UEFA CLUB FINANCIAL CONTROL BODY

Adjudicatory Chamber

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DECISION

in case

AC-07/2015

LLC FOOTBALL CLUB DNIPRO

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Composition of the chamber:

- J. N. Cunha Rodrigues, Chairman
- L. Peila, Vice-chairman
- C. W. A. Timmermans, Vice-chairman
- C. Flint QC, Member
- A. Giersz, Member

Nyon, 10 December 2015
PART I – Introduction

1. On 12 November 2015, the Chief Investigator of the UEFA Club Financial Control Body (the “CFCB”) referred the case of LLC Football Club Dnipro (“Dnipro” or the “Club”) to the CFCB Adjudicatory Chamber.

2. In the present Decision, the CFCB Adjudicatory Chamber examines whether Dnipro breached Articles 65(1) and 66(1) of the UEFA Club Licensing and Financial Fair Play Regulations – Edition 2015 (the “CL&FFP Regulations”) as a result of having overdue payables towards other football clubs and in respect of employees as at 30 September 2015.

3. Unless otherwise stated, all figures referred to in this Decision have been rounded up or down (as the case may be) to the nearest thousand.

PART II – Reference by the CFCB Chief Investigator

4. The Football Federation of Ukraine (the “FFU”) submitted Dnipro’s completed monitoring documentation (comprising financial information as at 30 June 2015) in accordance with the 15 July 2015 deadline set by the UEFA Administration.

5. This monitoring documentation included self-declarations by Dnipro indicating that the Club had no overdue payables towards other football clubs, in respect of employees or towards social/tax authorities as at 30 June 2015.

6. In addition, this monitoring documentation indicated that:
   
   (a) payables totalling two million Euros (€2,000,000) towards other football clubs were in dispute; and
   
   (b) payables totalling four hundred and forty-eight thousand Euros (€448,000) in respect of employees were in dispute,

   as at 30 June 2015.

7. On 2 September 2015, the CFCB Investigatory Chamber met in order to assess Dnipro’s monitoring documentation. The CFCB Investigatory Chamber confirmed the position regarding the Club’s overdue payables as at 30 June 2015 (as referred to in Paragraph 5 of this Decision).

8. On 4 September 2015, in light of the significant amounts of disputed payables reported by the Club in its monitoring documentation, Dnipro was asked (in accordance with Articles 65(2), 66(2) and 66bis(2) of the CL&FFP Regulations) to submit updated monitoring documentation (comprising financial information as at 30 September 2015) in order to prove that the Club had no overdue payables towards other football clubs, in respect of employees and/or towards social/tax authorities as at 30 September 2015, such update to be submitted to the FFU (and, in turn, the UEFA Administration) by no later than 15 October 2015.

9. The FFU submitted Dnipro’s updated monitoring documentation (comprising financial information as at 30 September 2015) in accordance with the 15 October 2015 deadline set by the UEFA Administration.
10. This updated monitoring documentation included self-declarations by Dnipro indicating that it had overdue payables totalling one million, seven hundred and forty-two thousand Euros (€1,742,000) as at 30 September 2015, such total amount comprising:

(a) overdue payables towards other football clubs of eight hundred and forty thousand Euros (€840,000); and

(b) overdue payables in respect of employees of nine hundred and two thousand Euros (€902,000).

11. Dnipro confirmed that it accepted that it had these liabilities towards other football clubs and in respect of employees, however, it suggested that:

(a) with regard to the overdue payables towards other football clubs, these payments had been postponed by the Club’s bank due to the National Bank of Ukraine’s restrictions on the transfer of money abroad; and

(b) with regard to the overdue payables in respect of employees, its non-payment was due to the economic situation in Ukraine.

12. On 26 October 2015, the UEFA Administration offered Dnipro the opportunity to provide:

(a) evidence from the bank explaining the reasons for the delay in making overseas payments and/or confirming the status of the money transfer; and

(b) valid reasons for not making the payments in respect of employees by 30 September 2015.

13. On 3 November 2015, Dnipro submitted the correspondence that it had sent to its bank (i.e. an authorisation request to transfer money abroad) and to the FFU (i.e. a letter in which the club accepts that it has liabilities to its employees and other football clubs, explains that its bank would not transfer the relevant amounts to the other clubs and states that it will pay its employees as soon as it has the money).

14. On 5 November 2015, the CFCB Investigatory Chamber met in order to assess the overall overdue payables position of Dnipro.

15. The CFCB Chief Investigator decided that the Club had overdue payables totaling one million, seven hundred and forty-two thousand Euros (€1,742,000) as at 30 September 2015, such total amount comprising overdue payables towards other football clubs of eight hundred and forty thousand Euros (€840,000) and overdue payables in respect of employees of nine hundred and two thousand Euros (€902,000).

16. Based on the above findings, on 12 November 2015, the CFCB Chief Investigator decided to refer the case to the CFCB Adjudicatory Chamber in accordance with Article 14(1)(d) of the Procedural rules governing the UEFA Club Financial Control Body – Edition 2015 (the “Procedural Rules”) and suggested that the following disciplinary measures be imposed on Dnipro by the CFCB Adjudicatory Chamber in respect of the Club’s alleged breaches of Articles 65(1) and 66(1) of the CL&FFP Regulations:

(a) an exclusion from the next UEFA club competition for which Dnipro would otherwise qualify in a number of seasons to be determined by the CFCB Adjudicatory Chamber at its discretion, unless Dnipro is able to prove by 31 January 2016 that it has paid the amounts that were established by the CFCB Investigatory Chamber as being overdue payables as at 30 September 2015; and
(b) a fine, to be determined by the CFCB Adjudicatory Chamber at its discretion.

17. In addition, the CFCB Chief Investigator decided that all payments due to the Club from UEFA in respect of its participation in UEFA club competitions during the 2015/16 season would be withheld until further notice from the CFCB Adjudicatory Chamber, such conservatory measure having been taken by the CFCB Chief Investigator in accordance with Article 41 of the Procedural Rules.

PART III – Jurisdiction of and Procedure before the CFCB Adjudicatory Chamber

18. The jurisdiction of the CFCB Adjudicatory Chamber is derived from Article 19(1) of the Procedural Rules, which provides that the CFCB Adjudicatory Chamber has competence to decide on cases referred to it by the CFCB Chief Investigator.

19. On 16 November 2015, the CFCB Chairman informed Dnipro of the opening of the judgment stage in accordance with Article 19(3) of the Procedural Rules.

20. Pursuant to Article 20(1) of the Procedural Rules, the Club was invited to submit its written observations by no later than 23 November 2015.

21. The Club did not submit any observations.

22. The members of the CFCB Adjudicatory Chamber convened on 30 November 2015.

23. The members took note of the report presented by Mr. Umberto Lago, member of the CFCB Investigatory Chamber, acting as reporting investigator pursuant to Article 18(1) of the Procedural Rules.

24. The quorum of judges required by Article 25(1) of the Procedural Rules being attained, the members of the CFCB Adjudicatory Chamber conducted its confidential deliberations in accordance with Article 24(1) of the Procedural Rules.

PART IV – Applicable Rules and Regulations

25. The case concerns alleged contraventions of the CL&FFP Regulations.

26. The CL&FFP Regulations establish a club licensing system for UEFA club competitions and are (inter alia) intended to achieve the objectives set out in Article 2 of the CL&FFP Regulations:

   “1 These regulations aim:

   a) to further promote and continuously improve the standard of all aspects of football in Europe and to give continued priority to the training and care of young players in every club;

   b) to ensure that clubs have an adequate level of management and organisation;

   c) to adapt clubs’ sporting infrastructure to provide players, spectators and media representatives with suitable, well-equipped and safe facilities;

   d) to protect the integrity and smooth running of the UEFA club competitions;
e) to allow the development of benchmarking for clubs in financial, sporting, legal, personnel, administrative and infrastructure-related criteria throughout Europe.

2 Furthermore, they aim to achieve financial fair play in UEFA club competitions and in particular:

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

b) to place the necessary importance on the protection of creditors and to ensure that clubs settle their liabilities with employees, social/tax authorities and other clubs punctually;

c) to introduce more discipline and rationality in club football finances;

d) to encourage clubs to operate on the basis of their own revenues;

e) to encourage responsible spending for the long-term benefit of football;

f) to protect the long-term viability and sustainability of European club football.”

27. Article 65 of the CL&FFP Regulations is worded as follows:

“1 As at 30 June and as at 30 September of the year in which the UEFA club competitions commence, the licensee must not have any overdue payables (as specified in Annex VIII) towards other football clubs as a result of transfers undertaken up to 30 June and up to 30 September respectively.

2 Every licensee must prove that it has no overdue payables as at 30 June. If a licensee has overdue payables as at 30 June of the year in which the UEFA club competitions commence or if otherwise requested by the UEFA Club Financial Control Body, then it must also prove that it has no overdue payables as at the 30 September.

3 Payables are those amounts due to football clubs as a result of transfer activities, including training compensation and solidarity contributions as defined in the FIFA Regulations on the Status and Transfer of Players, as well as any amount due upon fulfilment of certain conditions.

4 By the deadline and in the form communicated by the UEFA administration, the licensee must prepare and submit the transfers information, even if there have been no transfers/loans during the relevant period.

5 The licensee must disclose:

a) all new player registrations (including loans) in the 12 month period up to 30 June/30 September, irrespective of whether there is an amount outstanding to be paid at 30 June/30 September;

b) all transfers for which an amount is outstanding to be paid at 30 June/30 September, irrespective of whether they were undertaken in the 12 month period up to 30 June/30 September or before; and
c) all transfers subject to a claim pending before the competent authority under national law or proceedings pending before a national or international football authority or relevant arbitration tribunal, as at 30 June/30 September.

6 The transfers information must contain the following as a minimum (in respect of each player transfer, including loans):

a) Player (identification by name);

b) Date of the transfer/loan agreement;

c) Name of the football club that formerly held the registration;

d) Transfer (or loan) fee paid and/or payable (including training compensation and solidarity contributions) even if payment has not been requested by the creditor;

e) Other direct costs of acquiring the registration paid and/or payable;

f) Amount settled and payment date;

g) Balance payable as at 30 June/30 September in respect of each player transfer including the due date(s) for each unpaid element;

h) Conditional amounts (contingent liabilities) not yet recognised in the balance sheet as at 30 June/30 September; and

i) Amounts subject to any claim/proceedings pending.

7 The licensee must reconcile the total liability as per the transfers information to the figure in the financial statements balance sheet for ‘Accounts payable relating to player transfers’ (if applicable) or to underlying accounting records.

8 The transfers information must be approved by management and this must be evidenced by way of a brief statement and signature on behalf of the executive body of the licensee.”

28. Article 66 of the CL&FFP Regulations is worded as follows:

“1 As at 30 June and as at 30 September of the year in which the UEFA club competitions commence, the licensee must not have any overdue payables (as specified in Annex VIII) in respect of its employees (as defined in paragraphs 2 and 3 of Article 50).

2 Every licensee must prove that it has no overdue payables as at 30 June. If the licensee has overdue payables as at 30 June of the year in which the UEFA club competitions commence or if otherwise requested by the UEFA Club Financial Control Body, then it must also prove that it has no overdue payables as at 30 September.

3 By the deadline and in the form communicated by the UEFA administration, the licensee must prepare and submit a declaration confirming the absence or existence of overdue payables in respect of employees.

4 The licensee must disclose:
a) all employees for which an amount is outstanding to be paid as at 30 June/30 September; and

b) all employees in respect of which there is a claim pending before the competent authority under national law or proceedings pending before a national or international football authority or relevant arbitration tribunal as at 30 June/30 September.

5 The following information must be given, as a minimum, in respect of each overdue payable towards employees, together with an explanatory comment:

a) Name of the employee;

b) Position/function of the employee;

c) Start date;

d) End date (if applicable);

e) Balance overdue as at 30 June/30 September, including the due date for each overdue element; and

f) Amounts subject to any claim/proceedings pending.

6 The declaration must be approved by management and this must be evidenced by way of a brief statement and signature on behalf of the executive body of the licensee.”

29. Article 72 of the CL&FFP Regulations reads that:

“1 The UEFA Club Financial Control Body at all times bears in mind the overall objectives of these regulations, in particular to defeat any attempt to circumvent these objectives.

2 Any breach of these regulations may be dealt with by UEFA in accordance with the Procedural rules governing the UEFA Club Financial Control Body.”

30. Annex VIII of the CL&FFP Regulations defines the notion of “overdue payables” as follows:

“1. Payables are considered as overdue if they are not paid according to the agreed terms.

2. Payables are not considered as overdue, within the meaning of these regulations, if the licence applicant/licensee (i.e. debtor club) is able to prove by 31 March (in respect of Articles 49, 50 and 50bis) and by 30 June and 30 September (in respect of Articles 65, 66 and 66bis) respectively that:
   a) it has paid the relevant amount in full; or

   b) it has concluded an agreement which has been accepted in writing by the creditor to extend the deadline for payment beyond the applicable deadline (note: the fact that a creditor may not have requested payment of an amount does not constitute an extension of the deadline); or
c) it has brought a legal claim which has been deemed admissible by the competent authority under national law or has opened proceedings with the national or international football authorities or relevant arbitration tribunal contesting liability in relation to the overdue payables; however, if the decision making bodies (licensor and/or UEFA Club Financial Control Body) consider that such claim has been brought or such proceedings have been opened for the sole purpose of avoiding the applicable deadlines set out in these regulations (i.e. in order to buy time), the relevant amount will still be considered as an overdue payable; or

d) it has contested to the competent authority under national law, the national or international football authorities or the relevant arbitration tribunal, a claim which has been brought or proceedings which have been opened against it by a creditor in respect of overdue payables and is able to demonstrate to the reasonable satisfaction of the relevant decision-making bodies (licensor and/or UEFA Club Financial Control Body) that it has established reasons for contesting the claim or proceedings which have been opened; however, if the decision-making bodies (licensor and/or UEFA Club Financial Control Body) consider the reasons for contesting the claim or proceedings which have been opened as manifestly unfounded the amount will still be considered as an overdue payable; or

e) it is able to demonstrate to the reasonable satisfaction of the relevant decision making bodies (licensor and/or UEFA Club Financial Control Body) that it has taken all reasonable measures to identify and pay the creditor club(s) in respect of training compensation and solidarity contributions."

31. Part (e) of Annex XI of the CL&FFP Regulations states that:

“As part of its considerations, the UEFA Club Financial Control Body may also take into account extraordinary events or circumstances beyond the control of the club which are considered as a case of force majeure.”

32. Under Article 27 of the Procedural Rules:

“The adjudicatory chamber may take the following final decisions:

a) to dismiss the case; or

b) to accept or reject the club’s admission to the UEFA club competition in question; or

c) to impose disciplinary measures in accordance with the present rules; or

d) to uphold, reject, or modify a decision of the CFCB chief investigator.”

33. Under Article 28 of the Procedural Rules:

“The adjudicatory chamber determines the type and extent of the disciplinary measures to be imposed according to the circumstances of the case.”

34. Article 29(1) of the Procedural Rules provides the following scale of disciplinary measures that may be imposed on a club (being a defendant who is not an individual):

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

35. According to Article 29(3) of the Procedural Rules, such disciplinary measures may be combined.

PART V – Factual and Legal Appreciation by the CFCB Adjudicatory Chamber

36. Having examined the evidence, in particular the findings of the CFCB Investigatory Chamber, the CFCB Adjudicatory Chamber determines that Dnipro breached Articles 65(1) and 66(1) of the CL&FFP Regulations because it had overdue payables totalling one million, seven hundred and forty-two thousand Euros (€1,742,000) towards other football clubs and in respect of employees as at 30 September 2015 (as described in Paragraph 15 of this Decision).

37. With regard to the amounts identified as being overdue payables towards other football clubs as at 30 September 2015, the Club claims that it did not pay these amounts because its bank would not make the payments due to the National Bank of Ukraine’s restrictions on the transfer of money abroad.

38. Under part (e) of Annex XI of the CL&FFP Regulations, the CFCB Adjudicatory Chamber is entitled to “take into account extraordinary events or circumstances beyond the control of the club which are considered as a case of force majeure”.

39. Besides, this is not the first time that the CFCB Adjudicatory Chamber has considered the application of the principle of force majeure in a case involving Dnipro’s breach of the overdue payables requirements in the CL&FFP Regulations. In its decision in case CFCB AC-02/2014 dated 7 July 2014, the CFCB Adjudicatory Chamber accepted the Club’s evidence that its bank had been unable to make overseas currency transfers. Accordingly, on that occasion, the Club’s breach of the CL&FFP Regulations was confirmed, but such breach was declared fully attributable to a force majeure event and no disciplinary measures were imposed.

40. Indeed, in Paragraphs 45 to 47 of its decision in the 2014 case, the CFCB Adjudicatory Chamber stressed that:
“In this regard, the CFCB Adjudicatory Chamber stresses that according to CAS, force majeure “implies an objective, rather than a personal, impediment, beyond the control of the “obliged party”, that is unforeseeable, that cannot be resisted, and that renders the performance of the obligation impossible. In addition, the conditions for the occurrence of force majeure are to be narrowly interpreted, since force majeure introduces an exception to the binding force of an obligation” (CAS 2006/A/1110 PAOK FC v. UEFA, paragraph 41).

Further, as CAS has also stated, “the mere reference to a general situation of troubles in a concrete place is not enough to justify a breach on the basis of exceptional circumstances as the force majeure. The party asking for its application shall duly identify and accredit which specific and precise fact prevented it to perform a certain activity. And in this case, the IFA has not alleged any concrete fact occurred in a concrete moment that prevented it from making the transfer of the appeal fee to FIFA within the time limits prescribed in the FIFA Disciplinary Code” (CAS 2008/A/1621 Iraqi Football Association v. FIFA & Qatar Football Association, paragraph 62).

The benchmark for successfully asserting a force majeure defence to a breach of the CL&FFP Regulations is therefore a high one and the burden is on the club to provide specific evidence of the impact of the relevant event(s) and/or circumstance(s) on its performance of the relevant obligation(s).”

41. In the present case, the Club raises the same arguments and presents similar evidence as it did in 2014 with regard to overseas payments. However, there is an obvious flaw in this line of argument. Almost eighteen months have now passed since the first case was considered by the Adjudicatory Chamber. The Club’s problems with its bank cannot reasonably be said to have been unforeseeable.

42. It must also be noted that the situation in Ukraine in 2014 was not the same as it is today. At that time, the national crisis had just started and of course the outbreak of hostilities created significant problems. In 2015, the situation has evolved and appears to be different.

43. Further, in such a long time period, it could reasonably be expected that the Club could have found an alternative means of making overseas payments or another way around the problem. At the very least, the Club could have refrained from putting itself in a position where it undertook new commitments in full knowledge that it would have difficulties making good on its financial obligations. If the Club is to be believed and the currency transfer restrictions are indeed prohibitive, it is particularly worrying that the Club still conducted overseas transfers in 2015 in full knowledge that it would struggle to pay the selling clubs.

44. In addition, looking at the information received from the Club, it seems that some overseas payments must have been made in the last eighteen months (since various overseas transfers took place during this period and not all of them resulted in overdue payables – as can be seen in the Club’s monitoring documentation), which again casts doubt on the Club’s issues with its bank.

45. Applying the CFCB Adjudicatory Chamber’s own case law, it is clear that force majeure is a strict concept and it must be established that there is an impossibility which is beyond the control of the Club. Such an impossibility has not been established by the Club in the present case.

46. With regard to the amounts identified as being overdue payables in respect of employees, the Club simply admits that it does not have the money to make the
payments and refers generally to economic problems in Ukraine. In this regard, not only would such arguments not satisfy the strict requirements of a force majeure defence, but it must also be stressed that it is an established principle that a club’s lack of financial means cannot be used as a justification for breaching the CL&FFP Regulations (see in this regard CAS 2006/A/110, PAOK FC v. UEFA, paragraph 43).

47. In light of the foregoing, there is nothing in the evidence submitted by the Club to mitigate its breaches of the CL&FFP Regulations. Accordingly, the CFCB Adjudicatory Chamber determines that Dnipro breached Articles 65(1) and 66(1) of the CL&FFP Regulations.

PART VI – Disciplinary Measures

48. In cases such as this, it is particularly important to underline the objectives of the CL&FFP Regulations which include, \textit{inter alia}, the protection of creditors by ensuring that clubs settle their liabilities punctually and, thus, the protection of the long-term viability and sustainability of European football (in this regard, see CAS 2013/A/3453 FC Petrolul Ploiesti v. UEFA, paragraph 79).

49. Articles 65 and 66 of the CL&FFP Regulations play a key role in this respect and any disciplinary measure imposed on a club which has breached these Articles must serve as a sufficient deterrent to discourage other clubs from doing the same.

50. The disciplinary measures imposed must also be fair to those clubs who participate in UEFA competitions in full compliance with the CL&FFP Regulations.

51. In the present case, there is significant evidence of the Club failing to pay its creditors on time.

52. Having due regard to the circumstances of the present case, the CFCB Adjudicatory Chamber considers that an exclusion from the next UEFA club competition for which the Club would qualify in the next three (3) seasons (i.e. the 2016/17, 2017/18 and 2018/2019 seasons) and a fine of one hundred thousand Euros (€100,000) are required in order to serve as an adequate deterrent.

53. At the same time, in order to give Dnipro a chance to achieve financial stability, the exclusion from UEFA club competitions will be lifted if the Club is able to prove by 31 January 2016 that it has paid the amounts that were identified as overdue payables as at 30 September 2015 (i.e. one million, seven hundred and forty-two thousand Euros (€1,742,000)).

54. The conservatory measure imposed by the CFCB Investigatory Chamber (as referred to in Paragraph 17 of this Decision) will no longer be in force upon payment of the fine referred to in Paragraph 52 of this Decision.

55. In addition, costs of three thousand Euros (€3,000) are required to be paid by Dnipro, in accordance with Article 32(2) of the Procedural Rules.

56. For the avoidance of doubt, the intention is that the exclusion imposed in this Decision should only apply to the UEFA Champions League and the UEFA Europa League.

PART VII – Operative part

57. The CFCB Adjudicatory Chamber hereby decides:

1. Dnipro has breached Articles 65(1) and 66(1) of the CL&FFP Regulations.
2. To exclude Dnipro from participating in the next UEFA club competition for which it would otherwise qualify in the next three (3) seasons (i.e. the 2016/17, 2017/18 and 2018/19 seasons), unless the Club is able to prove by 31 January 2016 that it has paid the amounts that were identified as overdue payables as at 30 September 2015 (i.e. one million seven hundred and forty-two thousand Euros (€1,742,000)).

3. To impose a fine of one hundred thousand Euros (€100,000) on Dnipro.

4. The conservatory measure imposed by the CFCB Investigatory Chamber (as referred to in Paragraph 17 of this Decision) will no longer be in force upon payment of the fine referred to in Paragraph 3 of this Operative part.

5. Dnipro is to pay three thousand Euros (€3,000) towards the costs of these proceedings.

6. The fine and costs of proceedings must be paid into the bank account indicated below within thirty (30) days of communication of this Decision to Dnipro.

7. This Decision is final and shall be notified to:
   a) Dnipro;
   b) the FFU;
   c) the CFCB Investigatory Chamber; and
   d) the UEFA Administration.

58. This Decision may be appealed in writing before the CAS in accordance with Article 34(2) of the Procedural Rules and Articles 62 and 63 of the UEFA Statutes. According to Article 62(3) of the UEFA Statutes, the time limit for an appeal to CAS is ten days from the receipt of this Decision.

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J. N. Cunha Rodrigues
CFCB Chairman

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