

Forum - Federacion Internationale De Football Association (FIFA):

Issue # 1: Measures to address the violation of Financial Fair Play Rules

(FFP) among UEFA clubs and its constituents

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Introduction

The UEFA Financial Fair Play Rules (FFP) is a set of financial regulations first introduced in the 2011-12 season to prevent professional European football clubs from spending more than they earn in the “pursuit of success”. According to UEFA, FFP was introduced to “improve the overall financial health of European Club football”. In recent years, FFP rules and their lack of enforcement have generated large controversy between both clubs and fans of the sport. Among fans, many argue that FFP rules benefit world football as they attempt to remove the presence of rich entities and unfair economic dominance in club football. However, other fans argue that they unfairly benefit famous/already established clubs as the rules enable them to spend significantly more than lower-tier teams. From the perspective of clubs, FFP can be seen as both beneficial or detrimental to European football. Over the past 5 years, various world-famous clubs have been accused or found guilty of FFP breaches. Not only does the controversy regarding FFP rules stem from their practicality, but maybe even more notably, their enforcement. Big leagues such as **La Liga** and its teams have been rather vocal regarding FIFA and UEFA's lack of reinforcement and punishment to clubs that violate the FFP rules. In this

committee, delegates will be addressing the violations of these rules, discussing their vitality, the repercussions of its breaches, and if they even should have a place in club football.

Definition of Key Terms

Key term #1: Transfers

In football, a transfer is the movement of a player from one club to another. A transfer usually involves a fee from the buying club to the selling club to receive a player. When a player's contract runs out, the player is free to negotiate a contract to play for another club without his previous club receiving a fee. This process is known as a free transfer.

Key term #2: UEFA

The Union of European Football Associations (UEFA) is the administrative body for football in Europe. UEFA organizes various competitions both at the club level and national team level. These competitions are the UEFA Champions League, The European Championship (Euros), The Europa League, and The UEFA Conference League.

Key term #3: Transfer Window

Transfer windows in football are a specific period of time when transfers between clubs can occur. There usually are two transfer windows per year, lasting about a month each. Transfer windows traditionally occur in January and in the summer months.

Key term #4: Agent

In Football, an agent is a person who represents a player and manages their career on and off the pitch. Agents negotiate contracts with clubs, transfer deals, and endorsements for players. Agents receive a piece of their player's earnings as compensation for their service. Most players have agents, but some players choose to negotiate their contracts without an agent.

Key term #5: Financial Doping:

Financial Doping in football is when a club receives a large amount of money from external sources such as wealthy owners or investors. This is a way of inflating a club's spending power beyond its means and it allows the club to spend more than they make. Clubs normally use these cash injections to spend more on transfers and wages than they would normally be able to. This creates an unfair playing field both on and off the pitch. Financial doping can also create long-term sustainability issues for clubs as they spend more than they produce.

Key term #6: Revenue

Revenue is the total amount of money a business or organization makes before taxes, expenses, and deductions are subtracted from the total revenue. In the case of football clubs revenue can come from various sources such as ticket sales, merchandise, sponsorship, and many others.

Key term #7: Net Income:

Net Income is the amount earned by a person, business, or organization after taking into account taxes, expenses, and deductions. Another word used for net income is profit.

Key Term #8: Assessment Period

According to FFP rules the assessment period for a club's finances is 3 years.

Key term #9: Solvency

Solvency is when a person, business, or organization has enough assets to cover its liabilities. When a person, business, or organization is insolvent, it can no longer meet its financial obligations without borrowing money or receiving external funding.

Key Term #10: Overdue Payables

Overdue payables are expenses that a business, organization, or person, has not paid by their due date. Simply, they are bills that have not been paid on time. This can cause issues in financial stability as they can get interest charges, and if

the debt is not paid the business, organization, or person has to default on their debt.

General Overview

UEFA's financial fair play rules are made so that football clubs spend within their means and do not accumulate unhealthy amounts of debt. Financial fair play regulations force clubs to balance their books and not spend more than they earn. The regulations were introduced in 2010 due to the number of football clubs in financial ruin because of overspending. Since their introduction, FFP policies have generated a lot of controversies. Many argue that these regulations are unfairly beneficial to big established clubs, and they hinder the ability of smaller clubs to compete with the larger established clubs in football. On the other hand, many argue that FFP rules are necessary as they ensure the survival of all European football clubs and ensure financial stability.

Major Parties Involved and Their Views

Major party #1: Aleksander Ceferin (HEAD of UEFA)

As the head of UEFA, Aleksander Ceferin actively tries to please the fans and the clubs. It is his job to ensure that European club football is respected by all (including all its constituents), and make sure they remain fair and profitable for UEFA. Ceferin arguably has the most difficult position when tackling this issue, as he likely wouldn't admit much wrongdoing by UEFA, however, would surely attempt to benefit European football in any way and ensure UEFA is seen as a suitable governing body.

Major party #2: Javier Tebas (President of La Liga)

La Liga is notoriously known for having much stricter FFP rules and regulations. On various occasions, La Liga and its constituents have called out UEFA for its loose FFP rules and its failure to enforce said rules. As the President of La Liga, Javier Tebas would actively fight for stricter enforcement of FFP and maybe even increase the regulations which clubs have to follow to mirror those already present in La Liga.

Major party #3: Ferran Soriano (Chief executive officer of Man City)

Manchester City is a world-famous Premier League club based in Manchester, England. Over the last 10 years, City has notoriously performed well both domestically and internationally in comparison to how it did earlier in its history. Although some attribute City's success to hard work, many fans and rival clubs speculate foul play. This is because its success came after the purchase of the club by Abu Dhabi United Group, a company estimated to have a 122 billion pound net worth. Since its purchase in 2008, City has spent around 1.44 billion British Pounds (now equivalent to 1.28 bn) on transfer purchases. At the same time, City has only recouped 400 million pounds in player sales. Ferran Soriano, the executive officer of the club has stated on multiple occasions that the accusations made against City are false and that they abide by FFP rules. As executive officer of the club, Soriano would defend City's reputation and likely be mindful that it is the target of multiple FFP breach accusations throughout the debate.

Major Party #4: Nasser Al-Khelaifi (Chairman of Paris St.Germain)

Paris ST. Germain (PSG) is a world-famous French football club owned by the multibillion-dollar Qatari company, Qatar Investment Authority. Similarly to Manchester City, PSG has been on the watchlist for FFP breaches and has previously been fined by UEFA for foul play regarding the FFP rules. As chairman

of the club, Al-Khelaifi holds an important position in ensuring the club's success, both football-wise and economically. In the debate, Al-Khelaifi would likely attempt to maintain a good image on PSG, whilst siding with clubs in a similar position to his.

Timeline of Events

May 27, 2009

UEFA announces the creation of FFP regulations, aiming to improve the financial stability of European football clubs.

May 2011

The FFP regulations officially come into effect for the 2011-2012 European football season.

May 2014

The first round of FFP sanctions is announced. Nine clubs, including Manchester City, PSG, and Galatasaray receive fines and squad restrictions for breach of FFP regulations.

September 2015

FFP regulations are updated to allow clubs to break even (abide by FFP) over three years rather than a single year.

November 2018

UEFA announces an investigation on Manchester City following allegations made by the German newspaper, Der Spiegel.

February 2020

Manchester City is found guilty of FFP breaches and is consequently banned from European competitions for two seasons and fined 30 million British pounds.

July 2020

Manchester City's ban from European competitions is controversially overturned, however, they uphold their 30 million pound fine.

April 2021

UEFA announces it is investigating FC Barcelona for breaches of FFP in the transfer market.

May 2021

FFP regulations are updated, with new regulations focusing on the transfer market. Clubs are now required to provide more detailed financial information to UEFA.

July 2021

Due to the inability to pay for his wages, Barcelona is forced to allow Messi to leave for PSG on a free transfer. PSG is unable to register him as a player due to FFP and is forced to make player transfers to oblige with FFP and register Messi for the season.

February 2023

Arguably the most controversial football news in the modern era, Manchester City is charged with breaching FFP over 100 times over nine years.

During that period, the club won the Premier League three times, along with several other competitions. Currently, Manchester City has denied any wrongdoing and a punishment for the club has yet to be established.

FIFA past action

The economic security of all European clubs has been of immense importance to UEFA, hence the creation of FFP regulations. To ensure these regulations are being followed, UEFA attempts to be as strict as possible with its punishments. When imposing any punishment on a club, UEFA first has a set of guidelines it refers to determine the extremity of the punishment needed. Some of the factors it refers to are the nature of the breach, the severity of the breach, past compliance with FFP, and the financial position of the club. When the severity of the punishment is decided, UEFA then tends to take action against clubs in three ways, economic fines, transfer bans, and bans from UEFA competitions. Although other punishments have been utilized, UEFA has used all three of the mentioned methods extensively, as they are the most common. Some examples are

- PSG - fined 60 million British pounds
- Zenit St. Petersburg - fined 12 million British pounds
- AC Milan - banned from European competitions for the 2019-20 season
- Fc Koln (also known as FC Cologne) - transfer banned for the next two transfer windows (January 2024, Summer 2024)

FIFA involvement, Relevant Resolutions, Treaties and Events

In order to ensure that clubs were operating not just sustainably but with their finances, FIFA introduced the Club Licensing and Financial Fair Play Regulations in 2012, inspired by the UEFA Financial Fair Play Regulations. In

subsequent monitoring practices to ensure their commitment to fair play, the association created the FIFA Financial Monitoring System (FMS) to supervise the financial activities of clubs and identify potential violations. Independent auditors are also employed to review the annual financial reports required by FIFA to ensure that clubs do not breach any of the aforementioned regulations. If clubs do not comply, then a number of penalties and sanctions have been imposed by the association as punishment, including fines, transfer bans, and exclusion from competitions. In 2014, FIFA also introduced new regulations for clubs to disclose information on their ownership structure and the identity of their beneficial owner to increase transparency in club finances. The Memorandum of Understanding with the European Commission was then signed by FIFA in 2015 in order to strengthen cooperation in sports governance, the enforcement of FFP regulations, and the general accountability of all parties involved to ensure their compliance with all instated regulations. Their most recent effort to improve the enforcement of FFP regulations was the recommendation issued in 2019 for the implementation of FFP regulations, including how to monitor club finances, assess financial risk, and detect irregularities in revenue and spending. These aimed to educate other associations on the enforcement of their regulations and improve consistency among these institutions. Ultimately, FIFA's involvement in the financial supervision of clubs worldwide only emphasizes its commitment to reducing the violation of FFP regulations and promoting a more sustainable and competitive football ecosystem that all stakeholders can enjoy.

Possible Solutions

Stricter Enforcement of Regulations

Although UEFA currently imposes penalties on the clubs that do not meet the FFP regulations, the ones currently in place may not be enough to deter clubs from continuing to breach them. The current consequences of FFP

rule-breaking are fines, exclusion from competitions, and transfer bans. Nevertheless, a penalty that would directly affect the club's performance in a tournament would be the application of point deductions. This would further incentivize clubs to follow FFP regulations so as to not lose their rankings and be penalized despite their performance in a tournament. Violations of FFP rules could also mean the exclusion of a club from competition for several seasons and incrementing the value of fines. That way, the offending teams would be deterred from simply bearing the fine because of the greater financial and reputational consequences associated with this regulation infringement.

Improved Transparency and Monitoring

Another way UEFA could decrease the violations of their Financial Fair Play regulations would be to invest in the systems used to detect financial irregularities and generally monitor club finances. For example, UEFA could require a yearly financial report on revenue streams, operating costs, and debt levels to ensure that the clubs are operating within the rules and regulations instated. The association could also increase the regularity of its audits to detect potential violations like spending more than the club's revenue to ensure its sustainability and making sure that they have disclosed all relevant financial information in the reports suggested above. In fact, the aforementioned reports could also be issued in a public reporting system available to other stakeholders to improve accountability and subsequent transparency in their compliance with FFP regulations.

Education and Awareness

More education and awareness could contribute to decreasing the violation of FFP rules as it would ensure that clubs, players, agents, and other stakeholders have a better understanding of what these regulations entail, and the consequences of violating them. When all parties understand the

importance of financial stability and the consequences of disobedience, they are more likely to adhere to the rules and act accordingly. UEFA might provide better education programs for clubs that include a broader variety of financial stability and sustainability concerns. Workshops, training sessions, and online resources could all be part of these programs to help clubs better grasp FIFA regulations and best practices for financial management.

Greater Revenue Sharing

UEFA could further improve the compliance of clubs to FFP regulations through the establishment of greater revenue sharing, which would reduce financial disparities between clubs and create a more sustainable and equitably competitive football ecosystem. Firstly, it would reduce the advantage that more financially powerful clubs could have over smaller clubs in regard to their financial resources and would thus make it more difficult to outspend their rivals. Greater revenue sharing would also discourage clubs from engaging in financial practices that risk their stability like increased player transfer funds and player wages when they can not afford it. Because the financial rewards for these practices would decrease, clubs would lose their incentive to partake in such risky financial maneuvers. It would even better the football ecosystem by ensuring that sufficient financial resources are accessible for all clubs to prevent them from filing for bankruptcy or selling their players in order to try and comply with their club's financial obligations. Lastly, arguably the greatest benefit of greater revenue sharing would increase the competitiveness of football tournaments because it would mitigate the financial disparities between the clubs, thus increasing the chances for smaller clubs to challenge more established teams for trophies. This would not only make a more equitable environment for UEFA, but it would also create a more engaging experience for other stakeholders like the media and fans.

Collaboration with National Football Associations

In collaboration with other national football associations, UEFA could establish a globalized and consistent approach to the monitoring of club finances and make sure that is both sustainable and equal amongst clubs. This creation of more uniform regulations would encompass both leagues and countries and would ensure that clubs do not exploit associations with weaker regulations by leveling the playing field. The collaboration could also allow for the dissemination of the best practices to ensure financial management and enforce FFP regulations. By having a collaborative point of contact with other leagues and associations, those who have been able to successfully enforce FFPs could share the strategies and techniques they used to improve the efficiency of the enforcement of these regulations across all competitive unions. Because national football associations tend to have a greater understanding of the finances of their respective clubs, UEFA could receive more detailed information on the financial activities of their clubs and detect the breaching of FFP regulations early on to increase the effectiveness of sanctions and penalties and thus increase accountability and compliance.

Completely changing the FFP system to mirror ones of other sports leagues (eg. the NBA): Insert solution overview

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Appendix

Source #1 :

- a. <https://www.sportsadda.com/football/features/financial-fair-play-uefa-football-explained>

The following source is a website written by “Sports Adda” which highlights the main rules/regulations of FFP among other information such as the general criticisms it has received.

Source #2

- a. <https://www.goal.com/en/amp/news/psg-among-eight-clubs-hit-with-ffp-sanctions-as-barca-chelsea-and-man-city-avoid-action-due-to-covid-exception/bltc63e292ff1d01fc8>

Above is an article by "Goal.com". Written in 2022, the article is an example of the media coverage that is created when clubs breach FFP regulations. The article specifically speaks on PSG (among other clubs), and the punishment they received for their FFP breach.

Source #3:

- a. <https://www.bbc.com/sport/football/51510284>

The BBC is a British public service broadcaster that covers many sports, including football. In this article titled, "Manchester City banned from European competition for two seasons by Uefa," they announce the punishment given to Manchester City for violation of the FFP rules. It describes in detail what they did to breach the regulations by stating their sponsorship revenue and the punishment imposed by UEFA.

Source #4:

- a. <https://www.telegraph.co.uk/sport/football/news/10766491/Uefas-Financial-Fair-Play-rules-explained.html>

The Telegraph is a newspaper that provides information on various topics, including sports. In their article, "Uefa's Financial Fair Play rules explained," they provide a thorough explanation of what the FFP rules entail, including its history and rationale behind the regulations. There is also information on how teams have been punished for violating them.

Source #5:

- a. <https://www.espn.com/soccer/paris-saint-germain--frapsg/story/473>

[6289/paris-saint-germain-fined-10m-by-uefa-for-financial-fair-play-overspending](https://www.espn.com/story/_/id/36289/paris-saint-germain-fined-10m-by-uefa-for-financial-fair-play-overspending)

ESPN is a United States-based news website that covers everything to do with sports. The article linked above, "PSG hit with UEFA FFP sanctions," examines Paris Saint-Germain's breach of FFP rules. The article discusses the charges brought against PSG and how violating the FFP regulations impacted their ability to compete in the UEFA champions league.