

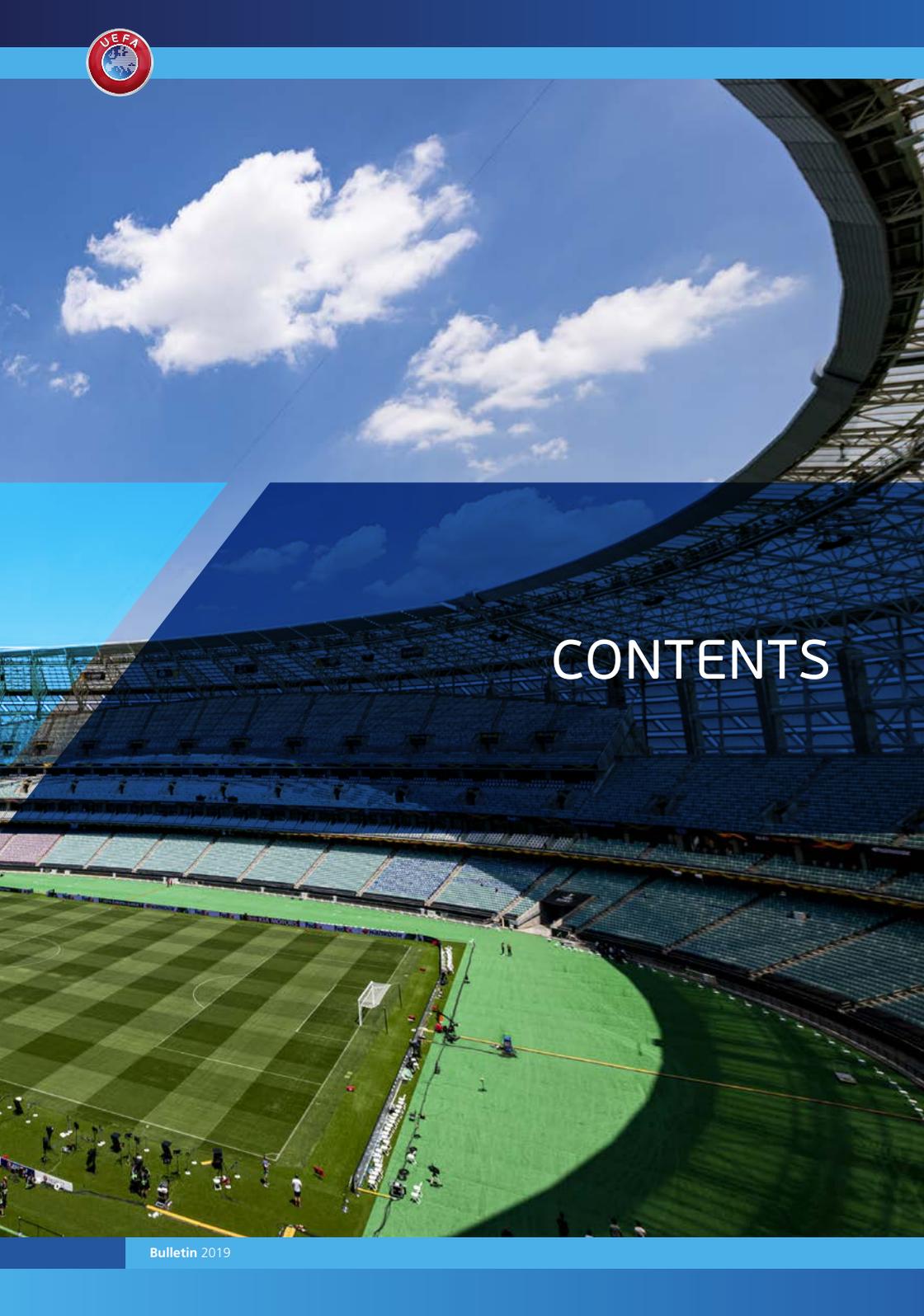


UEFA CLUB LICENSING AND FINANCIAL FAIR PLAY

Bulletin 2019

COMPLIANCE AND INVESTIGATION
ACTIVITY REPORT 2017-19

WE CARE ABOUT FOOTBALL

An aerial, high-angle photograph of a large, modern stadium. The stadium is mostly empty, with rows of blue and green seats visible. The pitch is a vibrant green, and a goal is visible on the left side. The sky is bright blue with scattered white clouds. The stadium's roof structure is a complex network of steel beams and supports, curving over the seating area. The overall scene is bright and clear, suggesting a sunny day.

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INTRODUCTION

Club licensing and financial fair play remains one of UEFA's most ambitious and successful governance projects. The latest review of the UEFA Club Licensing and Financial Fair Play Regulations ("CL&FFP Regulations"), which culminated in the adoption of their 2018 edition by the UEFA Executive Committee in May 2018, further strengthened the club licensing criteria and financial fair play requirements in place in European club football, in order to continue to raise standards and promote sustainable long-term growth, financial stability and transparency.

Over the last two seasons (i.e. 2017/18 and 2018/19), the investigatory chamber of the UEFA Club Financial Control Body ("CFCB") has continued to play a key part in the application of the UEFA club licensing system across all 55 UEFA member associations. For the first time, the CFCB investigatory chamber decided to conclude settlement agreements with certain licensors, putting them on a probationary period ("settlement regime") and requiring them to fulfil specific obligations in order to ensure compliance with the licensing processes (see Section 3.1).

Following the entry into force of the 2018 edition of the CL&FFP Regulations, the CFCB investigatory chamber has been competent (instead of the UEFA administration) to decide on exceptions to the three-year rule, one of the foundations of the club licensing system. During the 2018/19 season, the chamber reviewed and decided on such requests from 10 clubs (see Section 3.2).

Since the publication of the previous compliance and investigation activity report (the 2017 bulletin), the CFCB investigatory chamber has kept playing a fundamental role in the monitoring of financial fair play ("FFP") requirements. Overdue payables monitored over the last two seasons (2017/18 and 2018/19) continued to decrease significantly, achieving their lowest level since the introduction of these requirements in 2011 (see Section 3.4).

With regard to the break-even requirement, the main pillar of financial fair play, this bulletin provides an overview of the clubs monitored and details of the positive trends observed in terms of break-even results. Between July 2017 and June 2019, the CFCB investigatory chamber concluded five new settlement agreements with clubs; another eight clubs successfully exited the settlement regime in the same period (see Section 3.5 and 3.6).

Finally, this bulletin provides detailed information on the FFP compliance audits conducted in the framework of the CL&FFP Regulations over the last two seasons, during which time 11 clubs were subject to detailed on-site verification of the monitoring information submitted to the CFCB investigatory chamber. Further explanations are provided with regard to the fair value assessment performed on sponsorship transactions with related parties as well the overall principles underlying those assessments (see Section 3.3).

We hope that this fifth UEFA club licensing and financial fair play bulletin provides useful insights into the compliance and monitoring of the last two seasons (2017/18 and 2018/19) and further contributes to the drive for increased transparency in European club football.

Pablo Rodriguez

*Head of Financial Monitoring
& Compliance*



THE CFCB INVESTIGATORY CHAMBER



2.1

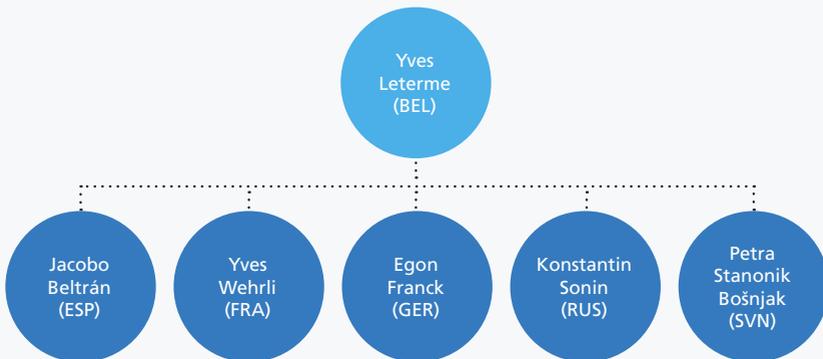
Updated composition of the CFCB investigatory chamber

Since the publication of the 2017 bulletin, the CFCB investigatory chamber has undergone the following changes:

- the UEFA Executive Committee elected one new member in May 2018: Mrs Petra Stanonik Bošnjak (SVN). She has been a high court judge at the Administrative Court of the Republic of Slovenia since 2007;
- Damien Neven (BEL) and Petros Mavroidis (GRE) resigned in May 2019 and September 2019 respectively, after having served the CFCB investigatory chamber since 2016 and 2012 respectively; and
- Rick Parry (ENG), who had been elected to the CFCB investigatory chamber in 2016, had to resign in October 2019 following his appointment as chairman of the English Football League.

As a result, in November 2019, the CFCB investigatory chamber, led by the CFCB chief investigator, Yves Leterme, comprised the following six members:

Latest composition of the CFCB investigatory chamber



2.2

Procedural rules governing the CFCB (2019 edition)

At its meeting in Baku on 29 May 2019, the UEFA Executive Committee approved a few amendments to the Procedural rules governing the UEFA Club Financial Control Body ("CFCB procedural rules"), for entry into force on 1 June 2019.

In order to reflect the evolving practices of the CFCB and recent jurisprudence from the Court of Arbitration for Sport ("CAS"), amendments were adopted in relation to the main following matters:

- the scope of the elements that can be included in settlement agreements;
- the deadlines applicable to the CFCB chairman and the CFCB adjudicatory chamber for reviewing decisions of the CFCB chief investigator;
- clarifications around the timing of the publication of CFCB decisions; and
- the definition of the relevant reference date in case of appeals before CAS.





The background of the page is a nighttime photograph of the Hajimuradov Sports Complex stadium in Baku, Azerbaijan. The stadium's roof is illuminated with blue lights, and the ground is filled with people. A large, semi-transparent blue diagonal graphic is overlaid on the image, serving as a background for the title text.

THE WORK OF THE CFCB INVESTIGATORY CHAMBER IN 2017-19

3.1

Ensuring compliance with the club licensing system

3.1.1 Overview of club licensing compliance audits

Since the creation of the CFCB, the CFCB investigatory chamber has continued to oversee the correct application of the UEFA club licensing system across all 55 UEFA member associations.

During the 2017/18 and 2018/19 seasons, the following 15 licensors were subject to in-depth compliance assessments, including on-site compliance audits performed by independent auditors from Deloitte and PwC, aimed at ensuring that the licensing processes applied by the selected licensors were in compliance with the applicable CL&FFP Regulations.

Licensors assessed in 2017/18



Football Association of Albania (ALB)



Football Federation of Armenia (ARM)



Belarus Football Federation (BLR)



Danish Football Association (DEN)



French Football Federation (FRA)



Kazakhstan Football Federation (KAZ)



Scottish Football Association (SCO)



Football Association of Serbia (SRB)



Swiss Football League (SUI)

Licensors assessed in 2018/19



Austrian Football League (AUT)



Royal Spanish Football Federation (ESP)



Estonian Football Association (EST)



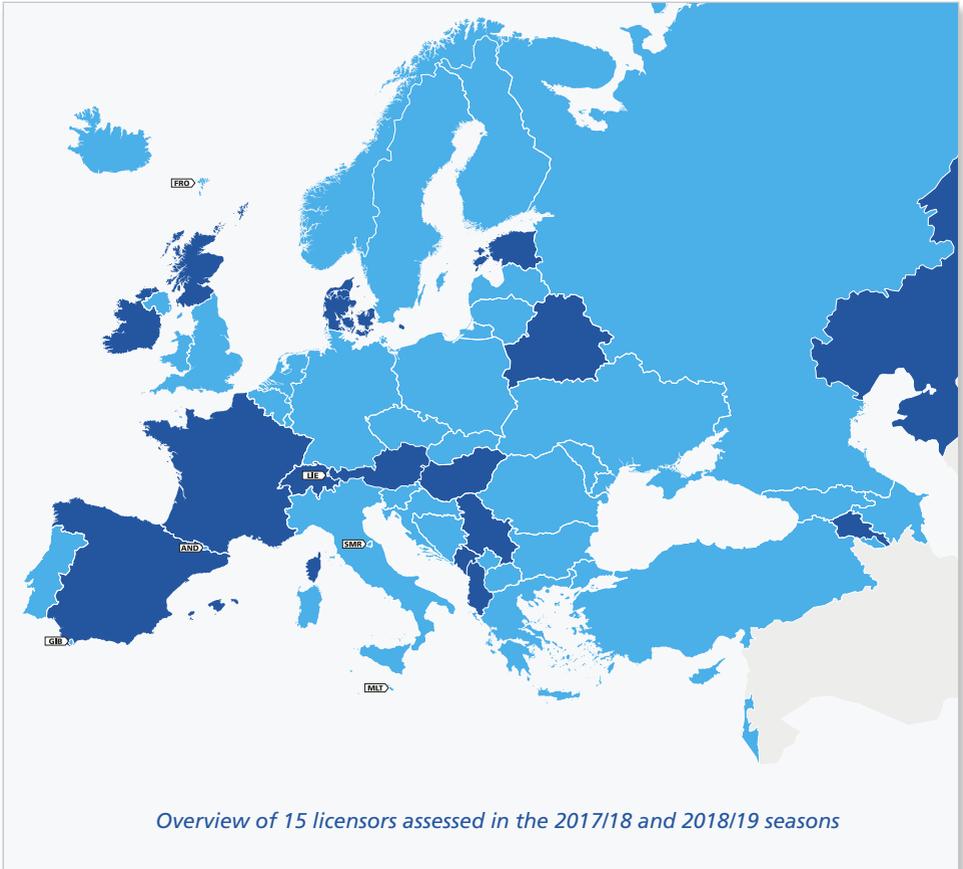
Hungarian Football Federation (HUN)



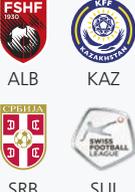
Football Association of Ireland (IRL)



Football Association of Montenegro (MNE)



The key conclusions of the CFCB investigatory chamber's on the 15 Compliance assessments were as follows:

Licensors	CFCB investigatory chamber's conclusions
 <p>ARM AUT BLR</p> <p>ESP HUN</p>	<p>These licensors had, in general, adequately applied the UEFA club licensing system. The CFCB investigatory chamber nevertheless requested that appropriate measures be taken to improve some of their club licensing documentation as well as some assessment procedures.</p>
 <p>DEN EST FRA</p> <p>IRL MNE SCO</p>	<p>These licensors were made aware by the CFCB investigatory chamber that their assessment procedures were not fully in line with the CL&FFP Regulations. Furthermore, these licensors were requested to improve their licensing documentation.</p> <p>More specifically, these licensors were requested to implement specific corrective actions with regard to the assessment of overdue payables towards other football clubs, in respect of employees and/or towards social/tax authorities. Furthermore, these licensors were asked to update their payables tables and/or financial statements templates.</p>
 <p>ALB KAZ</p> <p>SRB SUI</p>	<p>These licensors were found to be in breach of the CL&FFP Regulations. The CFCB investigatory chamber considered that each licensor had incorrectly granted a licence to enter the UEFA club competitions despite the non-fulfilment of financial criteria.</p> <p>As a result, the CFCB investigatory chamber opened investigations into these four licensors and the affiliated clubs concerned. On completion of these investigations, the licensors and four affiliated clubs were subject to CFCB decisions. The details of these CFCB decisions are presented in Section 3.1.2 below.</p>



3.1.2 Summary of decisions on club licensing

With regard to the four clubs from Albania, Kazakhstan, Serbia and Switzerland under scrutiny as part of investigations into their respective licensors (see Section 3.1.1 above), the CFCB investigatory chamber concluded that each had overdue payables as at 31 March and therefore failed to fulfil the minimum financial criteria of the CL&FFP Regulations. As a result, the CFCB investigatory chamber decided to refer all four cases to the CFCB adjudicatory chamber for the appropriate measures to be imposed.

The measures finally imposed on the clubs were the following:

- the clubs were subjected to financial disciplinary measures (i.e. a fine or withholding of UEFA revenues) equivalent to the UEFA prize money they had gained from participating in a UEFA competition without having met the minimum club licensing criteria; and
- depending on the severity of the breach of the club licensing criteria, some clubs were also excluded from participating in future UEFA club competitions (with immediate effect or in the form of a suspended sentence).

Clubs	Financial measures	Sporting measures
 FK Tirana (ALB)	€215,000	None
 FK Vojvodina (SRB)	€215,000	None
 FC Irtysh (KAZ)	€440,000	Suspended exclusion from participating in the next UEFA club competition for which the club would qualify in the next three seasons (due to the significance of the overdue payables).
 FC Sion (SUI)	€235,000	Firm exclusion from participating in the next UEFA club competition for which the club would qualify in the next two seasons (for submitting inaccurate information to the licensor during the licensing process).

Once the decisions in relation to these clubs had become final and binding, the CFCB investigatory chamber resumed its investigations into the four licensors. It reached the following decisions:

Licensors	CFCB investigatory chamber's decisions
 <p>ALB</p>  <p>KAZ</p>  <p>SRB</p>	<p>Having considered a number of key corrective actions already implemented in the subsequent licensing process, the CFCB investigatory chamber decided not to refer the cases to the CFCB adjudicatory chamber but to conclude settlement agreements with these licensors.</p> <p>The settlement agreements put the licensors on a probationary period for three seasons ("settlement regime") and set out specific obligations that the licensors must fulfil within the next licence season.</p> <p>Additionally, the settlement agreements foresee a financial contribution of up to €250,000 on the part of each licensor, which is equivalent to the incentive payments distributed by UEFA for the management of club licensing by each national association. Each financial contribution comprises a fixed amount of €100,000 and a conditional amount of €150,000, to be paid in case of failure to fulfil any of the specific obligations.</p> <p>The details of these new agreements are presented in Section 3.1.3 below.</p>
 <p>SUI</p>	<p>Having considered the numerous corrective measures already implemented by the licensor since the opening of the investigation, the CFCB investigatory chamber decided not to refer the case to the CFCB adjudicatory chamber.</p> <p>Given that all the corrective measures that would have been included in a settlement agreement had already been taken by the licensor, the CFCB investigatory chamber decided not to conclude a settlement with the licensor either, but imposed a fine of €50,000 for the licensor's breach of its regulatory obligations.</p> <p>This decision also took into account the fact that FC Sion had provided inaccurate information to the licensor during the licensing process.</p>

3.1.3 Conclusion of new settlement agreements with licensors

In October 2018, the CFCB investigatory chamber concluded its first settlement agreements with the Football Association of Albania, the Kazakhstan Football Federation and the Football Association of Serbia, following investigations into their compliance with the provisions of the CL&FFP Regulations (see Section 3.1.2).

These three licensors were each found to have failed to comply with their obligations under the CL&FFP Regulations due to breaches of the minimum club licensing financial criteria (overdue payables as at

31 March) by one of their affiliated clubs. As a result, the clubs concerned were incorrectly granted licences to enter the UEFA club competitions.

The CFCB investigatory chamber considered that the circumstances in each case justified the conclusion of settlement agreements. The licensors had indeed already taken steps to bring themselves into compliance with the CL&FFP Regulations and satisfactory action plans had already been implemented with regard to the subsequent UEFA club competition licensing process.



> Objectives of the settlement agreements with licensors

The overall objective of these settlement agreements is to ensure that the licensors, as well as their affiliated clubs, fulfil their obligations as defined in the CL&FFP Regulations and that the licences necessary to enter the UEFA club competitions are correctly granted by the licensors. The activities of the licensors are strictly monitored for a probationary period (the period under which the licensors are under the “settlement regime”), which encompasses three seasons.

These settlement agreements are:

- Effective: compliance with the terms of the settlement agreements will ensure that, during the next three seasons, the licensors, as well as their affiliated clubs, fulfil their obligations as defined in the CL&FFP Regulations;
- Equitable: recognising that the licensors did not comply with the CL&FFP Regulations, contrary to the other licensors, the settlement agreements require each licensor to pay a financial contribution; and
- Dissuasive: it can be reasonably expected that the settlement agreements will deter the licensors from failing to comply with the CL&FFP Regulations in the future.

> Specific obligations imposed on licensors

These settlement agreements set out specific obligations the licensors must fulfil or measures they must implement in order to ensure proper licensing processes. The obligations specified in the settlement agreements are tailored to the circumstances of each individual licensor and are aimed at:

- improving assessment procedures by amending the verification process regarding overdue payables;
- increasing the quality of financial statements and other financial documentation;
- introducing or strengthening regular support and assistance to the clubs;
- aligning the national club licensing regulations with the CL&FFP Regulations;
- improving the formalisation of club licensing decision-making procedures;
- reviewing the composition of the club licensing decision-making bodies.

In case of failure to comply with any of the specific obligations defined in the settlement agreements, those agreements foresee the payment of conditional financial contributions of up to €150,000.

3.1.4 Club Licensing Quality Standard certification audits

As foreseen in the CL&FFP Regulations, each year an independent certification body – the Société Générale de Surveillance (“SGS”) – assesses each licensor’s compliance with the requirements of the UEFA Club Licensing Quality Standard. If the requirements are met, SGS grants the licensor with a certificate that is valid for one season. If a licensor does not receive the SGS certification, the corresponding incentive payments of €40,000 are withheld by UEFA and the licensor is placed under greater scrutiny.

As a reminder, the UEFA Club Licensing Quality Standard describes a collection of requirements aimed at improving the efficiency and effectiveness of each licensor’s club licensing administration by promoting professional management and continual development in the running of the club licensing system and club monitoring process.

The Club Licensing Quality Standard certification audits performed during the 2017/18 and 2018/19 seasons produced the following findings:



3.2

Deciding on the non-applicability of the three-year rule

3.2.1 Objectives of the three-year rule

Following the adoption of the 2018 edition of the CL&FFP Regulations, which entered into force on 1 June 2018, responsibility for reviewing and deciding on requests for exceptions to the three-year rule was assigned to the CFCB investigatory chamber (instead of the UEFA administration).

The three-year rule is defined in Article 12(2) and (3) of the CL&FFP Regulations, which requires a club to have been a registered member of a UEFA member association and/or its affiliated league (or to have had a contractual relationship with such a registered member) for at least three consecutive years. Moreover, it is provided that any change to the legal form, legal group structure or identity of the club may be deemed as an interruption of such membership or contractual relationship.

The CFCB investigatory chamber must decide whether an exception can be granted to a club that does not comply with this three-year rule, taking into account the main objectives of the rule, which are as follows:

- to act as a deterrent against financial misconduct;
 - to protect clubs' creditors;
 - to encourage new investments into existing clubs;
 - to preserve clubs' identities;
 - to help safeguard the integrity of the competitions; and
- to avoid the circumvention of the CL&FFP Regulations, as acknowledged by the CAS (CAS 2011/A/2476, *Fotbal Club Timisoara SA v. UEFA*, 24 August 2011, § 3.15):
"The panel recognises that this so-called three years rule has been adopted to avoid, as UEFA put it, "circumvention of the UEFA licensing system". In particular, clubs are not to be permitted to create a new company or change their legal structure so as to "clean up" their balance sheet while leaving their debts in another legal entity (which is likely to go bankrupt). If allowed, this kind of device would obviously harm the integrity of competition and would contradict the interest of the sport as well as putting at risk the interests of creditors".

As regards the process, an exception request must be submitted by the licensor on behalf of its licence applicant by the deadline and in the form communicated by the UEFA administration. The CFCB investigatory chamber uses the necessary discretion to grant any exception within the limits of the CL&FFP Regulations. The decision of the CFCB investigatory chamber, which is notified to the licensor and the club concerned, is final. It can be appealed only before the CAS in accordance with the relevant provisions of the UEFA Statutes.

3.2.2 Summary of decisions on the three-year rule

Since it was assigned responsibility for deciding on the non-applicability of the three-year rule at the beginning of the 2018/19 season, the CFCB investigatory chamber has dealt with ten exception requests, resulting in the following decisions:

Clubs	Decisions on exception requests
 PFC Sabail (AZE)  AC Omonia Nicosia (CYP)  FK Riteriai (LTU)  FC Belasica Strumica (MKD)  FC Rubin Kazan (RUS)  DNS Mura (SVN)  SKF Sered (SVK)  AFC Eskilstuna (SWE)	<p>The CFCB investigatory chamber granted an exception to the three-year rule to each of these clubs on one or more of the following grounds:</p> <ul style="list-style-type: none"> • the club was only subject to a minor change of identity (e.g. name and/or logo); • the new football entity resulting from the club's change of legal form was in line with domestic regulations; • the club's football activities, which were transferred to a new football entity, were also included in the club's reporting perimeter; • the club's creditors were entirely covered by the new football entity.
 Waterford FC (IRL)  PFC Lviv (UKR)	<p>The CFCB investigatory chamber refused an exception to the three-year rule for these clubs on one of the following grounds:</p> <ul style="list-style-type: none"> • the club was subject to a major change of identity (name, logo, colours and location); the operation under scrutiny was considered as a swap of identity between two different clubs, which constituted a breach of the principle of promotion/relegation, thus violating the integrity of the competition; • the new football entity was not considered as the continuity of the previous club and had only completed two seasons in its current legal form. <p>Both clubs appealed the CFCB investigatory chamber's decision before the CAS. Waterford FC's appeal was rejected, while PFC Lviv's case was still pending in November 2019.</p>



3.3**Reviewing FFP compliance audits and valuations****3.3.1 FFP compliance audits**

The FFP compliance audits, which are aimed at verifying the completeness, validity and accuracy of clubs' FFP submissions, are performed by external auditors (also known as compliance partners) at the request of the CFCB investigatory chamber.

Following the analysis of the clubs' FFP submissions, compliance audits may be conducted at the clubs' premises in order to assess in more detail their break-even and/or overdue payables information submitted as part of the monitoring processes. Clubs are usually selected for one or more of the following reasons:

- the club is under the settlement regime;
- the club is under investigation by the CFCB investigatory chamber;
- the club has disclosed unusual or material amounts in their FFP submissions;
- the club has demonstrated balances or transactions out of line with historical or peer-based benchmarks.

The 11 clubs (representing 7 licensors) subject to compliance audits in the 2017/18 and 2018/19 seasons in relation to the break-even and/or overdue payables requirements were as follows:





The CFCB investigatory chamber requires full transparency as well as true and accurate submissions from clubs. As a result of the above-mentioned compliance audits, five clubs were requested by the CFCB investigatory chamber to correct the break-even information they had previously submitted.

> Scope of FFP compliance audits

Clubs selected for compliance audits are normally subject to modular inspections, the overall scope of which is determined by the CFCB investigatory chamber and varies from club to club depending on the element(s) of financial information under scrutiny.

The detailed modules to be assessed and key control steps to be performed during the compliance audits are provided to the external auditors (or compliance partners) by the UEFA administration. The auditors assess all documents initially submitted by the club and may request additional documents in order to complete the control steps and fulfil the objectives of each module.

Irrespective of which specific modules are included in the scope of each compliance audit, the following areas have always been covered:

- Reconciliation of the break-even information with the club's audited annual financial statements, including, *inter alia*, a review of unusual transactions;
- Review of the club's legal group structure and confirmation of whether the reporting perimeter is correctly defined.

The procedures performed, documents reviewed and conclusions reached by the external auditors are described in a compliance report, which is sent to the club as well as the CFCB investigatory chamber for review and follow-up.

The table below summarises the key modules and corresponding documents reviewed by the external auditors:

Modules	Examples of documents reviewed	
<p align="center">Confirmation of the reporting perimeter</p>	<ul style="list-style-type: none"> • Legal group structure and reporting perimeter • Declaration confirming the reporting perimeter and justifying the exclusion of entities from the reporting perimeter • Latest audited financial statements of entities excluded from the reporting perimeter • Detailed list of transactions between the club and other entities within the same legal group structure 	<ul style="list-style-type: none"> • Financial statements of parent companies or other entities not included in the reporting perimeter • Management representations concerning the completeness of reported employee benefits and transfer transactions and the absence of third parties within contractual payment obligations towards employees and/or other football clubs
<p align="center">Review of sponsorship and commercial income</p>	<ul style="list-style-type: none"> • Breakdown of sponsorship and other income per sponsorship asset (on a monthly basis) • Sponsorship agreements and subsequent amendments 	<ul style="list-style-type: none"> • Proof of payments from partners • Explanations of conditional amounts
<p align="center">Validation of player trading and the accounting treatment applied</p>	<ul style="list-style-type: none"> • Breakdown of profit/loss on disposal of player registrations • Bank statements to confirm transfer or receipt of payments • Transfer agreements 	<ul style="list-style-type: none"> • Agreements with agents • Contracts signed with players • Player identification table and amortisation schedule
<p align="center">Review of employee benefits expenses</p>	<ul style="list-style-type: none"> • Breakdown of all employee benefits expenses • Individual employee contracts • Bank statements detailing employee payments • Employee payslips 	<ul style="list-style-type: none"> • Bonus apportionment/ player appearance data • Contracts/payments related to player image rights • Pension fund and social contribution schedules

Modules	Examples of documents reviewed	
<p>Validation of expenses related to youth development</p>	<ul style="list-style-type: none"> • Breakdown of expenses directly related to youth development • Contracts and sample invoices 	<ul style="list-style-type: none"> • Youth players' passports/birth certificates and contracts • Employment contracts of personnel involved in youth development activities
<p>Verification of deferred or disputed payables</p>	<ul style="list-style-type: none"> • Deferral agreements • Tax authority decisions • Proof of payments 	<ul style="list-style-type: none"> • Claims and/or counter claims for disputes, contestations for disputes and other legal documents (court determination, lawyers' letters, supporting documents)
<p>Review of payables' completeness (employees, transfers, social/tax authorities)</p>	<ul style="list-style-type: none"> • Transfer agreements including supplementary agreements • Employment contracts and termination agreements 	<ul style="list-style-type: none"> • Transfer Matching System certificates • Proof of payments • Tax declarations

> Assignment of external auditors for FFP compliance audits

UEFA and its compliance partners, i.e. independent auditors from Deloitte or PwC, operate a detailed and comprehensive conflict check protocol to ensure that all inspections are conducted in a transparent, impartial and independent manner.

Prior to assigning a particular compliance partner to a specific audit, the compliance partners undertake thorough conflict checks procedures to ascertain whether or not a relationship exists between their firm and the entities to be audited. The aim of the process is to determine whether or not either compliance partner currently provides or has provided services to the club, another entity within the club's legal group structure or the club's licensor.

Based on this information, UEFA will then decide which compliance partner should be appointed to conduct the inspections in question. A compliance partner cannot be appointed to carry out inspections if it provides or provided services that are deemed to relate to financial fair play or club licensing and/or if the services could in any way be perceived as causing a conflict of interest.

Another element considered when assigning a compliance partner to a specific audit is whether or not the compliance partner has already performed similar compliance audits in the past. Logically, a compliance partner that has already audited a particular club or licensor in the past is more likely than the other compliance partner to be appointed to conduct future compliance audits involving the same club or licensor.

3.3.2 Fair value assessment for break-even purposes

The current CL&FFP Regulations stipulate that a club submitting break-even information has to disclose transactions with related parties and report them at fair value on the basis of the club's other similar transactions (current and historic) and/or comparable transactions of other clubs. In the past, revenues from sponsorship agreements were the most frequent examples of income transactions with related parties that clubs had to report at fair value for the purposes of the break-even calculation.

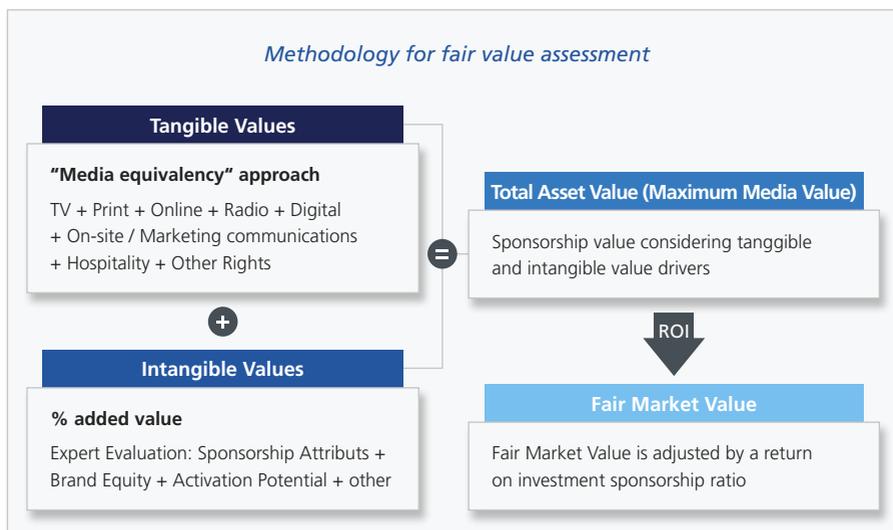
Given the inherent complexity of fair value assessments of sponsorship agreements, which require access to a wide range of statistical data, expertise in sponsorship deals and a consistent methodology, such assessments are usually performed by specialised third-party agencies. As foreseen in the CL&FFP Regulations, clubs may appoint any agency that has been approved by UEFA to conduct fair value assessments.

The approved agencies were selected because they are global marketing agencies with ready access to data, they have expertise in advising clients on sponsorship deals and they can perform the necessary services within a short timeframe. All approved agencies apply a methodology that follows the standard market practice in the football industry for the fair value assessment of clubs' sponsorship agreements.

According to such standard market practice, the agency shall calculate the so-called "media equivalent value", i.e. what the sponsor would have spent to get the same media exposure through classic advertising methods (e.g. broadcast, print, online, etc.). This media value represents a tangible amount, which is the most justifiable and the easiest to defend. However, the analysis also requires a calculation of an intangible amount that corresponds to a (limited) percentage of the tangible element. This is a more contentious element that has the potential to be valued more variably by one agency or another. It also depends heavily on the sponsor's ultimate objective, which can also vary from one sponsor to another.

Once the agency has calculated the tangible and intangible values, it must apply a "return on investment" rate (ROI) to the total asset value to determine what the sponsor would pay or be advised to reasonably pay based on relevant benchmarks and professional experience (i.e. fair market value).





When performing a fair value assessment, the agency shall act independently, i.e. the third-party assessor must not be subject to any conflict of interest with the club.

In all cases where the declared sponsorship income is higher than the fair value according to the third-party agency, the break-even calculation is adjusted accordingly.

In some instances, related party revenues may be a significant source of income and the amount of related party income considered relevant for the break-even calculation becomes crucial for compliance with the break-even requirement. At the same time, an annual fair value assessment on historical data does not enable a club to make long-term projections of its break-even position. In order to be able to better control their break-even results for the upcoming monitoring periods, some clubs asked, and the CFCB investigatory chamber agreed, to fix the fair value of related party sponsorship for the next two to three reporting periods to enable more efficient planning of clubs' relevant income and, as a consequence, relevant expenses.





3.4

Monitoring overdue payables during the season

The CFCB investigatory chamber continued its monitoring of overdue payables in order to ensure that clubs settle their liabilities towards their employees, social/tax authorities and other clubs punctually.

As part of the assessment of clubs' self-declarations regarding their payables situations, the CFCB investigatory chamber (or the UEFA administration) requested that clubs submit copies of certain relevant information, e.g. proof of payments, deferral agreements with creditors and/or documents confirming disputes before the competent authorities.

In line with the CFCB's well-established practices under the CL&FFP Regulations, the following categories of clubs were kept under monitoring by the CFCB investigatory chamber and were requested to provide an update on their payables situation as at 30 September (in addition to their initial submissions as at 30 June):

- clubs with overdue payables declared as at 30 June;
- clubs with significant deferred payables or disputes as at 30 June;
- club which undertook significant transfers in the summer transfer window; and
- clubs which incorrectly or lately completed their 30 June submissions.

The jurisprudence established in previous seasons continued to apply. Indeed, clubs which were transparent and fully reflected their overdue payables at the assessment dates were usually given additional time to pay before facing stricter disciplinary measures. On the other hand, if compliance procedures establish the existence of hidden overdue payables, the clubs concerned face harsher disciplinary measures, including firm exclusion from future participation in UEFA competitions.

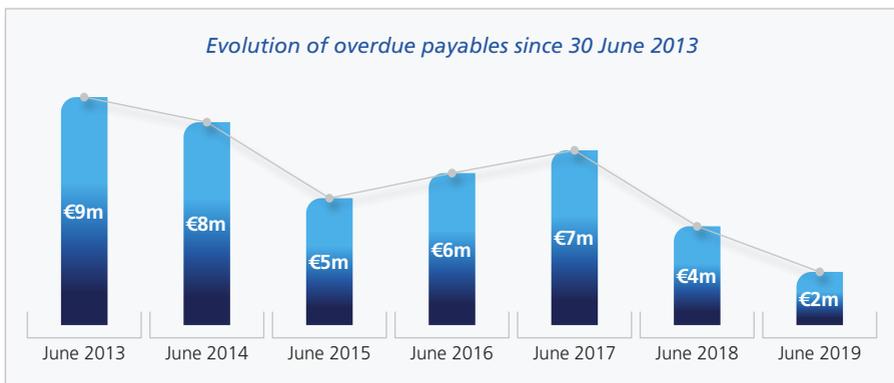


3.4.1 Overview of clubs monitored for overdue payables

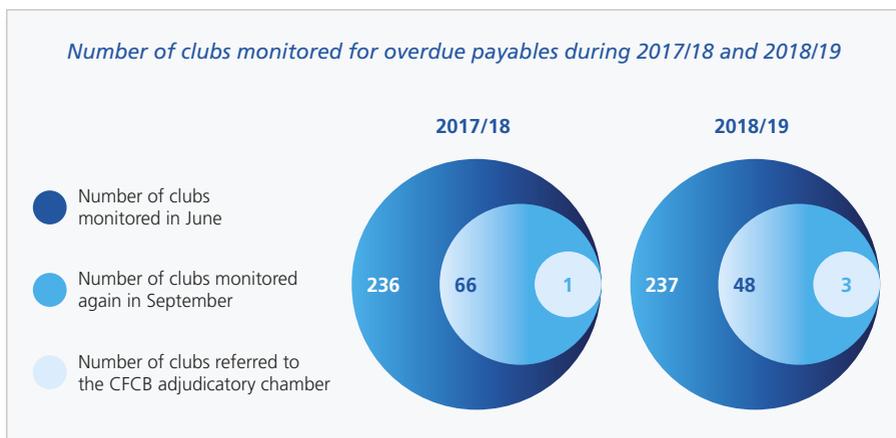
Following their June 2017 submissions, 66 clubs were kept under monitoring as at 30 September 2017. Similarly, 48 clubs were requested to provide an update as at 30 September 2018.

Aggregate overdue payables remained relatively stable in 2017 (€7m declared as at 30 June 2017), then dropped significantly in the June 2018 and June 2019 submissions (€4m and €2m declared as at 30 June 2018 and 2019 respectively), further confirming the positive trend seen in recent years. It should additionally be noted that the same positive trend has persisted with regard to the number of clubs declaring deferred and disputed payables, with approximately 30 clubs in each of the June 2017, 2018 and 2019 submissions, compared with 50 clubs in June 2016.

This continuous decrease in the overall level of outstanding payables declared by clubs over the years confirms the positive impact the CL&FFP Regulations have had in respect of overdue payables, one of the two pillars of financial fair play. This improved situation was also made possible by the monitoring of overdue payables at domestic level.

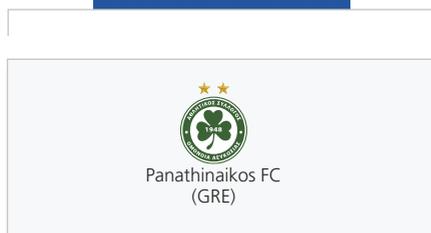


In total, 236 clubs submitted the required overdue payables information as at 30 June 2017, and 237 as at 30 June 2018.

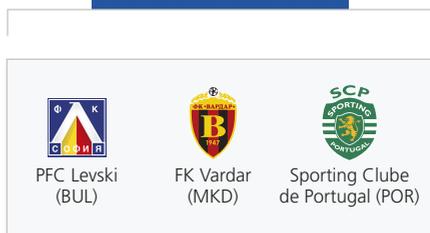


Of the clubs under monitoring as at 30 September 2017 and 30 September 2018, the following four were referred to the CFCB adjudicatory chamber after the investigatory chamber had concluded that they were in breach of the overdue payables requirements laid down in the CL&FFP Regulations.

Club referred in 2017/18



Clubs referred in 2018/19



As in previous seasons, the CFCB chief investigator imposed conservatory measures on all clubs subject to investigations, consisting of temporarily withholding the UEFA revenues those clubs were otherwise entitled to receive from their participation in the UEFA club competitions. Such conservatory measures, which ensure the proper administration of justice,

remained in force until the relevant investigations were closed or the CFCB's decision-making process was completed. Conservatory measures guarantee that any fines imposed by the CFCB could be collected by UEFA with regard to the clubs in breach of their regulatory obligations.

3.4.2 Summary of decisions on overdue payables

In respect of those four clubs, the following disciplinary measures were ultimately imposed by the CFCB adjudicatory chamber:

Clubs	Situations	Disciplinary measures
 <p>Panathinaikos FC (GRE)</p>	<p>The club reported significant overdue payables and was informed that, in addition to receiving a fine, it would be excluded from the next UEFA club competition for which it would otherwise qualify unless it was able to pay all amounts identified as overdue as at 30 September by the following 31 January.</p> <p>The club did not satisfy the condition imposed by the CFCB adjudicatory chamber.</p>	<p>Exclusion from the next UEFA club competition for which it would otherwise qualify in the next three seasons.</p> <p>Fine of €200,000</p>
 <p>PFC Levski (BUL)</p>  <p>FK Vardar (MKD)</p>	<p>The clubs reported significant overdue payables and were informed that, in addition to receiving a fine, they would be excluded from the next UEFA club competition for which they would otherwise qualify unless they were able to pay all amounts identified as overdue as at 30 September by the following 31 January/28 February.</p> <p>The clubs satisfied the condition imposed by the CFCB adjudicatory chamber.</p>	<p>Fine of €100,000</p> <p>Fine of €100,000</p>
 <p>Sporting Clube de Portugal (POR)</p>	<p>The club initially reported significant overdue payables; however, before the CFCB adjudicatory chamber had rendered its decision, the club provided proof of payments for all amounts declared as being overdue.</p>	<p>Fine of €50,000</p>

In addition to the above-mentioned cases, the CFCB chief investigator fined the following clubs for minor breaches. In accordance with the applicable CFCB procedural rules, the clubs concerned consented to their fines.

Clubs	Situations	Fines
 Besiktas JK (TUR)	<p>The club reported significant overdue payables, which were settled shortly after the submission deadline.</p>	<p>€100,000</p>
 FK Buducnost Podgorica (MNE)	<p>Despite clear warnings sent by the CFCB investigatory chamber in previous seasons, the clubs again reported overdue payables which were settled shortly after the submission deadline.</p> <p>Given the repeated nature of the issues, the CFCB chief investigator decided to impose fines.</p>	<p>€25,000</p>
 PFC CSKA Moscow (RUS)		<p>€20,000</p>
 FK Partizan (SRB)		<p>€20,000</p>
 Újpest FC (HUN)	<p>The club failed to submit an update of its overdue payables information by the requested deadline.</p>	<p>€10,000</p>

3.5**Assessing compliance with the break-even requirement****3.5.1 Improved break-even monitoring as from the 2018/19 season**

With the aim of further encouraging responsible spending and protecting the long-term sustainability of European club football, as well as implementing a more proactive monitoring system, additional provisions related to the break-even requirement were included in the new edition of the CL&FFP Regulations that entered into force in June 2018.

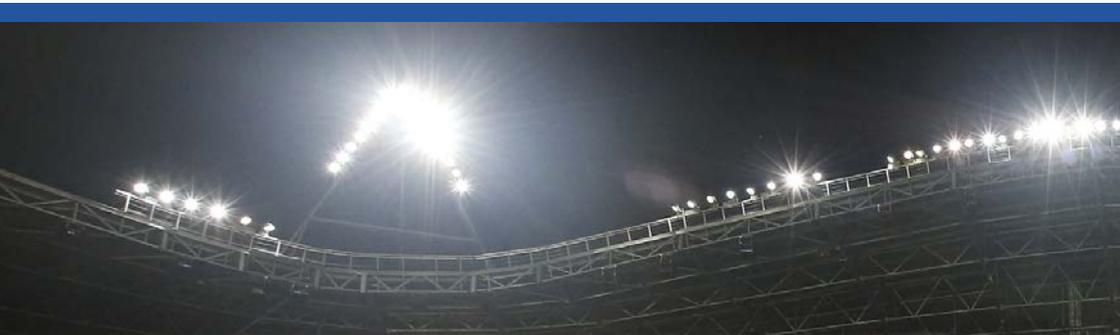
> Introduction of a prospective assessment of the break-even requirement

Since its introduction, the break-even requirement has been assessed on the basis of historical financial information (i.e. reporting periods T-2, T-1 and T).

In the 2018 edition of the CL&FFP Regulations, new indicators were introduced with a view to reviewing financial information prospectively. When clubs are in breach of one of these new indicators, they will have to submit their projected break-even information for the current season (reporting period T+1) and demonstrate that they are compliant with the break-even requirement for the “projected” monitoring period (reporting periods T-1, T and T+1) in addition to the current monitoring period (based on historical reporting periods T-2, T-1 and T).

The introduction of new financial indicators enables stricter monitoring of clubs’ budgets by the CFCB investigatory chamber, starting from the 2018/19 season. The new indicators are:

- the “sustainable debt” indicator, which enhances the CFCB’s monitoring of a club’s debt position and anticipates issues that the club may face; and
- the “player transfer balance” indicator, which monitors the club’s net transfer spending over €100m in the last transfer windows and proactively assesses the impact of these transfers on the club’s current break-even position.



Current monitoring period

- Assessment based only on historical financial data
- Based on audited financial statements for **T, T-1 and T-2**
- Applicable to all clubs that trigger **any of the existing indicators**:
 - Break-even deficits in T-1 and/or T-2
 - Going concern or negative equity in T-1

Projected monitoring period

- Assessment based on forecasted financial data for **T+1** and historical financial data for **T and T-1**
- Only applicable to clubs that trigger one of the **new indicators**:
 - Sustainable debt indicator for T
 - Player transfer balance in the last transfer windows

> Harmonisation of accounting principles

In order to harmonise the accounting principles used for the preparation of clubs' financial statements, specific accounting requirements applicable to the football industry were further developed and incorporated into the 2018 edition of the CL&FFP Regulations.

In particular, the accounting requirements for player transfers have been clarified, and new accounting requirements for specific football expenses and revenue items have become mandatory for financial statements as from the reporting period ending in 2019.

This harmonisation of accounting principles shall strengthen the consistent assessment of the break-even requirement by the CFCB investigatory chamber across all European clubs, as well as improving comparisons between clubs.



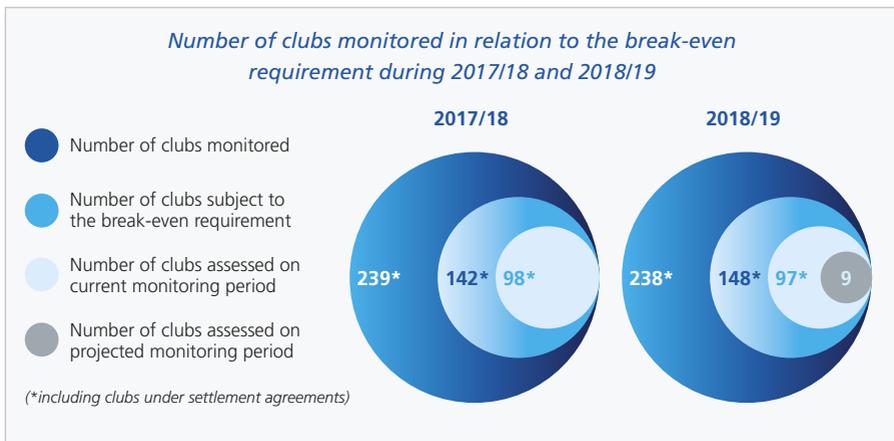
3.5.2 Overview of clubs monitored and their break-even results

> Assessment of the current monitoring period (T-2, T-1 and T)

In the 2018/19 season, 238 clubs were subject to break-even assessments, i.e. 237 clubs that participated in the UEFA club competitions plus one additional club under a settlement agreement. Of those 238 clubs (239 in 2017/18), 90 were exempt from the break-even requirement given that their relevant income and expenses were below €5m (97 in 2017/18).

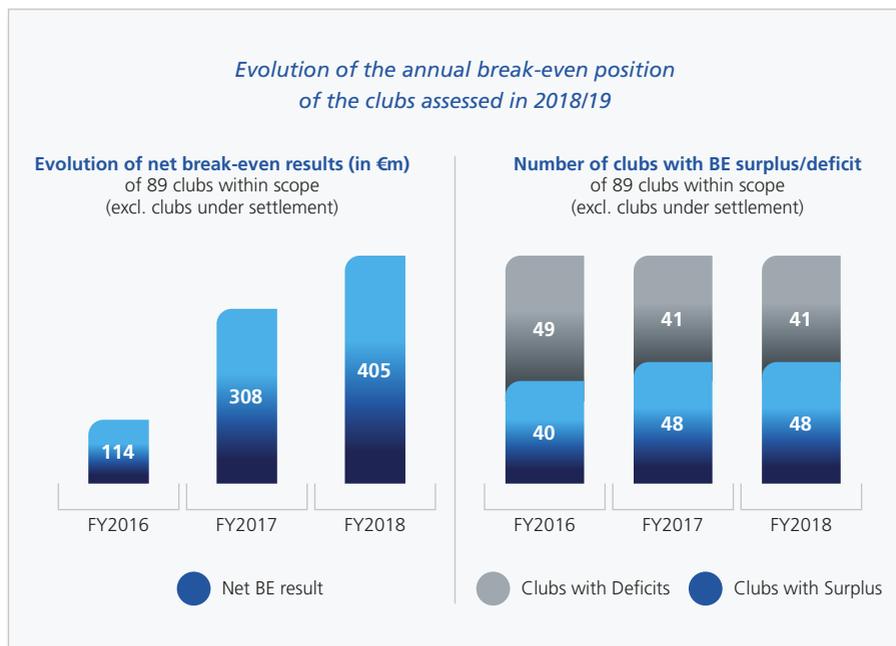
Following the review of the 148 clubs subject to the break-even requirement in the 2018/19 season (142 in 2017/18), a total of 97 (98 in 2017/18) were subject to break-even assessments for the current monitoring period (i.e. reporting periods ending in T-2, T-1 and T) for the following reasons:

- 8 clubs (12 in 2017/18) were under settlement agreements with the CFCB; and
- 89 clubs (86 in 2017/18) had triggered at least one of the regulatory indicators, i.e. “going concern”, “negative equity” or “break-even result”, or were otherwise requested to resubmit by the CFCB investigatory chamber.



In 2018/19, the 89 clubs that were subject to break-even monitoring in relation to the current monitoring period (periods T-2, T-1 and T) achieved a net break-even surplus of €405m in 2018, with consecutive growth of the net surplus since 2016.

Furthermore, the same positive trend can be seen in the number of clubs showing a break-even surplus. In the reporting periods ending in 2017 and in 2018, more than 50% of the clubs monitored demonstrated a positive break-even result.



The CFCB investigatory chamber decided to conduct investigations into eight of the clubs that presented an annual break-even deficit in one or more of the reporting periods during the 2017/18 and 2018/19 seasons. The details of those investigations are presented in Section 3.5.3 below.

> Assessment of the projected monitoring period (T-1, T and T+1)

Among the 89 clubs monitored in the 2018/19 season, 9 triggered one of the new indicators (“player transfer balance” or “sustainable debt”) and were therefore subject to further assessment by the CFCB investigatory chamber with regard to the projected monitoring period (i.e. reporting periods ending in 2017, 2018 and 2019).

As a result, those nine clubs had to submit and update their projected break-even information on the basis of budgeted figures for the reporting period ending in 2019.

The CFCB investigatory chamber found that all nine clubs were in compliance with the break-even requirement for the projected monitoring period.

3.5.3 Summary of conclusions relating to the break-even requirement

According to the CFCB procedural rules, the CFCB investigatory chamber conducts investigations, determines the facts and gathers all relevant evidence. At the end of the investigations, the CFCB chief investigator, after having consulted with the other members of the CFCB investigatory chamber, may decide to:

- dismiss the case;
- apply (minor) disciplinary measures, with the consent of the club concerned;
- conclude a settlement agreement with the club concerned; or
- refer the case to the CFCB adjudicatory chamber.

Any decision of the CFCB chief investigator to dismiss a case, to apply (minor) disciplinary measures or to conclude a settlement agreement may be reviewed by the CFCB adjudicatory chamber, on the initiative of the CFCB chairman, to determine whether there had been a manifest error of assessment.

During the 2017/18 and 2018/19 seasons, the CFCB investigatory chamber opened investigations against 8 clubs with regard to the break-even requirement.

In the following instance, the CFCB chief investigator decided to dismiss the case following the completion of the investigation.

Clubs	CFCB investigatory chamber's conclusions
 <p>Paris Saint-Germain (FRA)</p>	<p>Case dismissed</p> <p>The CFCB chief investigator concluded that Paris Saint-Germain's break-even deficit, after significant fair value adjustments of several club's sponsorship contracts based on evaluations performed by independent third-party assessors, was within the €30m acceptable deviation.</p>



With regard to the following 5 investigations, the CFCB chief investigator decided to conclude a settlement agreement with the respective club.

Clubs	CFCB investigatory chamber's conclusions
 <p>FC Kairat (KAZ)**</p>  <p>Maccabi Tel Aviv FC (ISR)*</p>  <p>CFR 1907 Cluj (ROU)**</p>  <p>Galatasaray AŞ (TUR)*</p>  <p>Olympique de Marseille (FRA)**</p>	<p>Cases settled</p> <p>The CFCB investigatory chamber concluded that these five clubs had failed to fulfil the break-even requirement in the relevant monitoring period.</p> <p>At the end of the investigation, the CFCB chief investigator found that those clubs met the conditions for the conclusion of a settlement agreement in 2017/18 (*) or in 2018/19 (**). See Section 3.6 for more details on the conclusion and monitoring of those agreements.</p> <p>In the case of Olympique de Marseille, the CFCB investigatory chamber had previously imposed a €100,00 fine for a minor deviation from the break-even requirement.</p>



Concerning the remaining two investigations, the CFCB chief investigator decided to refer the case to the CFCB adjudicatory chamber for the application of disciplinary measures.

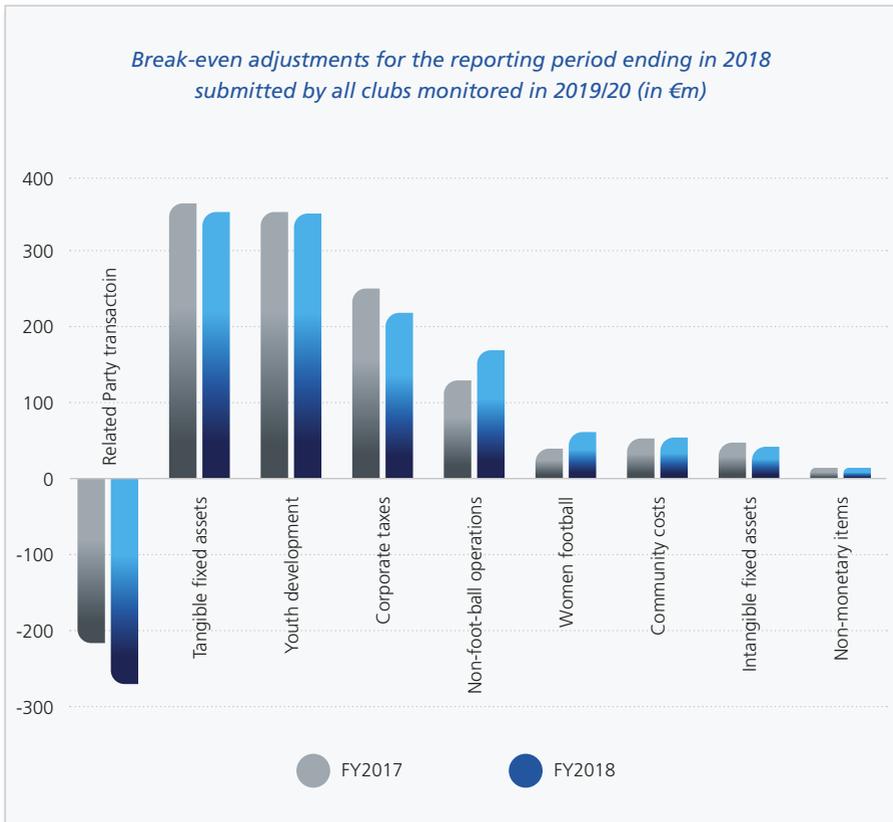
Clubs	CFCB investigatory chamber's conclusions
 <p>AC Milan (ITA)</p>  <p>Manchester City FC (ENG)</p>	<p>Cases referred to the CFCB adjudicatory chamber</p> <p>In the case of the AC Milan, the CFCB investigatory chamber concluded that the club had failed to fulfil the break-even requirement during the 2017/18 season. On the basis of the information provided by the club, the CFCB chief investigator considered that the conditions for a settlement agreement were not met and therefore decided to refer the case to the CFCB adjudicatory chamber. The club challenged the decisions of the CFCB adjudicatory chamber before the CAS.</p> <p>During the 2018/19 season, the CFCB investigatory chamber considered that AC Milan was not under a special settlement regime and had once again failed to fulfil the break-even requirement. As a result, the club's case was once again referred to the CFCB adjudicatory chamber in April 2019 for final decision.</p> <p>In June 2019, AC Milan was finally excluded from the 2019/20 UEFA Europa league and all proceedings before the CAS were terminated.</p> <p>In the case of Manchester City FC, the CFCB investigatory chamber opened an investigation in March 2019 following the publication of internal club documents in various media outlets.</p> <p>In May 2019, at the end of the investigation, the case of Manchester City was referred to the CFCB adjudicatory chamber, where it was still pending in November 2019.</p>



3.5.4 Evolution of break-even adjustments

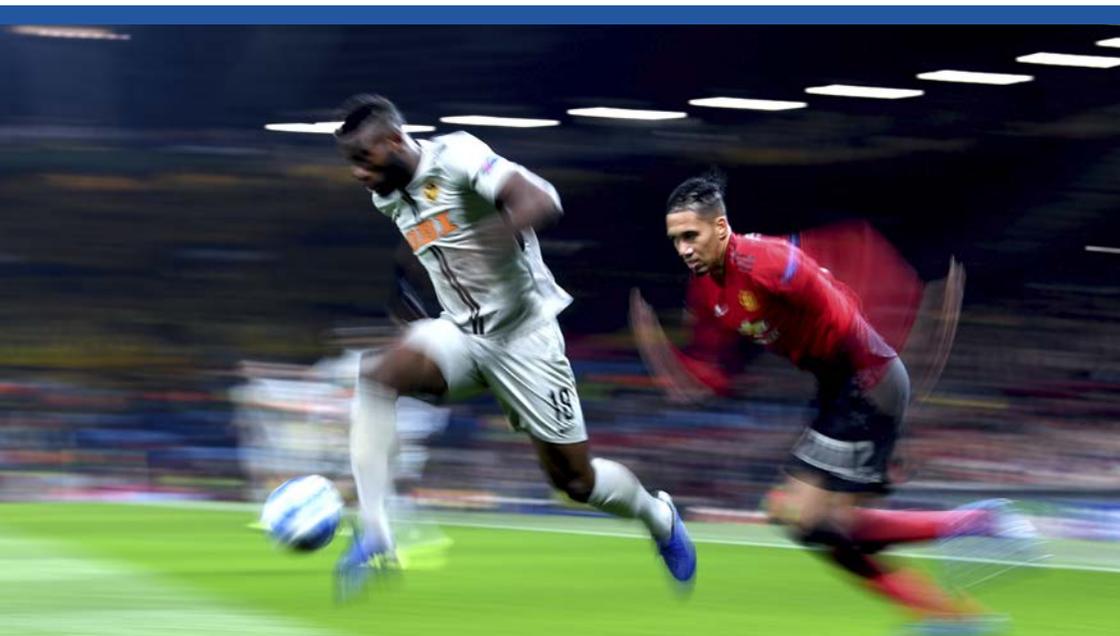
Over the last two seasons, the CFCB investigatory chamber closely reviewed the break-even information submitted by the clubs being monitored in relation to the reporting periods ending in 2017 and 2018.

With regard to adjustments impacting break-even calculations, the clubs (including those under settlement agreements) recorded a net positive adjustment as foreseen in the CL&FFP Regulations, which amounted to approximately €1bn in the reporting periods ending in 2017 and 2018.



A review of those break-even adjustments, relating to all clubs in UEFA competitions, highlights the following:

- Similar to the previous reporting period, the biggest positive adjustment in 2018 (approximately €360m) relates to the amortisation/impairment of tangible fixed assets, which reflects the upward trend in the number of stadium and training facility projects being completed by various clubs in recent years;
- The total adjustments related to expenditure on youth football and community activities (around €350m and €50m respectively) remain stable in 2018 compared with 2017;
- The most significant increase concerns women's football development costs, which grew in total by more than €20m in the reporting period ending in 2018 and are getting close to €60m;
- The only adjustment impacting negatively on the clubs' break-even calculations relates to transactions with related parties. Of the 40% of clubs in UEFA competitions declaring related party transactions, around 40 clubs made a downwards adjustment of approximately €275m to their related party income due to the neutralisation of donations received from related parties or the fair value adjustment of sponsorship income. See Section 3.3 for more details on the methodology applied to the fair value adjustment of sponsorship income with related parties.



3.5.5 Guidance offered by the CFCB investigatory chamber

As in previous seasons, the CFCB investigatory chamber sometimes had to take a stand on how to apply and/or interpret certain provisions of the CL&FFP Regulations.

During the 2017/18 and 2018/19 seasons, it dealt with the following specific cases and questions:

> Major and unforeseen changes in the economic environment

CL&FFP Regulations – Annex XI (f)

“As part of its considerations, the UEFA Club Financial Control Body may also take into account the quantifiable financial impact on the club of extraordinary national economic events which are temporary and considered to be beyond the general fluctuation of the economic environment. Such events are beyond the control of the club and the club had no reasonable chance to mitigate the significant negative financial impact.”

Case and question

An extraordinary event occurred in a specific country, which had a significant negative impact on the country's political situation. As a result, the domestic currency was significantly devaluated against the euro.

The devaluation of the domestic currency, which led to significant realised and unrealised foreign exchanges losses, had a material impact on the financial situation of the clubs in that country.

Are those clubs concerned by this situation, which could not have been foreseen, allowed to exclude these losses from their break-even deficits?

After an extensive analysis and consultation process, the CFCB investigatory chamber ultimately decided to apply the mitigating factor of “major and unforeseen changes in the economic environment” as defined in Annex XI(f) of the CL&FFP Regulations to the situations of those clubs following the extraordinary national economic event in question. The event was considered to be temporary and to have an impact beyond the general fluctuation of the economic environment. Furthermore, the CFCB investigatory chamber acknowledged that this event was beyond the control of the clubs, which therefore had no reasonable chance to mitigate the significant negative financial impact.

The CFCB investigatory chamber did not, however, allow the clubs to adjust their foreign exchange losses in their entirety but considered only the extraordinary fluctuation in foreign exchange rates. The CFCB investigatory chamber considered the actual variation of the domestic currency (more than double the average devaluation of the previous 10 years) to be an extraordinary fluctuation and therefore only that part of the foreign exchange losses was allowed to be neutralised in the break-even information.

> Operating in a structurally inefficient market

CL&FFP Regulations – Annex XI (g)

“As part of its considerations, the UEFA Club Financial Control Body may consider as a mitigating factor if the licensee is operating in a structurally inefficient football market.”

Case and question

The break-even requirement is not fulfilled if a club has an aggregate break-even deficit above the acceptable deviation.

Provided that the club operates in a structurally inefficient market, would the break-even requirement be considered as breached in this case?

It has been acknowledged that clubs located in some UEFA member associations operate at a disadvantage because access to diverse revenue streams has not matured or materialised in these territories. In particular, this concerns football markets where the opportunities to generate football revenues via traditional sources (e.g. gate receipts and broadcasting rights from domestic club competitions) have been hampered by the legacy of political and economic regimes exogenous to football.

The (in)efficiency of a football market (defined as the territory of a UEFA member association) is calculated by the UEFA administration on an annual basis by means of a comparative analysis of the top division clubs' total gate receipts and broadcasting rights revenues relative to the population of the territory concerned.

When a club operating in a structurally inefficient market discloses an aggregate break-even deficit for a particular monitoring period, the CFCB investigatory chamber takes into account the fact that it is “operating in a structurally inefficient market” as a mitigating factor. In short, the aggregate break-even deficit is reduced by the level of the market's inefficiency (as calculated by the UEFA administration) provided that the break-even deficit is entirely covered by contributions from equity participants and/or related parties (as specified in Annex X (E) of the CL&FFP Regulations). The corresponding recalculated break-even result is then considered by the CFCB investigatory chamber before taking its decision. The level of the market's inefficiency as calculated above does not modify the acceptable deviation as defined in Article 61(2) of the CL&FFP Regulations, which remains €30m over three reporting periods.

Finally, the application of this mitigating factor is meant to be a temporary measure to overcome the disadvantages of an underdeveloped market. The clubs, leagues and UEFA member associations concerned are encouraged to improve their market situation. Clubs are also encouraged to reduce any overreliance on revenues generated from related party transactions, and to diversify their revenue streams.

3.6**Monitoring settlement agreements with clubs****3.6.1 Key considerations before concluding settlement agreements with clubs**

The main objective of settlement agreements is to ensure that clubs in breach of the break-even requirement become break-even compliant within a certain timeframe, i.e. no more than four years after being found to be in breach by the CFCB.

However, before a settlement agreement can be proposed, the CFCB investigatory chamber must take into consideration certain specific factors outlined in Annex XI of the CL&FFP Regulations:

- First of all, the CFCB investigatory chamber takes into account the size of the break-even breach and the trend in the club's annual break-even results. Particular attention is paid to the projected break-even result (reporting period T+1); a positive projection compared with the break-even information for the reporting period T is viewed favourably.
- Similarly, the club has to demonstrate that it has already taken concrete steps to bring itself into compliance with the CL&FFP Regulations. The financial impact of these measures must already be reflected in reporting periods T and T+1.
- The club must submit a reasonable and realistic long-term business plan, which should lead the club to compliance with the break-even requirement at the latest by the reporting period T+4 (i.e. no later than four years after being found to be in breach by the CFCB). Following its well-established practice, the CFCB investigatory chamber takes into consideration any business plan that fulfils the following criteria:
 - > it is prepared based on prudent sporting assumptions and does not rely mainly on UEFA revenues derived from participation in UEFA club competitions;
 - > it does not heavily depend on actions that are uncertain, such as a high volume of player registration sales in the future;
 - > it satisfactorily addresses key financial elements such as the ratio of employee benefits expenses to revenue, the level of financial debt and/or dependence on contributions from related parties.

Details of all settlement agreements concluded by the CFCB chief investigator can be found on www.uefa.com

3.6.2 Overview of settlement agreements with clubs

During the 2017/18 and 2018/19 seasons, the CFCB chief investigator concluded new settlement agreements with five clubs. These new settlement agreements followed the same model used in previous seasons and included the following elements:

- timeframe for the club to be break-even compliant, including intermediate break-even targets to be met,
- financial contributions (with or without conditions) to be paid,
- financial covenants to be complied with during the settlement regime, and
- sporting restrictions, which can be unconditional or conditional, to be applied for the purpose of participation in UEFA club competitions:

> limitation on the total number of players that the club may include on its List A for the first season which may be increased for the following seasons,

> restriction on the number of new registrations the club may include on its List A based on the club's net transfer balance in each respective registration period during the settlement regime.

Clubs	Break-even compliant	Financial contributions		Financial covenants	Sporting restrictions	
		Unconditional	Conditional		Initial limitation	Transfer balance
 Galatasaray AŞ (TUR)	By T+4	€6m	€9m	Yes	21 players	Yes
 Marseille (FRA)	By T+4	€2m	€4m	Yes	22 players	Yes
 Maccabi Tel Aviv FC (ISR)	By T+3	€0.2m	€0.8m	Yes	22 players	Yes
 FC Kairat (KAZ)	By T+2	€0.2m	€0.4m	Yes	23 players	No
 CFR 1907 Cluj (ROU)	By T+1	€0.2m	€0	No	23 players	No

3.6.3 Summary of decisions on settlement agreements

In accordance with the CFCB procedural rules, the proper and timely implementation of settlement agreements is monitored by the CFCB investigatory chamber.

During the 2017/18 and 2018/19 seasons, 17 clubs were under the settlement regime, i.e. 12 clubs with which settlement agreements had already been concluded in previous seasons and the five clubs listed above, which signed agreements during the period under review.

Of those 17 clubs, the majority complied with the overall objectives of their settlement agreements. Over the 2017/18 and 2018/19 seasons, eight clubs (AS Monaco FC, AS Roma, FC Krasnodar, FC Lokomotiv Moskva, FC Zenit, FC Internazionale Milano, FC Astana and Beşiktaş J.K.) successfully exited the settlement regime, having complied with the terms of their respective agreements.

With regard to those clubs that remained under the settlement regime, the CFCB investigatory chamber concluded that Maccabi Tel Aviv FC and Galatasaray AŞ had complied with their intermediate break-even targets and/or financial covenants set for the 2018/19 season. FC Porto only partially fulfilled the financial covenants that were set for the 2018/19 season; the conditional sporting measures foreseen in its agreement, such as a limitation on the number of players that may be included in List A and transfer restrictions, were therefore not lifted and continue to apply in 2019/20.

Unfortunately, the CFCB investigatory chamber found that three clubs had failed to comply with the terms of their settlement agreements: FC Rubin Kazan (RUS), Trabzonspor A.S. and Fenerbahçe SK. They were therefore referred to the CFCB adjudicatory chamber for final decisions.

All three clubs referred were sanctioned by the CFCB adjudicatory chamber. In the cases of Rubin Kazan and Trabzonspor, the clubs were excluded from the next UEFA club competition for which they would otherwise qualify because of their failure to comply with the final objective of their settlement agreements. Rubin Kazan lodged an appeal against this decision, which the CAS rejected in May 2019. As for Trabzonspor, the exclusion will not take effect if certain conditions are fulfilled in the 2019/20 season, in which case the club would be subject to 50% withholding of UEFA prize money earned in the 2019/20 or 2020/21 season. Trabzonspor appealed against its suspended sentence before the CAS, whose ruling was still pending in November 2019. Concerning Fenerbahçe, financial obligations (withholding of UEFA revenues) and sporting restrictions (limit on registering new players and on the number of players on List A for UEFA competitions) for 2020/21 and 2021/22 were imposed on the club for the slight deviation with regard to its settlement agreement.





The table below summarises the status of the above-mentioned 17 clubs in November 2019:

Clubs	Status
<div style="display: flex; flex-wrap: wrap;"> <div style="width: 50%; text-align: center;">  Olympique de Marseille (FRA) </div> <div style="width: 50%; text-align: center;">  Maccabi Tel Aviv FC (ISR) </div> <div style="width: 50%; text-align: center;">  FC Kairat (KAZ) </div> <div style="width: 50%; text-align: center;">  FC Porto (POR) </div> <div style="width: 50%; text-align: center;">  CFR 1907 Cluj (ROU) </div> <div style="width: 50%; text-align: center;">  Galatasaray AŞ (TUR) </div> </div>	<p>Ongoing settlements</p> <p>Clubs under settlement regime with ongoing monitoring of intermediate break-even targets and/or financial covenants in 2017/18 and 2018/19.</p>
<div style="display: flex; flex-wrap: wrap;"> <div style="width: 50%; text-align: center;">  AS Monaco FC (FRA)* </div> <div style="width: 50%; text-align: center;">  AS Roma (ITA)* </div> <div style="width: 50%; text-align: center;">  FC Internazionale Milano (ITA)** </div> <div style="width: 50%; text-align: center;">  FC Astana (KAZ)** </div> <div style="width: 50%; text-align: center;">  FC Krasnodar (RUS)* </div> <div style="width: 50%; text-align: center;">  FC Lokomotiv Moskva (RUS)* </div> <div style="width: 50%; text-align: center;">  FC Zenit (RUS)* </div> <div style="width: 50%; text-align: center;">  Beşiktaş JK (TUR)** </div> </div>	<p>Settlements fulfilled</p> <p>The CFCB investigatory chamber found that eight clubs had fulfilled the objectives of their settlement agreements and therefore exited the settlement regime in 2017/18 (*) or in 2018/19 (**).</p>

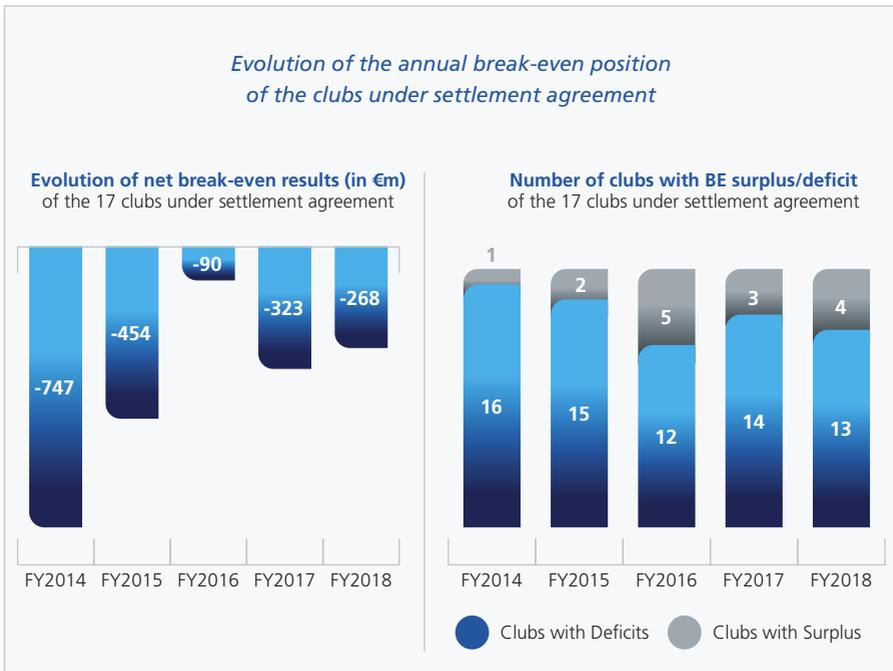
Clubs	Status
 <p>FC Rubin Kazan (RUS)^o</p>  <p>Fenerbahçe SK (TUR)^{oo}</p>  <p>Trabzonspor AŞ (TUR)^{oo}</p>	<p>Breach of settlement agreement</p> <p>The CFCB investigatory chamber found that three clubs had breached their settlement agreements and were referred to the CFCB adjudicatory chamber in 2017/18 (^o) or in 2018/19 (^{oo}).</p>



3.6.4 Financial evolution of the clubs under the settlement regime

Overall, the 17 clubs under settlement agreements in the 2017/18 and 2018/19 seasons showed a total net break-even deficit of €268m in the reporting period ending in 2018. Compared with the reporting periods ending in 2014 and 2015, when the cumulative net break-even deficits amounted to €747m and €454m respectively, the recent figures reflect

an overall positive trend in the clubs' financial situations. As illustrated below, the exceptionally low cumulative break-even deficit of €90m in 2016 was mainly driven by extraordinary profits from players transfers generated by certain clubs under settlement regime.



Not only has the cumulative break-even result substantially improved, but the number of clubs reporting a positive annual break-even result has also increased. This positive trend was partially offset by the break-even results of the clubs referred to the CFCB adjudicatory chamber at the end of the

2017/18 and 2018/19 seasons and by the new clubs that entered into the settlement regime. However, this also indicates that clubs are taking steps to bring themselves into compliance with the CL&FFP Regulations.

3.6.5 Redistribution of the financial contributions foreseen in settlement agreements

As in previous seasons, the settlement agreements concluded by the CFCB investigatory chamber had a direct positive impact on the other clubs that were participating in the UEFA competitions in full compliance with the financial fair play rules.

Concretely, the financial contributions withheld and/or paid by clubs in a given season as per their settlement agreements were redistributed to the compliant clubs participating in that season's UEFA club competitions on the basis of a redistribution mechanism previously ratified by the UEFA Executive Committee. This resulted in €4m being redistributed in July 2019 to the compliant clubs that participated in the 2017/18 UEFA club competitions.

The redistribution in December 2019 to the clubs that participated in the 2018/19 UEFA club competitions and were not subject to disciplinary measures or settlement agreement with the CFCB in the same season was equivalent to €5m.

Overview of financial fair play redistributions for 2017/18 and for 2018/19

Overall financial fair play redistribution	2017/18		2018/19	
	Number of clubs	Amount received per club	Number of clubs	Amount received per club
Compliant clubs that participated in the group stages of the UEFA Champions League or UEFA Europa League	70	€45,950	70	€54,120
Compliant clubs that participated only in the qualifying stages of the UEFA Champions League or UEFA Europa League	148	€5,430	149	€6,350
Total redistributions (rounded)	€4.0m		€4.7m	

Overall, since the redistribution mechanism was put in place in September 2014, compliant clubs that participated in the UEFA Champions League or UEFA Europa League between 2013/14 and 2018/19 have benefited from additional distributions amounting to €77m in total.

A full-page photograph of two young soccer players in action on a green field. A boy on the left, wearing a light blue shirt and a bright green Adidas training vest, is leaning forward. A girl on the right, wearing a red Adidas jersey and a bright orange Adidas training vest, is also leaning forward, her right foot near a red and white Adidas soccer ball. In the background, a blue soccer goal net is visible, and a blurred crowd of spectators can be seen behind a fence. The scene is brightly lit, suggesting a sunny day.

THE OUTLOOK FOR 2019/20

This 2019/20 season is the first to be governed by the new CFCB procedural rules, which entered into force on 1 June 2019.

The current CL&FFP Regulations, which entered into force in June 2018, have significantly strengthened UEFA's club licensing criteria and financial fair play requirements. One key area where club licensing criteria have been reinforced ahead of the 2019/20 season is in the youth sector, with improved assessment requirements for youth development programmes and an increased minimum number of qualified youth coaches. In respect of the club licensing system, six licensors were selected by the CFCB investigatory chamber to undergo compliance audits in September 2019 to ensure that they properly conducted their respective licensing processes in spring 2019 for the participation of their clubs in the 2019/20 UEFA club competitions.

Regarding financial fair play, the €2m in aggregate overdue payables reported as at 30 June 2019 by the clubs admitted to the 2019/20 UEFA Champions League and UEFA Europa League are the lowest on record. All European football stakeholders can be pleased with and proud of this achievement. Further to the clubs' submissions in respect of their payables information as 30 September 2019, three cases were referred to the CFCB adjudicatory chamber.

Further improvements can be expected in relation to the break-even requirement and the aggregate financial results of European football clubs thanks to increased revenues in 2019.

The CFCB investigatory chamber continues to monitor the remaining six clubs under settlement agreements in this 2019/20 season, namely FC Porto, Maccabi Tel Aviv FC, Galatasaray AŞ, Olympique de Marseille, FC Kairat and CFR Cluj, the latter being set to exit the settlement regime this season if it fulfils all the terms of its agreement.

The next CFCB investigatory chamber decisions on the break-even requirement are expected in spring 2020. As in previous seasons, UEFA will perform regular on-site compliance audits between November 2019 and March 2020 to ensure the correct application of the FFP rules.

As illustrated in this bulletin, the 2018/19 season was challenging in that many appeals were lodged by clubs before the Court of Arbitration for Sport. The final CAS decisions expected in 2019/20 will be carefully analysed and addressed, with proposals of amendments to be made to UEFA's regulatory framework as and when necessary.

Disclaimer

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