



# FÉDÉRATION INTERNATIONALE DE FOOTBALL ASSOCIATION

*Study Guide*

**Agenda: The implementation of stricter financial fair play rules by leagues and federations on clubs.**

**ANNUAL WORLD SUMMIT 2024**



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# Letter from the Executive Board

Dear Delegates,

The Executive Board of FIFA welcomes you to the Annual World Summit 2024. The committee being simulated, would be unlike most other simulations you must have heard of or been a part of; focus on logical intellect, analytical strategic application of thoughts in addressing the issues at hand and lastly upholding the spirit of this beautiful game.

Our agenda for this year is contentious to say the very least, so we encourage the delegates to be thorough with their research, and not shy away from speaking their mind to defend the pride and honour of their respective clubs and federations. Furthermore, you must make sure that your research is accurate as you will be required to cite your sources. Make sure to deliver your opinions boldly but also to listen to others' opinions. We are looking for practical yet creative solutions to our agenda at hand that will help to reduce overspending by clubs.

This study guide will give you a basic idea of what you can expect from the committee and the areas wherein your research should be focused. While you may refer to the study guide, it is crucial to do your own research on the same to be well prepared for the conference. Football is a sport of extreme passion and dedication, where emotions override any kind of facts when we defend our beloved clubs.





# Letter from the Executive Board

It is key to know the financial structure of the club, the transfer market working and the league's regulations. Information is key. Given the extremely volatile and multifaceted nature of the agenda of the committee, your presence of mind and analytical aptitude is something that we at the executive board would be looking to test.

It is to be noted that the content provided below in no way reflects the personal ideologies of the executive board and has been prepared to keep in mind a neutral point of view. Just like the players and fans trust FIFA in matters of interest in football, you can certainly put your faith in us for having an unparalleled committee experience. Wishing you all very good luck!

Yours sincerely,

**The FIFA Executive Board**

***Chairperson: Kanav Tuteja***

***Vice-Chairperson: Kaavyaa Gandhi***

***Moderator: Delvin Menezes***

***Rapporteur: Arsh Mulla***



# Introduction to the Committee

FIFA (Fédération internationale de football association), world governing body of association football, founded in Paris in 1904 to oversee international competition among the national associations of Belgium, Denmark, France, Germany, the Netherlands, Spain (represented by the Madrid Football Club), Sweden, and Switzerland. Today, FIFA's membership includes more than 200 national football associations.

As association football's governing authority, FIFA sets the rules of play, establishes standards for refereeing and coaching, oversees international player transfers, organises the World Cup (both men's and women's) and other international tournaments, and promotes the global development of the sport.

In the early 1910s, FIFA expanded beyond Europe as Argentina, Chile, South Africa, the United States, and others joined. This growth spurred the initiation of an international tournament separate from the Olympics under the leadership of FIFA's third president, French football administrator Jules Rimet (1921–54).

The first FIFA World Cup tournament was hosted by Uruguay in 1930. Thirteen countries participated, and Uruguay defeated Argentina 4–2 in the championship match. The United States finished third. The Men's World Cup tournament has been held every four years, except during and just after World War II. The headquarters of FIFA is located in Zürich, Switzerland.



# Introduction to the Agenda

**AGENDA: The implementation of stricter financial fair play rules by leagues and federations on clubs.**

This agenda was chosen keeping in mind the current situation where financial fair play either is not given enough importance by clubs or not enforced correctly by the federation established to keep a check on it.

Delegates are requested to state their delegations stance and position currently corresponding to the agenda, to do so delegates can research on past or present cases on the prosecutions or implementations of the law by/on a delegation helping the delegates choose a stance and moving forward with formal debates.

The committee is requested to stick to the agenda and come up with an evenly proportional resolution effectively solving the problem of imprecise and loose implementation of the FFP rule by leagues and federations.



# Meanings and Key Definitions

**Implementation** :- The act of putting a plan into action or starting to use a plan or system.

**Stricter**:- strongly limiting someone's freedom to behave as they wish, or likely to severely punish someone if they do not obey.

**Fair**:- treating someone in a way that is right or reasonable, or treating a group of people equally and not allowing personal opinions to influence your judgement.

**Financial Fair Play**:- The FFP (Financial Fair Play) rule in football is a set of regulations introduced by UEFA to ensure clubs operate within their means and avoid excessive spending. The key points of the FFP rule are:

- Clubs must balance their spending with their revenues and avoid significant losses over a three-year period.
- Clubs must pay their players, staff, and other clubs on time.
- Clubs cannot receive more than a certain amount of money from their owners as direct investment.
- Clubs must provide accurate financial information to UEFA.

**Leagues**:- An association of football clubs that organises matches between member teams of a similar standard.

**Federations**:- An encompassing political or societal entity formed by uniting smaller or more localised entities.

**Clubs**:- A sports club through which players represent maybe a state or an association at sporting events.



# Existing Legal Bodies

## 1. THE ENGLISH FOOTBALL ASSOCIATION (FA)

The Football Association (FA), is the ruling body for English football, founded in 1863. The FA controls every aspect of the organised game, both amateur and professional, and is responsible for national competitions, including the Challenge Cup series that culminates in the traditional Cup Final at Wembley. It later joined the Fédération Internationale de Football Association (FIFA) to formulate rules of international competition.

The FA Board is the licensor in England. Under their terms of reference the Professional Game Board and The FA Women's Super League and The FA Women's Championship Board of The FA considers UEFA club licensing matters on behalf of the FA Board for the men's and women's game respectively.

The Owners' and Directors' Test applies to all clubs in the Premier League, English Football League, National League, Isthmian League, Northern Premier League, Southern Football League, WSL and Women's Championship. The purpose of the Test is for the owners, directors and officers of clubs in those leagues to meet standards greater than that required under law so as to protect the reputation and image of the game.

### FA Rules in relation to a Club's Financial Records and Constitution

FA Rules II sets out the financial records that a club is required to maintain and prepare. This includes a requirement for a club to prepare annual accounts.

FA Rule I2.1 states that a club must have a written constitution in a form acceptable to the FA and that is capable of complying with FA Rules. A club must not be a sole trader. FA Rule I2.1 sets out requirements that a club is to include in its constitution. This includes provisions to ensure that those at a club conduct themselves in accordance with the Rules and Regulations of The FA.





# Existing Legal Bodies

## 2. ROYAL SPANISH FOOTBALL FEDERATION (RFEF)

The Royal Spanish Football Federation (RFEF) is the governing body of football in Spain. Founded on 29 September 1913, it is based in La Ciudad del Fútbol of Las Rozas, a municipality near Madrid.

RFEF organises the national cup competitions i.e the Copa Del Rey and Supercopa de España and administers the competition committee of the Campeonato Nacional de Liga (Primera División and Segunda División), including the handling of the trophy, even though they are organised by La Liga. It organises the rest of national league tiers: Primera Federación (3rd), Segunda Federación (4th) and Tercera Federación (5th).

It is also responsible for appointing the management of the men's, women's, and youth national football teams, the futsal and beach soccer. As of 2022, the federation has 30,052 registered clubs and 1,137,651 federated football players.

**Financial Fair Play:** The RFEF, in coordination with other football bodies like La Liga, implements financial fair play rules to prevent clubs from overspending beyond their means. This includes monitoring club revenues, expenditures, and debt levels.

## 3. ITALIAN FOOTBALL FEDERATION (FIGC)

In pursuit of full transparency, the FIGC makes its balance sheet, budgets, a Report Calcio, a Social Report and (since 2015) an Activity Report available every year. This is also the case for the Organisational, Management and Supervisory Model pursuant to Legislative Decree 231/2001 and approved by the Federal Council

The federation Determines the criteria for the distribution of resources allocated to the FIGC and defends the principle of financial solidarity between professional and amateur football.



# Existing Legal Bodies

## 4. GERMAN FOOTBALL LEAGUE (DFL)

The DFL itself divides its operating business into the areas of operation, licensing, and marketing. The "operations" business area includes, in particular, the management of the licensed players' activities and the organisation of the competitions of the Ligaverband, which includes the Bundesliga, and DFL-Supercup, along with the promotion/relegation play-offs. Highly important, and to date the only criterion which led to major problems for certain clubs, is the financial criterion. With this criterion the DFL tries to ascertain that all clubs remain solvent during the season in order to be able to maintain the club operations for as long as possible. The DFL can refuse to issue a license if a club does not meet the sporting, financial, legal, infrastructural, personnel, administrative, media, and safety-related requirements.

## 5. LIGUE DE FOOTBALL PROFESSIONNEL (LFP-FFF)

The Ligue de Football Professionnel, commonly known as the LFP, is a French governing body that runs the major professional football leagues in France and Monaco. The league is responsible for overseeing, organising, and managing the top two leagues in France, Ligue 1 and Ligue 2 and is also responsible for the 36 professional football clubs that contest football in France. It finances all operations or any actions that are likely to develop the resources of professional football in France.



# Existing Legal Bodies

## 6. UEFA

As a not-for-profit organisation, UEFA's business model is structured to support their goal of ensuring European football continues to thrive at all levels. By keeping their overheads to a minimum, they reinvest the majority of revenue generated by the famous club and national team competitions as equitably and fairly as possible across European football.

The UEFA Club Financial Control Body (CFCB) has the important role of overseeing the application of the UEFA Club Licensing and Financial Sustainability Regulations.

It determines whether clubs are complying with the financial sustainability requirements.

# What is the Financial Fair Play Rule?

**Financial Fair Play was established by UEFA in order to preclude football clubs from spending more than they earned, and thus curbing them from falling into financial troubles which could potentially cost them their long term survival.**

**The implementation of Financial Fair Play took place as the 2011-12 season kicked off. On announcing the new legislation, former UEFA President Michel Platini said, "Fifty percent of clubs are losing money and this is an increasing trend. We needed to stop this downward spiral. They have spent more than they have earned in the past and haven't paid their debts. We don't want to kill or hurt the clubs; on the contrary, we want to help them in the market. The teams who play in our tournaments have unanimously agreed to our principles...living within your means is the basis of accounting but it hasn't been the basis of football for years now. The owners are asking for rules because they can't implement them themselves - many of them have had it with shovelling money into clubs and the more money you put into clubs, the harder it is to sell at a profit."**

**The crux of FFP regulations is the break-even requirement, where clubs are ordered to not spend more than the income that they generate, and that they must balance their books over the course of three years.**

**In terms of revenue, only a club's outgoings in transfers, employee benefits (including wages), finance costs and dividends will be considered over income from matchday sales, TV revenue, advertising, finance, player sales and prize money. Funds spent on infrastructure, training facilities or youth training will not be included.**



# What is the Financial Fair Play Rule?

*The current Financial Fair Play Rules allow for the following actions to be taken against the clubs in the event of their violation:*

- 1. Reprimand / Warning*
- 2. Fines*
- 3. Points deduction*
- 4. Withholding of revenue from a UEFA competition*
- 5. Prohibition to register new players for UEFA competitions*
- 6. Restrictions on how many players a club can register for UEFA competitions*
- 7. Disqualification from a competition in progress*
- 8. Exclusion from future competitions*

*\*Delegates note that these points can be elaborated on in the committee.*

*In conclusion, Financial Fair Play seeks to alleviate the economic imbalances arising from the different clubs and to improve their financial health through its actions.*



# History of the Implementation of Financial Fair Play Rules

For Europe's leading football clubs, heavy spending has long been an unofficial but required sport. This is a game in which money is arguably the most important player. But after years of splashing astronomical fees and sky-high wages on superstar players, European football's ruling body is poised to tackle reckless spending by the region's biggest teams.

UEFA President Michel Platini warned top clubs that they will "face the music" if they fail to rein in their spending as a new report showed more than half of Europe's 655 top-flight clubs reported a loss in 2009. While total revenue of the 655 top-division teams in Europe climbed to a record €11.7 billion (\$15.1 billion), officials from European football's governing body said that net losses almost doubled to €1.2 billion, adding that there was "massive" spending on player wages.

The rules, which will apply to all clubs that qualify for UEFA competitions across Europe's 53 football nations, are designed to create a more level playing field by ensuring that a club does not repeatedly spend more than it generates.

For years, skyrocketing wages have been blamed for spiralling spending and saddling clubs with financial troubles. In a study of English Premier League clubs between 2005 and 2009, London-based sports analyst Sporting Intelligence found that the amount the teams spent on salaries explained 85% of the total variation in league position. In other words, the more a club pays its players in wages, the better it does.



# History of the Implementation of Financial Fair Play Rules

Those findings help to explain why top clubs spent an average of 64% of their income on wages in 2009, according to UEFA's review, while 73 teams across Europe spent more than 100% of their revenue on wages.

The Financial Fair Play system in place across football in Europe today was introduced by UEFA (European football's governing body) and its president Michel Platini in 2009, after approval in 2010 and the first assessments kicked off in the 2011-12 season. Financial Fair Play is a regulation that aims to ensure that no football team spends more than it receives. Its function is to regulate, monitor and improve the economic and financial capacity of football clubs. Basically, its task is to take the total income of each club and subtract costs and debt. The remaining figure is the amount a club can spend on salaries and other investments.

Since then, clubs that have qualified for UEFA competitions have to prove they do not have overdue payables towards other clubs, their players and social/tax authorities throughout the season. In other words, they have to prove they have paid their bills.

Since 2013, clubs have also been assessed against break-even requirements, which require clubs to balance their spending with their revenues and restricts clubs from accumulating debt.

In assessing this, the independent Club Financial Control Body (CFCB) analyses each season three years' worth of club financial figures, for all clubs in UEFA competitions, the first sanctions and conditions for clubs not fulfilling the break-even requirement were set following this first assessment in May 2014. The conditions relating to non-compliance with break-even requirements were effective for the 2014/15 campaign.

# History of the Implementation of Financial Fair Play Rules

From June 2015, UEFA updated its regulations to address some specific circumstances with the aim to encourage more sustainable investment while maintaining control on overspending. Situations addressed include clubs requiring business restructuring, clubs facing sudden economic shocks and clubs operating with severe market structural deficiencies in their operating region. For the first time the work of the CFCB is potentially expanded to include clubs not yet qualified for UEFA competitions but who anticipate and want to participate at some stage in the future.

UEFA applies Financial Fair Play to clubs participating in the Champions League, Europa League and Conference League. In this way, each institution has to prove that it does not owe any debts to its employees. This measure is intended to achieve the following:

- Ensure that the settlement is made with the obligations of its employees, with the restriction of not using more than 70 % of the profits generated by the club on salaries.
- Raise awareness of responsible spending for the benefit of football.
- Protect long-term viability and sustainability.
- Regulate finances in a balanced way.





# **Current Situation of the Financial Fair Play Rule**

**The UEFA Financial Fair Play Regulations (FFP) are a set of regulations established to prevent professional football clubs spending more than they earn in the pursuit of success, and in doing so not getting into financial problems which might threaten their long-term survival. Some have argued that they were instituted to prevent financial "doping" from outside sources injecting money into smaller clubs. They were agreed to in September 2009 by the Financial Control Panel of football's governing body in Europe UEFA.**

**Only a club's outgoings in transfers, employee benefits (including wages), amortisation of transfers, finance costs and dividends will be counted over income from gate receipts, TV revenue, advertising, merchandising, disposal of tangible fixed assets, finance, sales of players and prize money. Any money spent on infrastructure, training facilities or youth development will not be included. The legislation currently allows for eight separate punishments to be taken against clubs transgressing the rules, based in order of severity: reprimand / warning, fines, points deduction, withholding of revenue from a UEFA competition, prohibition to register new players for UEFA competitions, restrictions on how many players a club can register for UEFA competitions, disqualification from a competition in progress and exclusion from future competitions.**

**Clubs are permitted to spend up to €5 million more than they earn per assessment period (three years). However it can exceed that level to a limit if it is covered by a direct contribution from the club's owner.**



# Current Situation of the Financial Fair Play Rule

UEFA continues to enforce FFP rules through regular financial assessments and monitoring of club accounts. Clubs found in breach of the regulations can face sanctions, including fines, transfer restrictions, and even exclusion from UEFA competitions.

UEFA approved the squad cost ratio rule at an executive committee meeting in April 2022 as part of its new financial sustainability and club licensing regulations, which also cover 'solvency' and 'stability'.

It replaced UEFA's previous Financial Fair Play (FFP) system, which allowed clubs to make losses of up to €30m over a three-year accounting period.

The squad cost rule limits a club's spending on player and coach wages, transfers and agent fees to 70 per cent of their revenue. Currently UEFA is phasing its rules in over three seasons, with clubs that play in its competitions allowed to spend 90 per cent of their turnover on their squads this season, 80 per cent next season and 70 per cent in 2025-26, which is when the new Premier League rules should come into full effect, too.

FFP rules have faced criticism and challenges from various clubs, particularly those backed by wealthy owners who argue that the rules inhibit their ability to invest in the team. There have been instances of legal disputes and calls for reform. Many clubs have adjusted their financial strategies to comply with FFP, focusing on revenue growth, cost control, and player trading strategies. Some clubs have had to restructure debt or seek additional revenue streams to meet FFP requirements.

One of the major criticisms of FFP is the possibility of solidifying the so-called big clubs which generate the largest revenue and profits, and can consequently spend more money on transfers.



# Case Studies

## 1. Everton's points deduction:

The Premier League claims that Everton failed to provide accurate financial information at the end of the 21/22 season. The club strongly contests the allegation and is confident it remains compliant with all financial rules and regulations. Everton believes it is being unfairly penalised for losses associated with the construction of their new stadium and the termination of sponsorship deals with companies connected to Alisher Usmanov following Russia's invasion of Ukraine. In November 2023, Everton was deducted 10 points due to financial rule breaches, which is the heaviest punishment ever handed to a Premier League team. The club is currently appealing this decision and has been charged again by the Premier League for the same financial periods, which they argue is a clear deficiency in the league's rules.

Everton's finances remain precarious under the ownership of Farhad Moshiri, who is attempting to sell his majority shareholding to 777 Partners. The Premier League has yet to ratify this takeover by the controversial American investment firm. The outcome of this case is still unknown, but it has set a precedent for how the Premier League will handle financial rule breaches in the future. The league's decision to make an example of Everton has raised questions about the fairness and consistency of their approach to enforcing these rules.

## 2. Juventus Points deduction:

Juventus faced significant repercussions for breaching Financial Fair Play (FFP) regulations, resulting in a one-year ban from European competitions and a fine of €20 million, with half of the fine being conditional. The club was initially docked 15 points in Serie A, which was later reduced to a 10-point deduction, causing them to miss out on Champions League qualification. Juventus accepted the ban and fine, choosing not to appeal the decision despite disagreeing with the interpretation of their defence. The financial scandal stemmed from false accounting and financial irregularities related to past transfer dealings, leading to severe penalties from UEFA. The club's troubles also saw key officials resign, including president Andrea Agnelli and vice president Pavel Nedvěd. Despite Juventus' denial of any wrongdoing, the club faced consequences for their actions, impacting their European football participation and financial standing.



# Case Studies

## 3. FC Barcelona's debt affecting the Financial Fair Play rule:

In recent years, Barcelona has faced significant financial challenges and has had to navigate La Liga's FFP rules. The club has submitted documentation to La Liga outlining its profit and loss account, cash budget, investment and divestment estimates, and financial plan for the 2024-25 season. La Liga is expected to inform Barcelona and other clubs of their margin for action and FFP compliance in early June 2024, before the summer transfer window opens.

Currently, Barcelona is subject to the "50% rule," meaning they can only use 50% of the proceeds from player sales for new registrations. However, the club is confident that it will revert to the more favourable "1-1 rule" after La Liga reviews the submitted documentation.

**UEFA's recent cases on Financial Fair Play:** Here are a few recent cases of clubs being charged by UEFA due to breaches in Financial Fair Play (FFP):

- **Manchester United:** Fined €300,000 for "minor break-even deficits" for the financial years spanning between 2019 and 2022.
- **Barcelona:** Fined €500,000 for wrongly reporting profits from "disposal of intangible assets" that should not have been accounted for as income according to FFP rules.
- **Chelsea:** Fined €10m for "submitting incomplete financial information" during the Roman Abramovich era.
- **Juventus:** Banned from European competition for the 2023/24 season and fined €20m for financial irregularities, with half of the fine being conditional.
- **Manchester City:** Charged by the Premier League with 115 alleged breaches of the league's financial rules over nine seasons between 2009 and 2018.





# QARMA

## (Questions A Resolution Must Answer)

**The Following are questions your Resolution must answer:**

- 1.Changes in the current Financial Fair Play rule, if any.**
- 2.The chastisement on breaking the Financial Fair Play rule.**
- 3.Judicial power of the leagues in helping maintain the Financial Fair Play rule.**
- 4.Implementation of an specific governing body and its jurisdiction on the clubs in relation with the Financial Fair Play rule, if any.**
- 5.Radical solutions to attain these goals set in atleast top 10 leagues across the globe & how to set up an efficient system of compliance checks between the governing bodies, federations and the clubs .**



# **Suggested Moderated caucus topics**

- 1. Discussion about the current efforts taken place to enforce the Financial Fair Play rule in world football.**
- 2. Further measures that should be taken by leagues and federations to ensure Financial Fair Play rule.**
- 3. What should be the consequences of failure to tend to the Financial Fair Play rule.**
- 4. Ways of ensuring the Financial Fair Play rule should be enforced on all clubs and not only on a few (removing biases from jurisdiction)**
- 5. State ways of ensuring the lack of betting and match fixing in football.**
- 6. How would the dream Financial Fair Play rule play out in the super league proposed by the superpower clubs in 2021.**
- 7. The implementation of a governing body specifically for the oversight of The Financial Fair Play rule.**
- 8. Should the judicial power of the Financial Fair Play rule be stripped from The UEFA and be given to a Clubs union similar to the super league.**



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