic-financial sustainability of European clubs. The mixed-method design (quantitative evidence derived from the survey and qualitative insights accrued from expert interviews) helped meet the research objective without merely re-describing statistics. Rather, the discussion explores the puzzle of perceptions, mechanism and incentives to assess how core pillars of the FSR manifest into behavior and outcomes.

Across methods, the first finding that is emerging is that the financial discipline rationale is broadly accepted by stakeholders. Respondents of the survey were in favor of regulations that reduced losses and control the rise in costs, while interviewees agreed that the FSR represents a more transparent and future-oriented system than Financial Fair Play (FFP), especially with regard to the Football Earnings Rule (FER) and the Squad Cost Rule (SCR). In UEFA's own explainer, the FSR rest alongside three pillars: no overdue payables (solvency), FER (loss limits) and SCR (cost discipline), which are expressly designed to secure stability and encourage responsible spending. Yet the functional agreement on purpose exists alongside skepticism about effectiveness in practice: quantitative responses flagged both mixed uniformity of enforcement and superficiality of competitive balance effects; qualitatively experts cited both discretion over accounting and the scaling of cost caps to revenues as fundamental constraints. In other words, the FSR are perceived as necessary, yet not sufficient tool to rebalance competition unless enforcement and complementary mechanisms evolve.

Given these premises, the FER found at the short run with a rather more "credible" constraint out of research material. Interviewees argued that the combination of a clear tolerance band on losses and permitting coverage of deficits by equity subject to strict conditions would reduce the ability of structural deficits to develop and must lead to early adjustments. As the example of Chelsea case study illustrates, the UEFA Fair Market Value (FMV) adjustments highlight the need to go beyond reported figures: headline revenues or gains may enable apparent compliance, but adjustments uncover the sustainability of underlying earnings. This represents an important protection against the opportunistic inflation of income, especially by way of related-party transactions. Recent academic reviews support this perspective: a 2024 systematic review and meta-analysis found that FFP's effects on clubs' financial performance were *"mixed and limited",* especially on solvency, thereby justifying

the FSR's tighter design[149]. This reinforces the idea that securing the earnings profile and limiting total losses is a necessary, although not sufficient, condition for sustainability.

The most significant innovation was the SCR. Respondents appreciated the SCR for its intuitive connection between expenditure and affordability; experts indicated that, as opposed to a simple break-even test, the SCR incorporates an ex-ante budget constraint on the most dominant cost driver. Both sources, however, highlighted a non-negligent asymmetry: because a percentage cap scales with revenues, it allows genuinely big clubs to sustain significantly higher absolute spending than clubs in the mid-tier of the revenue chart over time. This is the heart of why so many predict healthier solvency without automatic increase in competitive balance: the rule prevents overshooting while leaving the underlying revenue gap compressed.

The Chelsea case study is thus an empirical stress test of both pillars. The formalized, high-risk tolerance of the club under the new ownership (heavy investment financed by above-median commercial potential, and extremely long contracts for the sake of amortization) embodies the balance that can exist between the two. Amortization is diluted by the lengthening of deals, which means that, at least in the short term, the SCR is easier to satisfy while leaving room for considerable gross expenditures: cumulative commitments though as well as revenue volatility can crystallize at the FER level, however if sporting or commercial result disappoint. Importantly, the nature of Chelsea's finances also highlighted the limitations of domestic oversight in the face of UEFA scrutiny. Despite this permissive national treatment of some intra-group dealings (e.g. the sale of hotels and the transfer of Chelsea Women to affiliated entities), UEFA has adapted the FMV adjustment to interrogate the economic reality of these transactions, with monetary fines and conditional undertakings being the result. The disparity between the FSR with the rest of the EU footprints highlights the FSR are not just about numerical ratios but also substance over-form supervision designed to prevent clubs from using imaginary inflows to hide structural weakness. Entering the 2024/2025 financial cycle, this has shown the flip side of the coin: despite an account rebound in 2024/2025, UEFA scrutiny under the FSR has focused precisely on "real" earnings and cost composition, and it's been the motive for sanctions of European clubs (e.g. Aston Villa, Barcelona, Lyon), not just of Chelsea. This demonstrated that, as advancement of monitoring takes and effect, a combination of FER and SCR can bite even where home rules seem comparatively laxer and raises concerns of regulatory convergence and competitive fairness. In short, Chelsea showed

[149] Martín-Magdalena, J., De Los Ríos-Sastre, S., Redondo, R., & Alaminos, D. (2024). Effectiveness of UEFA's regulation for European football financial management: A comprehensive systematic review and meta-analysis. *Heliyon, 10(20)*, e39151.

that the initial SCR can be satisfied through contract engineering, while the FER spirit checks whether those engineered profiles hold up to the sustainable earnings test when the shocks happen.

The pillars move from design to impact within the frame of two cross-cutting issues. First, enforcement credibility. The survey reflected low confidence that clubs would be sanctioned uniformly; interviewees described an enforcement ladder that has still depended on negotiated settlement agreements. Their usefulness is to phase-in compliance and avoid cliff-edge penalties, but they can dilute deterrence if they become norm for large clubs. The recent enforcement hints as a shift within UEFA towards increasingly detailed, forward-looking settlements that bind behavior over multiple windows, and increase scrutiny of related-party impacts, in direct response to the cases observed with Chelsea. Since FSR draw greater attention to reputational and financial sanctions, it increases the cost of opportunism relative to FFP. Second, multi-level regulatory divergence. National frameworks (e.g. Premier League PSR) interact with UEFA's thresholds, sometimes generating inconsistent constraints or timing.

Although not the primary focus of the research question, both quantitative and qualitative analysis, explored a fundamental interdependence between financial sustainability and competitive balance. Interviewees consistently warned that stabilizing club finances should not be separated from the state of competition. Financial sustainability, in a narrow sense, improves as losses are limited and cost profiles match recurring revenue streams; both pillars drive in that direction. However, "system" sustainability hinges on the appeal of competition (outcome uncertainty, credible paths for non-elite clubs, and lower volatility in budget shocks). SCR percentage-base costs caps do not compress revenue inequality; therefore, without complementary redistributive or absolute-cap mechanisms, the SCR alone will not be able to equilibrate the contest. Interviews findings are consistent with the broader body of literature, which shows that FFP-style controls improved some metrics of profitability while leaving measures of competitive concentration largely unchanged.

This is also why both survey participants, in a more general perspective, and Marco Bellinazzo, in a more specific and articulated manner, were receptive to American style idea, not as copy and paste, but as design inspiration. A fixed (or at least hybrid) salary cap with a luxury tax to create a harder ceiling and a built-in redistributive stream; strong revenue sharing to conciliate systemic resilience. Due to legal and institutional restrictions (labor mobility, competition law, multi-competition calendars), a pure transplant is straightforward in European football. However, a measured development is possible: a soft absolute cap as an outer guardrail atop the SCR, plus a luxury-tax link contribution on breaches channeled into solidarity or youth development, would link the pillars more directly to competitive success while maintaining proportionally to club scale. Although not an

imminent reform, this regulatory "hybridization" represents a realistic pathway to align the FSR's financial prudence logic with a clearer competitive balance mandate.

Combining this with the mixed-methos evidence presented in the thesis, allows a precise answer to the research question. On the financial sustainability dimension narrowly defined, the FSR are effective: they harden budget constraints (FER) and discipline cost bases (SCR), encouraging earlier adjustment and lessening insolvency risk, once enforcement matures. While cost ceilings indexed to revenues reduce overspending, in lock in the advantage conferred by larger revenue bases, the FSR alone are unlikely to deliver competitive balance on the broader system dimension. The Chelsea case shows the two sides of the sword: major clubs with developed financial engineering can circumvent compliance pathways, but UEFA's FMV adjustments on club's financial reports can still generate material sanctions and mandated corrections when artificial transactions are used to inflate sustainability.

Two practical implications follow from these findings. First, implementation matters as much as the design: some convergence between UEFA and domestic regimes (e.g. SCR-style rules domestically) and transparent, graduated and preference towards less settlements will not only raise credibility but also contribute to leveling the playing fields on constraints. Second, coupling the FSR to competitive goals via hybrid caps, conditional luxury-tax payments, or a more formulaic revenue sharing would expand the scope of regulation from the prevention of insolvency to competitive stewardship, aligning the regulation more closely to stakeholders' expectations as captured in the survey. A third, Chelsea-specific lesson is managerial: compliance strategies around contract-length optimization or asset sales need to be stress-tested at FER and FMV adjusted levels under conservative revenue assumptions; otherwise, short-term compliance becomes medium-term fragility once the shocks occur.

The forthcoming UEFA monitoring cycles (three-year evaluations that assess compliance with FSR pillars) will be crucial in identifying whether enforcement measures and domestic convergence can convert regulatory into tangible outcomes. Based on the evidence and reflections analyzed in this thesis, the trajectory as a positive one, but the destination is not fully reached: the final mile will require consistency, transparency, and the willingness to complement financial discipline with measures that address competitive balance.

7. Appendix

Appendix 1: Chelsea FC's Income Statement

(Millions of Pounds)	30/06/24	30/06/23
Revenues		
Revenue from Goods & Services	468,5	512,5
Sales of Goods & Services - Net - Unclassified	468,5	512,5
Revenue from Business Activities - Total	**468,5**	**512,5**
Operating Expenses		
Cost of Operating Revenue	400,8	467,2
Cost of Revenues - Total	400,8	467,2
Gross Profit - Industrials/Property - Total	**67,7**	**45,3**
Operating Expenses - Total	681,5	761,1
Operating Profit		
	-213,0	**-248,6**
Non-Operating Expenses		
Financing Income/(Expense) - Net - Total	-9,5	-11,5
Interest Expense - Net of (Interest Income)	9,5	11,5
Interest Income - Non-Bank	9,8	4,9
Interest Expense - Net of Capitalized Interest	19,3	16,4
Pre-Tax Income		
Income before Taxes	**128,4**	**-90,1**
Taxes		
Income Taxes	-1,2	-0,3
Provision for Income Tax Expense- Unclassified	-1,2	-0,3
Net Income After Tax		
Net Income after Tax	129,6	-89,8
After Tax Income/Expense		
Income before Discontinued Operations & Extraordinary Items	**129,6**	**-89,8**
Net Income before Minority Interest	129,6	-89,8
Net Income after Minority Interest	129,6	-89,8
Net Income		
Income Available to Common Shares	**129,6**	**-89,8**

Table 7.1 – Data from LSEG Workspace, for the company Chelsea FC Holdings Limited

Appendix 2: Chelsea FC's Balance Sheet

(Thousands of Pounds)	30/06/24	30/06/23
Current Assets		
Cash & Short-Term Investments	36.025	87.889
Cash & Cash Equivalents	36.025	87.889
Loans & Receivables - Net - Short-Term	330.488	195.657
Trade Accounts & Trade Notes Receivable - Net	307.974	175.275
Receivables - Other - Total	22.514	20.382
Inventories - Total	911,0	28
Total Current Assets	**367.424**	**283.574**
Non-Current Assets		
Investments - Long-Term	2.786,0	3.170
Investments - Available for Sale/Held to Maturity - Long-Term	2.786,0	3.170
Receivables & Loans - Long-Term	284.630	82.017
Accounts & Notes Receivable - Trade - Net - Long-Term	284.630	82.017
Property, Plant & Equipment - Net - Total	154.383	156.308
Intangible Assets - Total - Net	1.035.265	709.754
Total Non-Current Assets	**1.477.064**	**951.249**
Total Assets		
Total Assets	**1.844.488**	**1.234.823**
Current Liabilities		
Trade Accounts Payable & Accruals - Short-Term	483.989	431.234
Trade Accounts & Trade Notes Payable - Short-Term	334.259	272.125
Accrued Expenses - Short-Term	149.730	159.109
Short-Term Debt & Current Portion of Long-Term Debt	303.196	146.080
Short-Term Debt & Notes Payable	303.196	146.080
Income Taxes - Payable - Short-Term	37.322	40.587
Other Current Liabilities - Total	4.977,0	4.486
Other Current Liabilities	4.977,0	4.486
Total Current Liabilities	**829.484**	**622.387**
Non-Current Liabilities		
Deferred Tax & Investment Tax Credits - Long-Term	3,00	1.214
Deferred Tax - Liability - Long-Term	3,00	1.214
Other Non-Current Liabilities - Total	219.343	260.167
Other Non-Current Liabilities	219.343	260.167
Total Non-Current Liabilities	219.346	261.381
Total Liabilities		
Total Liabilities	**1.048.830**	**883.768**
Shareholders' Equity		
Shareholders' Equity - Attributable to Parent Shareholders - Total	795.658	351.055
Common Equity Attributable to Parent Shareholders	795.658	351.055
Common Equity - Contributed	2.150,0	2.150
Common Stock - Issued & Paid	2.150,0	2.150
Equity - Non-Contributed - Reserves & Retained Earnings	793.508	348.905

Retained Earnings - Total	-1.005.536	-1.135.142
Comprehensive Income - Accumulated - Total		
Revaluation Reserves		
Other Reserves/Equity - Total	1.799.044	1.484.064
Common Equity - Total	795.658	351.055
Total Shareholders' Equity		
Total Shareholders' Equity - including Minority Interest & Hybrid Debt	**795.658**	**351.055**
Total Liabilities & Shareholders' Equity		
Total Liabilities & Equity	**1.844.488**	**1.234.823**

Table 7.2 - Data from LSEG Workspace, for the company Chelsea FC Holdings Limited

Appendix 3: Survey

Perceptions of UEFA's Financial Sustainability Regulations in European Football.

Dear Participant,

This survey is part of a Master's degree thesis conducted in Luiss Guido Carli University. The purpose of the study is to explore respondents' perceptions of the UEFA *Financial Sustainability Regulations* (FSR – formerly *Financial Fair Play,* FFP). In particular, the research evaluates the effectiveness of its two main pillars. The objective is to assess whether these rules are perceived as effective tools to improve the financial sustainability of European football clubs.

If you decide to take part in this survey, which will take approximately 5–6 minutes, all the information you provide will be treated as strictly confidential.

Thank you very much for your contribution,
Carlo Alberto

1. Age:
   - 18 - 25
   - 26 - 35
   - 36 - 45
   - 46 or more

2. Gender:
    - Male
    - Female
    - Prefer not to say

3. Which country are you from?

    _____

4. How closely do you follow professional football?
    - Very closely - I follow football and news regularly
    - Fairly Closely - I keep up with major games and news
    - Occasionally - I follow sometimes
    - Not at all - I do not follow football

5. Before this survey, had you ever heard about UEFA's new FSR, introduced in 2022 to replace FFP rules?
    - Yes
    - No
    - Maybe

6. How familiar are you with the FSR's Stability (limits on club losses) and Cost Control (limits on squad cost in proportion to revenues) rules?
    - Very familiar
    - Somewhat familiar
    - Heard only
    - Not familiar

7. Please indicate how much you agree or disagree with the following statements about UEFA's financial rules:

	Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
Financial rules are necessary to keep clubs financially healthy	○	○	○	○	○
The new rules will make competitions fairer by preventing overspending	○	○	○	○	○
FSR rules are too strict and interfere with club management	○	○	○	○	○
Clubs will likely find ways to bypass the rules	○	○	○	○	○

8. What effect do you think the new 70% Squad Cost Rule (Cost Control) will have on player salaries and transfer fees?
    - Reduction - lower salaries and transfer fees
    - Containment - slower growth, but not eliminated
    - Neutral - salaries and fees remain high
    - Increase - costs keep rising
    - Uncertain - no opinion

9. Do you believe that UEFA will enforce the new financial rules fairly and consistently for all clubs?
    - Yes
    - No
    - Maybe

10. In your opinion, which clubs will benefit the most from the new financial rules?
    - Top clubs
    - Mid-to-lower tier clubs
    - All clubs equally
    - None

11. Have you heard about UEFA's settlement agreements with clubs (e.g. AC Milan, AS

Roma, FC Inter Milan under FFP, or FC Barcelona, Chelsea FC under FSR)? If yes, how would you assess their effectiveness?

- o Effective tool - real support for financial sustainability
- o Limited impact - mainly compromise and conditional measures
- o Not familiar / Not sure

12. How do you evaluate the effectiveness of the new FSR compared to the old FFP?

More effective

- o About the same
- o Less effective
- o I do not know / Not familiar with FFP

13. How important do you consider the following measures for keeping football clubs financially healthy?

	Not important at all (1)	Slightly important (2)	Moderately important (3)	Very important (4)	Extremely important (5)
Limiting a club's financial losses within a fixed period and up to a maximum threshold	○	○	○	○	○
Capping a club spending (player and coach wages, player amortization, agent fees) to a percentage of revenue	○	○	○	○	○
Requiring club owners/shareholders to cover major financial losses with their own funds	○	○	○	○	○
Imposing strict penalties (fines, competition bans) on clubs that violate financial rules	○	○	○	○	○

14. If the FSR works, what will be the biggest benefit?

- o Lower wages and transfer fees
- o Greater competitive balance

- More balanced competitions
- No benefit

15. Would you support adopting the American sports model (e.g., NBA, NFL), where clubs face a fixed league salary cap negotiated with players' associations, instead of the UEFA model, which limits squad costs to a percentage of each club's revenues?
    - Yes
    - No
    - Maybe

Appendix 4: Interviews

Interview with Marco Bellinazzo (I1)

FFP vs FSR

Q1) How do you evaluate the new UEFA FSR? To what extent does it represent progress compared to FFP, particularly in term of promoting financial sustainability and ensuring greater competitive balance?

A1) Under the old FFP, the maximum allowable deviation was €30 million over three years. Indeed, this measure certainly contributed to the reduction of losses in European football. From a combined loss of more than €1.5 billion, the system gradually approached the financial balance and, in some cases, even began to provide profits. Some clubs were more virtuous than others, and some exploited regulation loopholes creating overruns which resulted with relatively light UEFA punishments. While FFP's greatest success was preventing financial bleeding, it also helped freeze the competitive order in an ever-oligopolistic system, enabling a limited set of clubs to concentrate economic, financial and sporting power in their hands.

A big loophole in the regulation was that of Manchester City and PSG, were able to exploit, ramping up income during that growth phase with inflated related-party sponsorship income, effectively circumventing FFP limits to which UEFA has had only mild responses. The system was fundamentally, a snapshot of the past three years, and so, not designed to capture forward looking trends, such as projections of increased club spending.

The new FSR comes with much more modern and dynamic controls, not just related to past accounts but now also tied to the respective clubs' plans. This embodies an effort to take a forward-looking perspective, notwithstanding the accounting challenges of ex ante assessment. But its adoption has not been a genuine "quantum leap": with no global salary cap to embrace all clubs - whatever their

revenues - nor a strict limit on salaries, amortization and commissions. These types of tools had the potential to make a greater contribution to competitive balance but were opposed by the larger clubs. However, despite fulfilling the requirements for good governance, UEFA revenue sharing mechanisms, based almost exclusively on sporting performance in European competitions, entrench wealth: the same teams keep making the Champions League quarterfinals and consolidating their position, while those knocked into the group stage earn much less and find it near impossible to bridge the gap.

The European model is light years away from the American model if the intention is one of truly pursuing competitive balance. If, instead, the aim is solely to maintain the system in economic equilibrium, then the FSR (and its pillars), will certainly prove more effective than FFP.

Stability Pillar - Football Earnings Rule (FER)

Q2) FER is based on three-years indicator that allow for acceptable deviations of up to €60 million, or €90 million if "financial health" criteria are met. From an account and regulatory perspective, how reliable is this measure, given the discretion involved in financial reporting such as player trading, amortization and reclassification?

A2) FER is a progress because it introduces more realistic target that clubs are more likely to meet, allowing a broader span of non-deductible costs and greater restriction on artificially inflating costs. The new parameter sees greater attention given to revenues from related-party sponsorships and transfer dealings within the same group of clubs, compared to the old FFP. Another massive reform is the treatment of capital gains, which are now assessed on a three-year average, rather than on a single-year basis. This approach helps prevent large amount of inflated capital gains from being used to artificially offset losses. In parallel, it ties squad costs more closely to a club's real revenues, which gives a more accurate picture and reliable representation of financial health.

Cost Control Pillar – Squad Cost Rule (SCR)

Q3) SCR set an upper bound of relevant spending on player wages, amortizations, and agent fees at 70% of revenues. In your opinion, does it appropriately reflect a club's financial capacity, or does it risk cementing existing disparities?

A3) SCR is more realistic and concrete than the FER, as it directly targets the actual expenses clubs incur in building their squads. It considers key items that clubs often leverage strategically, for example by signing free agents to avoid high amortizations charges. In this sense, SCR provides a clearer and more accurate measure of squad costs. However, the rule strengthens existing disparities.

Elite clubs, with higher revenues, can still sustain considerable expenditures while formerly remaining within the targets, whereas smaller and mid-sized clubs are far more constrained. Therefore, SCR may increase the gap between top clubs and the rest of the system.

Alternative Regulatory Models (Salary Cap & Luxury Tax)

Q4) During your intervention at the conference "La *sostenibilità finanziaria delle società calcistiche"* held on March 20, 2025, at LUISS Campus, you suggested that a salary cap model inspired by U.S. sports league, would be a better alternative to the SCR for promoting financial sustainability and competitive balance in European football. Could you elaborate on this view in a comparative perspective?

A4) Absolutely, yes. The American model relies upon two aspects that differ from one league to another but broadly guarantee a more equal spread of resources. A fraction of the revenues stays with the clubs, and another part, particularly from larger markets, is redistributed by the league to smaller franchises. Along with the draft and the salary cap, this system provides an incessant economic equilibrium and very high level of competitive balance. Indeed, league championships tend to change from season to season, as the system is designate to recalibrate comparative equilibrium.

The salary cap rule is contractually agreed between players and club owners, ensuring that increase in revenues correspond directly to wage growth. Overall, player salaries never exceed around 50% of league revenues: about half goes to players, and the other half stays with the franchises. This has created a highly competitive entertainment model, completely different from Europe, which struggles under fragmented legal frameworks and a reluctance to adopt universal bounds. Even in high-revenue contexts such as the Premier League, excessive cost growth often leads to deficits and increasing debt levels.

Enforcement & Settlement Agreements

Q5) UEFA grants the Club Financial Control Body (CFCB) the authority to impose settlement agreements on non-compliance clubs. Do you believe instruments genuinely ensure financial discipline and long-term sustainability, or do they risk reducing their deterrent effect?

A5) UEFA cannot afford to definitively sanction or exclude its most important clubs and therefore adopts a constructive and pragmatic approach. This inevitably entails a high degree of discretion, which can create distortions, inequalities, and inconsistent application of rules. The logic behind this is evident: it is crucial that big clubs, which generate massive revenues are brough back in line, either

through fines, restrictions and progressive compliance path. Certainly, exclusions are avoided since would harm UEFA's own economic interests. This leads to the perception of inequality among fans and stakeholders as the penalties seem to change according to the economic weight of the implicated club. The case of Chelsea is illustrative: the liquidity injected by its ownership had a spill-over effect in many other European club markets. In its pragmatism, UEFA considers these system effects.
Essentially, flawed rules produce flawed outcomes. It is therefore unrealistic to expect significant improvements in transparency or proportionally in settlement agreements.

Divergences between Domestic Systems and UEFA FSR

Q6) The misalignment between domestic systems (e.g., the Premier League's PSR) and UEFA's FSR can generate regulatory arbitrage. What integrity and comparability of club financial data risks does this fragmentation present? How could the two systems be harmonized?

A6) Discretionary elements assessed by UEFA, such as related party sponsorships or capital gains from intra-group transfers, can lead to divergent situations that alienate fans, who are themselves crucial stakeholders investing money into the system. Greater transparency and standardized rules, applicable to all clubs both nationally and internationally are therefore necessary.
Serie A, for example, will use its own version of UEFA's Squad Cost Rule starting next season, but without linking it to licensing requirements. However, in lower divisions this has already become a problem, with some clubs being accepted into Lega Pro with point deductions and will likely not survive the season financially.
UEFA is trying to move to a more uniform set of measures, and Serie A is gradually aligning. In Spain, domestic financial controls are stricter, the system ties squad costs to revenues and stringent spending limits are applied per transfer window. While this ensures discipline, it also creates distortions. A club that struggles to register new signings because of these limits competes at a disadvantage against other clubs in deficit that can still register players and build a stronger team. This freezes weaker club in their difficulties, while other manage to reinforce themselves, contributing to an undermines of fair competition.
The challenge extends beyond Europe, as clubs from regions such as Saudi Arabia, MLS, or the Gulf have no such financial restrictions to contend with. This global asymmetry demonstrates the necessity of timely action to deliver themselves rules throughout Europe to allow for greater coherence and fairer competition.

Corrective Measures

Q7) What corrective measures do you believe are necessary to strengthen the effectiveness of FSR, in terms of financial sustainability?

A7) The goal cannot be limited to financial sustainability alone, but must embrace broader goal of competitive balance, as the two aspects are closely related. This requires more equitable sharing of revenue, stringent accounting regulations, and the introductions of an absolute salary cap with limited exceptions, potentially combined with a luxury tax system similar to the American model. In the absence of such reform, the efficacy of accounting controls is in danger of undermining, coupled with competitive differentiation widening.

Europe has different legal structures than the U.S., but this can be changed as the sports industry provides enough room for specific and modern regulation. UEFA has a clear focus, but it diverges from the approach taken by American leagues. Failing to recognize this risks damaging the European football system.

What is needed is a broader ecosystem in which not only 7-8 clubs with revenues above €500 million dominate, but 20-25 clubs can compete at a high level. Achieving this requires a medium – to long-term project based on innovative rules for the distribution of revenues; for example, by allocating greater resources to clubs participating in UEFA Europa League or UEFA Conference League, even if revenues, mainly come from the Champions League. Only by supporting new entrants the system can avoid becoming sterile, with the same winners year after year.

Interview with Marco Fazzini (I2)

FFP vs FSR

Q1) How do you evaluate the new UEFA FSR? To what extent does it represent progress compared to FFP, particularly in term of promoting financial sustainability and ensuring greater competitive balance?

A1) The new FSR is a big improvement over the former FFP. The formed had the merit of having introduced for the first time an economic-financial discipline in a sector that was substantially lacking it, but on the other hand it has also proved too easily permeable to opportunistic behavior. Rather, FSR adopts a more articulated approach, aiming to achieve a favorable relation between financial sustainability and competitive balance. The crucial point, however, does not lie in the drafting of the rules, but in its concrete application.

As with any regulation, FSR carries margins for incentives and opportunistic behaviors. For instance, FFP had led to inflated sponsorships or player exchanges at fictitious prices. The new FSR aims to

mitigate these grey areas by establishing more stringent criteria and advanced verification tools, but it remains impossible to eliminate them entirely. There are still sensitive areas, such as the valuation of player registrations, where an impairment can be postponed or reduced based on optimistic assumptions, or the duration of contracts, which in the past were often extended over very long periods to spread costs: today a five-year limit has been introduced, but the issue is not fully resolved. Some variables components of revenues, such as UEFA prize money or related part-sponsorships, can also blur the financial picture on a temporary basis.

With the implementation of the FSR, UEFA has introduced important corrective measures, such as the fair value requirements for sponsorships and player exchanges, with the option of relying on independent valuations, and limits on contract duration. These improvements do not entirely remove room for discretion, they significantly limit it, thereby enhancing the overall credibility and reliability of the regulatory system.

Stability Pillar - Football Earnings Rule (FER)

Q2) FER is based on three-years indicator that allow for acceptable deviations of up to €60 million, or €90 million if "financial health" criteria are met. From an account and regulatory perspective, how reliable is this measure, given the discretion involved in financial reporting such as player trading, amortization and reclassification?

A2) FER conceptually represents a valid indicator, as it aims to avoid financial imbalances at different levels of the structure while also embedding the idea that all deficits can only be covered through equity injections. In this lens, it has perfectly rational logic of accountability. The trouble, however, is on the accounting side. The areas of discretion are wide, and the indicator can give distortions in the short run by such features. Also, the simultaneous existence of disparate accounting standards in Europe (IFRS on the one hand and national standards on the other) has made comparability hard to overcome. FER is practical but fragile, and its effectiveness depends largely on UEFA's ability to implement reclassification standards and rigorous monitoring processes.

Cost Control Pillar – Squad Cost Rule (SCR)

Q3) SCR set an upper bound of relevant spending on player wages, amortizations, and agent fees at 70% of revenues. In your opinion, does it appropriately reflect a club's financial capacity, or does it risk cementing existing disparities?

A3) SCR has the great merit of simplicity, but its application raises few concerns that are sometimes overlooked. The first relates to the nature of the revenues benchmarked. Indeed, UEFA applies

corrections, such as averaging capital gains over three years, but there still are variable factors that come into play as they alter the denominator, like prize money from European competitions or sponsorships concentrated within a short period. As a result, the spending cap stipulated by the rule can vary greatly from one season to another, especially for smaller or less stable clubs that rely more heavily on non-recurring income.

The second issue is that the rule focuses solely on the quantity of spending, not the quality. However, two clubs might share the same 70% ratio and yet be in totally different conditions. For example, a club can have a young squad that retains value over time and the other with players at the end of their careers, with little or no residual value. The rule does not make distinction between these scenarios and therefore does not account for a club's ability to sustain its investments in the long term.

Lastly, there is the matter of competitive imbalance. Bigger clubs, with very high revenues, can spend enormous sums while still remining compliant, whereas smaller clubs are much more tightly fettered. The danger is, in this sense, is that the rule, though intended to strengthen financial sustainability, ultimately reinforces existing imbalances rather than diminishing them.

Enforcement & Settlement Agreements

Q4) UEFA grants the Club Financial Control Body (CFCB) the authority to impose settlement agreements on non-compliance clubs. Do you believe instruments genuinely ensure financial discipline and long-term sustainability, or do they risk reducing their deterrent effect?

A4) Settlement agreements represent an interesting instrument. From a financial perspective, the logic is clear: it favors an orderly return to sustainable parameters, avoiding shocks that could compromise business continuity or sporting competitiveness. In this sense, if strictly enforced and monitored, they can indeed contribute to medium-term financial discipline.

The risk, however, is that clubs perceive them as a form of private negotiation with UEFA, which would both dilute the deterrent aspect of the regulation. If it becomes too pliable, or repeatable, then it may create the notion that following this parameter is optional, thereby weakening the whole integrity of the system itself. Therefore, settlement agreements will only be effective if the CFCB is able to strike the right balance between two needs: on one side, ensuring toughness and credible sanctions and, on the flipside, providing accompanying tools that secure structural, not purely formal, sustainability.

Accounting Standards

Q5) There are few IFRS/IAS standards decisive for football clubs' financial statements, namely IAS 38 and IAS 36 on intangibles, IFRS on revenues, and IAS 24 on related-party transactions. Do you think that their application ensures a faithful representation of clubs' performance? And which do you consider the most critical for accounting manipulation?

A5) IFRS/IAS are robust accounting standards but there is a fair degree of discretion inherent in their application. For example, player registrations are subject to the recognition requirements of IAS 38 and the impairment provisions of IAS 36, though impairment testing involves assumptions which carry an element of subjectivity. An amortization schedule that is excessively favorable or an "unfair" impairment can create a picture of a club's financial performance and position that is stronger than it is, indirectly influencing perceptions of its financial sustainability. While IFRS 15 has brought clarity to revenue recognition, the fair value of various sponsorships, particularly those with related parties, remains a delicate issue. IAS 24 ensures formal transparency, but on its own this is not enough: substantive checks are needed to test real congruence.

I personally consider IAS 38 and IAS 36 to be the most important standards from an asset and liability perspective, but in terms of representation of financial performance IFRS 15 and IAS 24 are the most relevant issues. It is not dogmatically pitting the two against each other, but rather of recognizing that both pose risks of distortion, albeit in different ways. Therefore, more binding UEFA reclassification rules and stronger oversight remain necessary to ensure a faithful representation of clubs' performance.

Financial Reporting Comparability

Q6) In Europe, some clubs follow IFRS while other use national accounting standards, with consequences for the comparability between financial statements. Do you think UEFA's reclassification and standardization tools are sufficient to provide uniformity?

A6) The coexistence of club applying IFRS in Europe and other applying national accounting standards is a key issue regarding comparability and, therefore, the functioning of the rules. Theoretically, a few normalization tools have been introduced by UEFA itself to account for these factors (such as the needed reclassifications in regulatory templates, the standardized definitions of what constitutes relevant revenues and costs, and the guidelines that accompanying the FSR). This process translates the various accounting frameworks into a common language and mitigates existing asymmetries, at least partially. However, my impression is that these tools are merely not enough.

Still, there are differences in the accounting of some important elements; for example, whether to account multi-year revenues as an asset or how ancillary transfer costs should be treated, which can affect key indicators such as FER and SCR.

Despite UEFA has made important strides towards standardization, this is only partial and leaves gaps in the FSR that could prevent its full effectiveness. These would ideally be countered with a more mandatory, fine-grained model of reclassification, with truly homogenized templates and coordinated control. Only in this way can a real competitive balance exist, and real transparency be provided.

Corrective Measures

Q7) What corrective measures do you believe are necessary to strengthen the effectiveness of FSR, in terms of financial sustainability?

A7) At least, I would identify three measures to improve the reliability and effectiveness of the FSR. The first is for relates accounting standardization: templates should be uniformed and mandatory for presenting data, to reduce interpretative variance. The problem is that Europe has stalled in the process of harmonizing accounting rules, leaving open a babel of languages which is now almost anachronistic. The second regards the reinforcement of controls, not only ex post but also ex ante, by independent auditors chosen and certified directly by UEFA. Third, is the introduction of more frequent monitoring, maybe quarterly, where any variance or opportunistic behavior can be detected rapidly. The FSR has made progress, but it must be seen as an ongoing process: its credibility will ultimately depend on UEFA's capacity to adapt the regulations to changing behavior and apply them uniformly.

8. Summary

8.1 Introduction

The Covid-19 crisis exposed deep financially fragility in European football. Despite a decade of growth (UEFA reported a swing from €-1,6 billion in 2009 losses to profits by 2018)[150], the pandemic restrictions caused matchday, broadcasting and commercial revenues to collapse, whilst wages and transfer costs remained high, yielding cumulative losses on the order of €7 billion among top clubs since 2020[151]. Even by 2021/2022 the five biggest leagues still showed an aggregate operating loss (€-324m)[152], underlining the urgency of reform.

UEFA was forced to halt the old Financial Fair Play (FFP) break-even regime (2011-2021) and in 2022 introduced the Financial Sustainability Regulations (FSR) to protect "going concern" and tie cost growth to income. The new FSR directly builds on i) No overdue payables (solvency), ii) the Football Earnings Rule (FER, loss limits) and iii) the Squad Cost Rule (SCR, capping payroll and football related costs). In practice, clubs may lose up to €60m over a three-year cycle, so long as equity covers deficits, and cannot let squad-related expenses exceed a fixed share of football revenues[153].

This thesis analyses whether UEFA's FSR rules, especially FER and SCR translate into genuinely sustainable finance for clubs. In Particular, it examines Cheslea FC as a case study. The club, newly owned since 2022, engaged in massive transfers and unusually long contracts (spreading amortization), alongside large related-party transactions. These practices strained both FER and SCR, and in July 2025 UEFA imposed a €31m fine on the club (€20m for FER breach, €11m for SCR breach)[154]. The Chelsea case therefore demonstrates how formal compliance strategies could be stress-tested by the earnings-quality lens of FER and by the proportional cap incorporated in SCR.

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[150] UEFA. (2022, Apr 7). *Explainer: UEFA's new Financial Sustainability Regulations* https://it.uefa.com/news-media/news/0274-14da0ce4535d-fa5b130ae9b6-1000--explainer-uefa-s-new-financial-sustainability-regulations/

[151] Bellinazzo, M. (2022, February 4). *Report UEFA: 27 miliardi di premi ai club, il Covid impatta per 7 miliardi.* Il Sole 24 Ore https://marcobellinazzo.blog.ilsole24ore.com/2022/02/04/report-uefa-27-miliardi-premi-club-covid-impatta-7-miliardi/

[152] Deloitte. (2023, June 14). *European football market revenues rise by 7% to €29.5 billion in 2021/22 season* (Annual Review of Football Finance) https://www.deloitte.com/uk/en/about/press-room/deloitte-s-annual-review-of-football-finance-european-football-market-revenues-rise-by-7-to-29-5-billion-in-2021-22-season.html

[153] UEFA. (2024, June). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024).

[154] UEFA Club Financial Control Body. (2025). *Chelsea FC – Summary of Settlement Agreement (4-year), Sporting Disciplinary Measures*, p.4 https://editorial.uefa.com/resources/029b-1e280acc9f0c-a8b2ed192749-1000/chelsea_summary_version_4-year_sa_20250704173903.pdf

The study uses mixed methods: quantitative research using an online questionnaire (targeting Gen Z and Millennials, male-skewed), to gauge perceptions of FSR's fairness and effectiveness, and qualitative expert interviews (Marco Bellinazzo, sports-business journalist; Marco Fazzini, accounting professor) to interpret enforcement and accounting nuances. This combination allows to trace how the rules' legal design trave from legal text to financial behaviour, identifying where FER and SCR bind clubs and where discretion (e.g. in accounting and enforcement) may dilute their effect.

8.2 Literature Review

Financial sustainability refers to the firm's ability to operate over the long term while preserving financial health. In football, it amounts to matching recurring costs (wages, transfer, amortization, debt service) to underlying revenues, preventing structural deficits. The Brundtland definition "*meeting the needs of the present without compromising… future generations*"[155] can be applied to finance clubs should seek immediate viability (losses funded by equity/balance) without undermining future value. Prior research indicated that when firms embrace sustainability, they tend to perform better financially. Four necessary conditions for financial sustainability have been proposed: real-value growth above inflation, self-financing growth, positive net equity, and avoiding insolvency triggers[156].

Football clubs' unique finances depend on how international accounting rules treat players and revenues. Under IAS 38 (intangible assets), player registrations are capitalized as intangible assets at transfer fee plus costs and amortized over the contract term[157]. In addition, IAS 38 limits how clubs value player exchanges (player-swap deals), to prevent "artificial profits" from valuation manipulations[158]. Similarly, IAS 36 (impairment of assets) requires clubs to test players' carrying values for recoverability[159]. IFRS 15 governs revenue recognition: matchday, broadcast and sponsorship income are recognized as operating revenue over the period services are delivered, and loan fees are amortized over the loan period. Revenues from player sales are recorded separately

[155] World Commission on Environment and Development. (1987). *Our Common Future: Report of the World Commission on Environment and Development*. United Nations

[156] Günther, T., & Günther, E. (2017). Finanzielle Nachhaltigkeit – Messung, finanzielle Steuerung und Herausforderungen. In A. Hoffjan, T. Knauer, & A. Wöhrmann (Eds.), *Controlling – Konzeptionen, Instrumente, Anwendungen* (pp. 79–90). Schäffer-Poeschel.

[157] RS Foundation. (2021). *IAS 38 intangible assets*. In *International Financial Reporting Standards (IFRSs) – Part A: The conceptual framework and requirements*. IFRS Foundation. https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards/english/2021/issued/part-a/ias-38-intangible-assets.pdf

[158] IFRS Foundation. (2020). *Tentative agenda decision – Player transfer payments (IAS 38).* IFRS Foundation. https://www.ifrs.org/projects/completed-projects/2020/player-transfer-payments/tad-presentation-of-player-transfer-payments/

[159] PwC. (2024). *Accounting for typical transactions in the football industry – IFRS Accounting Standards guide*

(capital gains) and must exclude intercompany disposals. UEFA FSR's similarly disallow related-party sales from "propping up" a club's bottom line[160]. Lastly, IAS 24 mandates the disclosure of related-party deals (e.g. owner of sponsor transactions)[161]

To analyse clubs' core operation, researchers often reclassified financial statements into "managerial" or "reclassified" formats to examine core operations of companies. The income statement is restated to isolate operating profit (EBITDA, EBIT) from financing items (interests, dividends)[162]. The balance sheet is split between operating assets/liabilities (working capital, player registrations) and financing items (debt, equity). A reformulated cash-flow statement shows how cash is generated from operating versus investing (transfers, capex) and financing (loans, equity) under IAS 7[163].

On this basis, key ratios can then be derived to link financial data with UEFA's sustainability pillars. The DuPont system is instructive for the stability (FER) pillar, through the use of return on invested capital (ROIC). In football, volatile capital gains due to player trading can distort ROIC, so removing them often reveals a low profit margin on core activities. For cost control (SCR) ratios like wages-to-revenue ratio are important predictors of financial sustainability.

8.3 UEFA Club Licensing and Financial Sustainability Regulations: Context and Regulatory Overview

In 2004, UEFA first introduced a club licensing regime to impose minimum governance standards, but financial rules only became prominent with FFP from 2011 onward. At the heart of FFP was break-even requirement (BER): over any three-year monitoring period, a club's relevant expenses (wages, transfers, etc.) could not exceed its relevant income (operating revenue)[164]. The original goal was to limit losses that were unsustainable (over 50% of clubs were loss making in 2007) and level the playing field. FFP pushed many clubs towards sustainability, but it was riddled with loopholes:

[160] *Ibidem*
[161] IFRS Foundation. (2022). *IAS 24 related party disclosures*. International Accounting Standards Board. https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards/english/2022/issued/part-a/ias-24-related-party-disclosures.pdf
[162] Haller, A., & Schloßgangl, M. (2005). Shortcomings of performance reporting under IAS/IFRS: A conceptual and empirical study. *International Journal of Accounting, Auditing and Performance Evaluation, 2*(3), 222–234.
[163] IFRS Foundation. (2025). IAS 7: Statement of cash flows. In *International Financial Reporting Standards (IFRS) Consolidated.* pp. 7–8. https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards/english/2022/issued/part-a/ias-7-statement-of-cash-flows.pdf?bypass=on
[164] UEFA. (2018). *UEFA Club Licensing and Financial Fair Play Regulations (*Edition 2018*).* UEFA.

related-party sponsorships, creative player swaps and delayed amortization allowed top clubs to bend the rules (e.g. PSG's inflated sponsor deals)[165].

In 2022, UEFA introduced the FSR to replace FFP. FSR introduced forward-looking and quantitative limits, driven by the €7 billion pandemic shock. Its three pillars: solvency (no overdue payables), stability (FER) and cost control (SCR).

The Football Earnings Rule is a revamped break-even; losses are tracked over a rolling 3-year window, with a higher acceptable deviation allowance of €60 million (increased from €30 million under FFP). FER excludes ring-fenced long-term investments (such as, youth development, women's football, community programmes and infrastructure) and excludes profit/losses on disposals of tangible assets tightening the focus on football earnings. In addition, clubs meeting four "financial health" criteria (positive equity, healthy liquidity, low debt, going concern) get an additional limit of €10 million each year (up to €30 million).

The Squad Cost Rule limits team spending (player and head coaches wages, player amortization, agent fees and bonuses) eligible to 70% of football revenues; by tightening the envelope it seeks to suppress wage/transfer overhang and bring spending in line with recurring, verifiable income. Interim thresholds of 90%, 80% and then are applied in the first two seasons (2022/2023 and 2023/2024) before the steady-state 70% cap.

A major novelty compared to FFP is the compulsory Fair Market Value (FMV) test. Fair value assessments are applied both to player transfers (including swaps) and to related-party transactions; where consideration appears inflated, the Club Financial Control Body (CFCB)[166] can require restatement to the lower of the transaction price or the player's net book value (cost less accumulated amortization) neutralising artificial capital gains[167].

The new regime shifts enforcement from retrospective accounting to forward-looking compliance. FER enforces hard stop on deficits (coupled with equity backing). SCR forces clubs to align payrolls with income. In practice, however, enforcement remains complex: settlement agreements (deals with clubs in breach) can result in phased compliance but also introduce enforcement discretion. Moreover, since SCR is proportional to operating income, it inherently favours top clubs because smaller clubs fell the cap more tightly. Notably, the system still lacks an objective valuation model for players'

[165] Tariq Panja. (2019, July 24). *Paris St.-Germain Used Creative Accounting. UEFA Took Its Word for It.* The New York Times https://www.nytimes.com/2019/07/24/sports/psg-uefa-ffp.html

[166] The organ for the Administration of Justice in charge of determining whether licensors (national associations or their affiliated league) and licensee applicants/licensees (clubs) have fulfilled the financial sustainability requirements, and to decide on cases relating to club eligibility for the UEFA club competitions Source: UEFA https://www.uefa.com/running-competitions/integrity/club-financial-control-body/

[167] UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024). UEFA.

registration rights, leaving room for inflated capital gains and undermining the credibility of reported figures.

8.4 Financial Analysis & Financial Valuation of Chelsea FC – A Case Study Approach

All considerations in this section relate to FY 2022/23 and FY 2023/24, the first two seasons assessed under the new FSR, since 2022/2023 marked the first year of FSR in force.

Chelsea FC's recent financials highlight how the FSR pillars work. Following the 2022 takeover (£4,25 billion), the club was restructured under the BlueCo perimeter with a going-concern view supported by group funding. Chelsea's new owners took an aggressive and costly approach: over £1 billion on signings the first year[168].

Against this backdrop, the two associated party transactions had a significant impact on the accounts: the sales of two Stamford Bridge hotel (£76.3m) and Chelsea Women (£200m) to affiliated entities. These intra-group transactions triggered FMV and "substance over form" inquiries, since they changed the reported income without improving recurring football cash generation. Thus, the analysis restates the statutory statements and re-calibrates UEFA metrics under the criteria assessed by FSR[169].

Once exceptional items are removed, the swing from £89,8m loss (2022/23) to £129.6m profit (2023/24) is primarily driven by those one-offs[170]; after taking out £275m of exceptional profits, this leaves an underlying loss of £70m in 2023/23. In reformulated terms, operating revenue went down (-9%) due to failure to qualify for European competitions, and wages decreased from £404m to £338m (-16%) following the transfer of high earners.

The underlying financial statements used for this analysis are reported in Appendix 1 and Appendix 2.

Using these adjustments, the two-year FER result is - €191m. With an allowable deviation of €60m (€5m standard plus €55m equity cover), Chelsea breeched the limit by €131m[171]. At the same time, the study analyses the four "financial health" conditions. Despite equity was positive and the accounts were prepared on a going concern basis, the club failed the quick ratio (UEFA threshold ≥ 1) and sustainable debt ratio (UEFA threshold: net debt ≤ 3.0x avg relevant earnings, T & T-1;

[168] Bocconi Students Private Equity Club. (2022, June 22). *Private equity in the Premier League and the acquisition of Chelsea*. https://bspeclub.com/private-equity-in-the-premier-league-and-the-acquisition-of-chelsea/
[169] Reuters. (2025, July 4). *Chelsea given huge fine for breach of financial rules.* Reuters. https://www.reuters.com/sports/soccer/chelsea-given-huge-fine-breach-financial-rules-2025-07-04/
[170] Chelsea FC Holdings Limited. (2024). *Consolidated financial statements for the year ended 30 June 2024: Strategic report*, p. 1. Companies House.
[171] Deloitte. (2024). *Football Money League 2023-2024*. Deloitte Sports Business Group

stadium/training debt excluded)[172]. As a result, even had the cumulative deficit fallen within the €60m deviation, the club would have not qualified for the additional €10m per monitoring period allowance. The same rationale carries into the SCR, which ties squad costs to 70% of operating income. Therefore, in 2023/23 the squad cost ratio was 85% of revenues versus an 80% transitional cap (for the 2023/24 season)[173]; despite strong broadcast and commercial income the denominator failed to offset a still heavy wage and amortisation base. A complementary indicator, wages-to-revenue ratio, remained in the low-70s, which is well above the big six (Liverpool, Manchester City, Manchester United, Arsenal, Tottenham) median in the low-60s placing Chelsea near the top of the distribution[174]. This corroborates that spending discipline, even after headcount reductions, had not yet aligned to an FSR consistent envelope.

From a managerial perspective, the reclassified statements also highlight execution risk in working capital and returns. NWC is tight, cash conversion is driven by transfer receivables/payables and deferred income, so liquidity relies on group support. A DuPont read paints the same picture: thin operating margins once capital gains are removed, low asset turnover given the large player-asset base (amortisation drag) and limited scope to lever up with respect to FSR health checks. The practical priority that follows is to re-align recurring costs with recurring income and to tighten working-capital discipline (collections, transfer-cash timing, deferrals), rather than sporadic disposals or accounting relief.

One last link concerns the regulatory perimeter itself. Under the Premier League's Profit and Sustainability Regulations (PSR), FMV cleared intra-group sales can still support domestic compliance once validated[175]. In contrast, intra-group sales are deemed extraordinary gains under UEFA's FSR and FMV is re-benchmarked against independent comparable. The bottom line is that a club may appear PSR-compliant yet in FSR breach after UEFA's recalibration.

8.5 Research Method and Results

8.5.1 Quantitative Analysis

A 15-item online questionnaire was designed to measure European football fans' perceptions of the FSR and its financial effectiveness (see Appendix 3). It adopted a funnel structure: i) brief, neutral

[172] UEFA. (2024). *UEFA Club Licensing and Financial Sustainability Regulations* (Edition 2024). UEFA
[173] UEFA. (2023). *European Club Finance and Investment Landscape Report 2022/23*. https://ecfil.uefa.com/2023?utm
[174] Matchday Finance. (2024, May 18). *Chelsea financial results 2023/24*. Matchday Finance https://www.matchdayfinance.com/post/chelsea-financial-results-2023-24
[175] Premier League. (2024). *Premier League Handbook and Collateral 2024/25*, Section E, pp. 104–110.

context on FSR, ii) awareness and engagement checks, iii) judgements of fairness/effectiveness iv) perceived impacts of the FER and SCR v) attitudes toward alternative models.

Demographic data for UEFA 2024 showed a clear 18-44 skew, reflecting that the target segment was Generation Z (1997-2012) and Millennials (1981-1996)[176]. Accordingly, the survey focused on this group, with a sample mostly from Italy and respondents from other European countries (Germany, France, etc.).

The results show a mix of awareness and a more cautious disposition. Familiarity of the FSR was low; only 53% of respondents had previously heard of it, and just 8% felt "very familiar" with its stability (FER) and cost control (SCR) rules. This made the educational introduction necessary as most users entered the survey with limited knowledge. In terms of broad attitudes, fans broadly agreed on the principles of discipline: strict rations of penalties for breaches were rated as "extremely important" (mean = 3,99/5), and owners covering losses was rated "important" (median/mode=4), suggesting a normative preference for credible deterrence and hard budget constraints. However, when asked to compare FSR on the old FFP, they were divided as to whether FSR would actually be effective: just 32% agreed that FSR would be "more effective", while 30% said "about the same" and a sizeable 37% professed "I do not know/Not familiar with FFP". The phrase implies a bit of cautious optimism; it indicates that football fans hope for improvement but lack confidence in game-changing impact. Settlement agreements were treated similarly, with 52% saying that these were merely a "compromise" with a limited effect and only 34% saying they are a useful enforcement tool. The quantitative strands tell that informed supporters favour tough limits on net losses and squad costs, seek credible and impartial enforcement, favour post/prescriptive scrutiny but remain ambiguous about whether FSR can significantly restrain spending or level the playing field.

In terms of particular outcomes, respondents rated "reducing aggregate losses" as the FSR's biggest benefit. Only 13% saw increased "competitive balance" as the main gain, while 19% saw "no benefit", signalling lack of faith. In response to this scepticism, more than half of those surveyed (54%) said they would support a fixed league salary cap, like those in the US (vs 8% against, the rest "maybe"), indicating at least some willingness to back tougher reforms. Finally, when they were asked to rank the importance of FSR measures for the health of clubs (question 13), respondents saw the "severity of sanctions" as the most (mean = 3,99/5) while were concerned with both the Squad Cost Rule and owners covering deficits as important (means = 3,45 and 3,49). , whereas the legacy

[176] Audiense. (2024, June 11). How changes in the UEFA Euro audience are making space for new industry sponsorships. *Audiense*https://resources.audiense.com/en/blog/how-new-uefa-euro-audiences-are-making-space-for-new-sponsorship-deals

break-even (FER) threshold was seen as slightly less salient (mean = 3,36). The survey revealed that fans with a knowledge of the matter are accepting the need for financial rules and penalties, but they remain ambivalent about the effectiveness of FSR without additional measures.

8.5.2 Qualitative Analysis

To complement the survey, two semi-structured expert interviews were made: i) Marco Bellinazzo, a senior sports-business journalist and ii) Marco Fazzini, full professor of Business Administration (see Appendix 4).

The analysis was guided by a grounded-theory approach: transcripts were open-coded to identify common themes, then organized via axial coding into second order categories, and finally synthesized into a selective core narrating connecting rule design, enforcement practice and competition outcomes[177]. The interview guide consisted of common, high-level questions on issue such as FER vs old break-even assessment, SCR's impact and forward-looking controls; and tailored follow-ups: Bellinazzo discussed salary-cap ideas and the divergence between domestic and UEFA regulations, while Fazzini focused on IFRS accounting risks and disclosure gaps.

Key insights emerged. Both experts agreed that there is a big improvement from FFP to FSR that links sustainability with competitive balance. They highlighted several strengths: FER now permits a wider range of deductions and forces equity coverage of losses (making targets more realistic) with UEFA imposing strict monitoring over related-party income and player-transfer gains to prevent abuse. In Bellinazzo's view, "FER is a progress because it introduces a more realistic target…allowing a broader span of non-deductible costs and greater restriction on artificially inflating costs". SCR was praised for its clarity: as it limits actual player wages and player amortization, it gives a "stricter and clearer" measure of costs than using the old aggregate break-even. Interviewees further argued that the forward-looking nature of the FSR structure is more "modern and dynamic" than the ex-post FFP regime.

On the other hand, experts also found severe weaknesses. First, enforcement discretion is rampant: UEFA "adopts a constructive and pragmatic approach" most of the time, but this also means inconsistent penalties that privilege the economic strengths of some clubs over others. Settlement agreements, even if good for incremental compliance, can "dilute deterrence". Second, the lack of a salary cap, in addition to revenue sharing limits the FSR's ability to improve competitive balance. As

[177] A qualitative, end-to-end research methodology, where researchers collect and analyze data simultaneously and iteratively, using constant comparison to construct a theory from live data instead of hypotheses of existing theories. Source: Delve. (2021). *Grounded theory: A practical guide*. Delve https://delvetool.com/blog/groundedtheory

open code summarized, “FSR is an improvement over FFP, but loopholes remain, and the inexistence of a salary cap limits its impact”. Without a salary cap or a redistribution resource, the FSR will “generate healthier solvency without increase in competitive balance”. According to Fazzini accounting discretion is still a concern: different IFRS treatments and related-party rules can still be manipulated unless monitoring is very strict.

The qualitative findings corroborate the survey results: FSR and its pillars are necessary for financial sustainability, but not sufficient. Although the rules provide “more realistic targets” and “long-term view”, both interviewees stressed that remaining loopholes and the proportional nature of SCR could reinforce the gap between top clubs and smaller ones. They advocated broader reforms (e.g. caps or revenue sharing) to complement FSR if UEFA hopes to protect both solvency and competitive balance.

8.6 Discussion and Conclusions

The study investigates whether UEFA’s new FSR can provide financial sustainability for European clubs (rather than merely “re-describing statistics”). The mixed method evidence provides a nuanced verdict. On one hand, both questionnaire respondents and interviewees accept the discipline rationale: respondents supported reducing club deficits and curbing cost inflation, and interviewees agreed that FSR is a more clear, forward-looking regime than FFP. This is consistent with the objective of “securing stability and encouraging responsible spending” (as UEFA describes) of FER and SCR. On the other hand, there is a skepticism about real-world effectiveness. Survey data showed doubts about enforcement uniformity (many feared favouritism), and experts identified accounting flexibility and proportional caps as “fundamental constraints”. In short, all agreed that FSR is necessary but not sufficient: the rules are designed to harden budget constraints and enforce affordability but without strict enforcement and complementary measures (caps, sharing), competitive balance may not improve.

The Football Earnings Rule seems like an actual short-run guardrail practice. Interviewees observed that permitting equity to absorb losses and implementing tough FMV oversight would effectively compel clubs toward early adjustments. The Chelsea case shows this: UEFA’s FMV adjustments revealed deficits beyond the €60m limit. Literature confirms that recent reviews find FFP’s impact

on solvency as "mixed and limited"[178], justifying FER's tighter design. Thus, capping losses and requiring equity collateral is a "necessary, although not sufficient" condition for financial health.

The most radical innovation was introduced by the Squad Cost Rule. Respondents and experts appreciated its logic (it directly ties spending to being able to afford it). However, both sources observed asymmetry: SCR is a percentage rule, and it permits large clubs to sustain spending far higher than smaller clubs (the "powerful become more powerful"). In practice, this means that clubs may meet SCR but still widen the revenue gap. The case of Chelsea embodies this dynamic: on one hand, expensive and long-term contracts facilitated SCR fulfilment in 2022/2023 but these same obligations (and income uncertainty) pressured FER in subsequent reporting periods. The FSR therefore limits the summits of overspending but does not narrow the underlying inequality.

Two cross-cutting themes emerge. Ceiling on enforcement credibility: respondents expressed skepticism that sanctions would be uniformly imposed; experts described an evolving, growing "enforcement ladder" from soft settlements to stricter ones. Settlement agreements are more forward looking, but opportunism risks persist as FMV oversight tightens. Second, multi-level divergence matters: UEFA's new rules coexist uneasily with domestic regulations (e.g. Premier League's Profitability and Sustainability Rules). These overlapping regimes can create gaps or double constraints, making club planning difficult.

The findings underline the unavoidable link between financial sustainability and competitive balance. By design, FER caps losses, while SCR links spending to revenues. But "true" system sustainability depends on preserving on-field competition. Stabilizing finances must not "separate from the state of competition". Without redistributive mechanism or soft/hard caps[179], it entrenches the status quo of huge revenue disparities. In fact, most of the literature shows that FFP-style controls increased the profitability of clubs but left concentration measures unchanged. Notably, both survey respondents and interviewee Bellinazzo were open to learning from US-style salary-cap models (not as a copy, but as inspiration).

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[178] Martín-Magdalena, J., De Los Ríos-Sastre, S., Redondo, R., & Alaminos, D. (2024). Effectiveness of UEFA's regulation for European football financial management: A comprehensive systematic review and meta-analysis. *Heliyon, 10(20)*, e39151.

[179] In American leagues, payroll caps are based on revenues across the entire league rather than individual club revenue. The NFL enforces a hard cap and extreme penalties for violations, while the NBA has a soft cap and a luxury tax with progressively punitive restrictions above set thresholds.
Source: i) Rogers, J. (2025, March 7). Explaining the basics of NFL free agency, the salary cap and contract structures. *Detroit Football Network*. https://www.detroitfootball.net/p/explaining-the-basics-of-nfl-free
ii) NBA (2025, June 30). NBA salary cap for 2025–26 season set at $154.647 million. *NBA.com* https://www.nba.com/news/nba-salary-cap-set-2025-26-season

UEFA FSR's marks real progress toward financial sustainability by hardening budgetary restrictions and enforcing discipline on costs, but the impacts remain partial. FER and SCR improve financial stability but do not fully level the competitive balance. The upcoming monitoring period will be decisive: effective implementation of regulatory design will require tough and consistent enforcement, increased transparency and supplementary instruments such as caps or revenue sharing.

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