



FEDERAZIONE ITALIANA GIUOCO CALCIO

FINANCIAL FAIR PLAY EUROPE AND ITALY

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What we will cover today

- 1 The specialness of the football industry
- 2 The FAs role as “regulators” to ensure sustainability
 - a. UEFA regulations
 - b. Italian National Licensing
- 3 The way Football Associations can drive growth among professional football clubs



FOOTBALL'S SPECIALNESS is driven by “complementarity”

Competition: the main feature of any commercial market.

Complementarity: the main feature of the sport industry.

In normal industries



Each competitor reduces market penetration

In football



Competitors need each others to create the product and increase its value



Complementarity is the unique feature of football that makes it different from any other industry. *The higher is the balance among competitors and the higher is the value of the product.*

The main ROLE OF FAs is to guarantee sustainability

Complementarity means sustainability

National Associations must guarantee the economic, financial, social, and, most of all, sporting balance of league clubs, enhancing their value in terms of:



Football show



Management



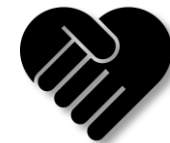
Development



Legacy



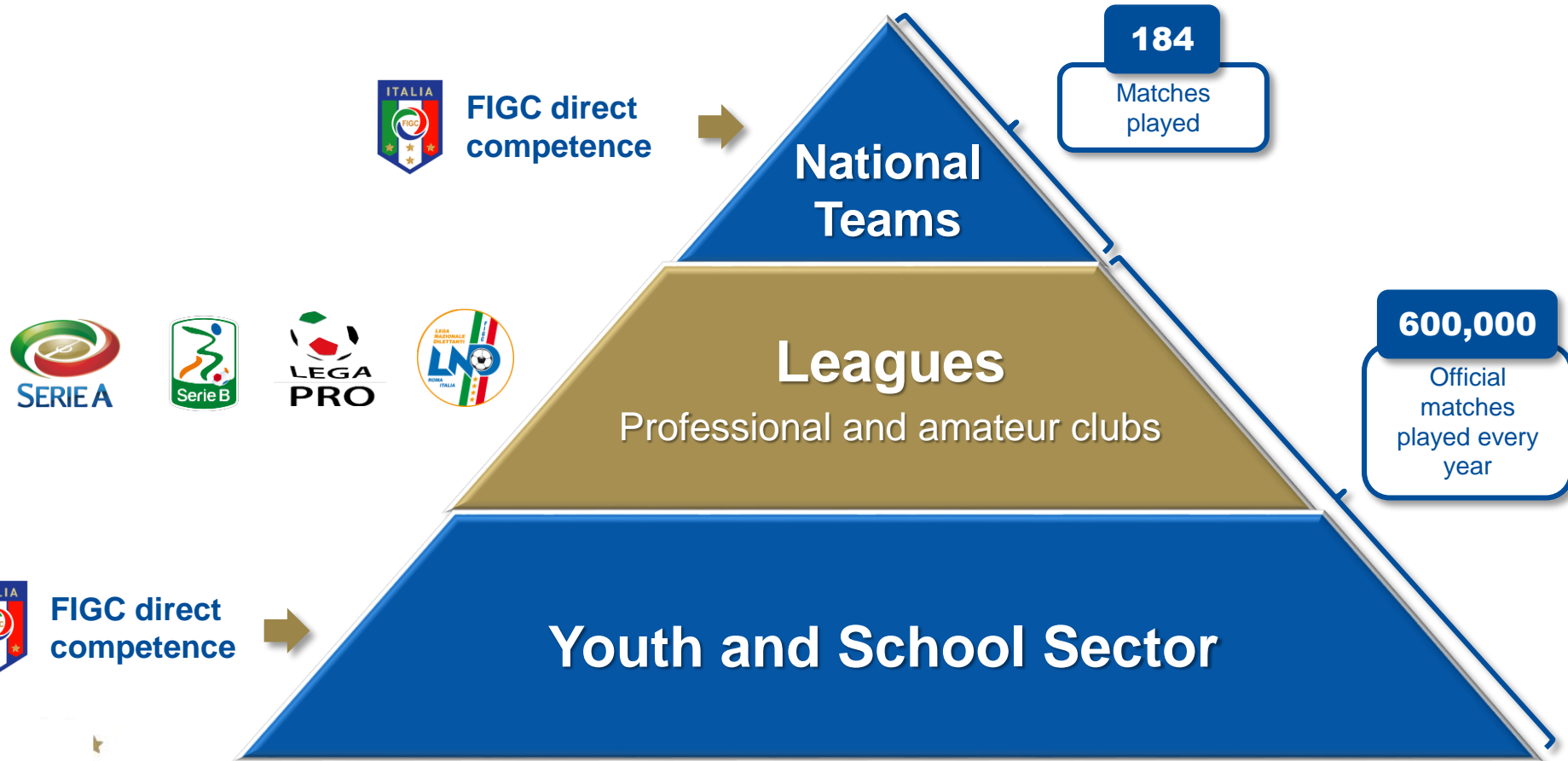
Business



CSR



ITALIAN FOOTBALL PYRAMID

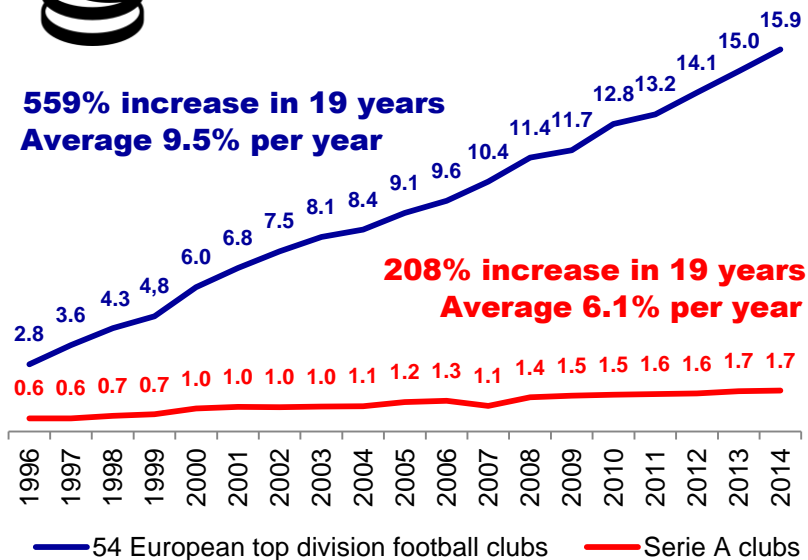


FOOTBALL is experiencing a UNIQUE economic improvement compared to the real world

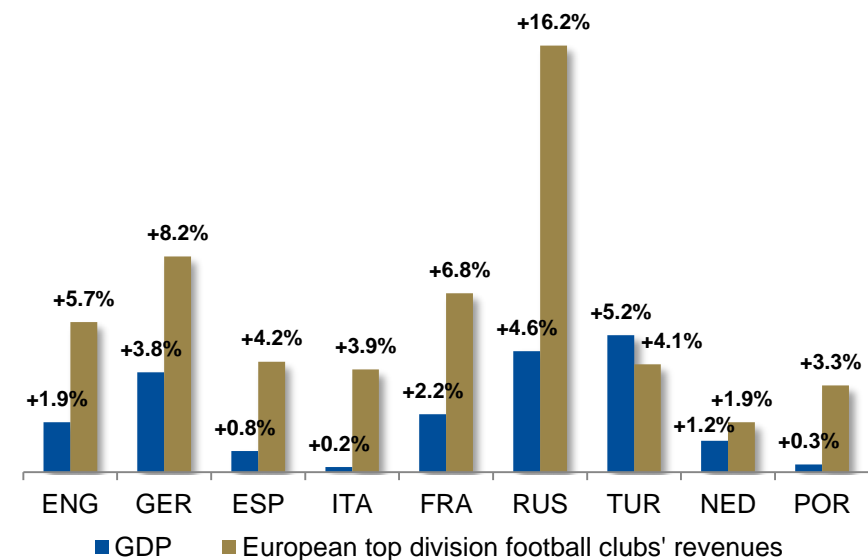
In the last 19 years, European top division football clubs have grown of 559% reaching revenues for 15.9 billion euros.



Revenues increase



Comparison between top leagues revenues and gross domestic product (growth 2010-2013)



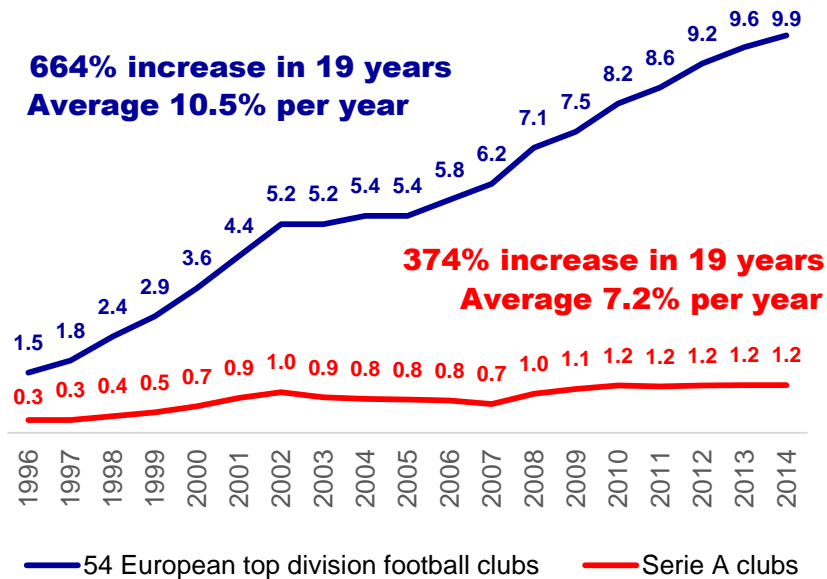
The football clubs of the 54 European top divisions experienced a 9.5% average per year increase in revenues, the European Union Gross Domestic Product increased by 3.2% only

Serie A football clubs experienced a 6.1% average per year increase in revenues, while the Italian Gross Domestic Product increased by 1.9% only

...However there is a crisis of the system structure, due to debts, personnel costs and economic losses



Increase of the personnel costs



On a yearly average, revenues increased by 9.5% (6.1%) while personnel costs increased by 10.5% (7.2%)



Increasing losses

Since 2008, the 54 European top division football clubs have produced **€7.5b** bottom-line losses, while Serie A produced **€1.5b** bottom-line losses.

Main causes:

Poor managerial vision

Financial instability

Poor attention to long-term investments

Unbalanced competitive opportunities

Underpinning sustainability is a clear set of RULES

Keyword: Rules

Europe and Italy have introduced dispositions to regulate and control the system.

UEFA has been a pioneer in this field. The rules introduced through Club Licensing (since 2003) and Financial Fair Play (since 2010) have achieved excellent results in 5 areas:

- **Sport**
- **Infrastructure**
- **Personnel and administration**
- **Legal**
- **Economics and finance**

New monitoring
tools at disposal of
UEFA



UEFA Club Licensing
(since 2003)

UEFA Financial Fair Play
(since 2010)



Focus on UEFA REGULATIONS



UEFA Club Licensing

UEFA defines minimum quality standards in 5 categories, and the grading scale of each criteria:

- ★ Sport
- ★ Infrastructure
- ★ Personnel and administration
- ★ Legal
- ★ Economics and finance

Financial Fair Play

- ★ Clubs must not **repeatedly spend** more than the revenue they generate, which means they must **break-even** over a three-year period
- ★ Enhancement of no **overdue payables** rule towards football clubs, employees and/or social/tax authorities
- ★ Enhancement of long-term investments in **youth sectors, infrastructures** and **social activities**
- ★ Enhancement of future **financial information** and **plan for compliance**



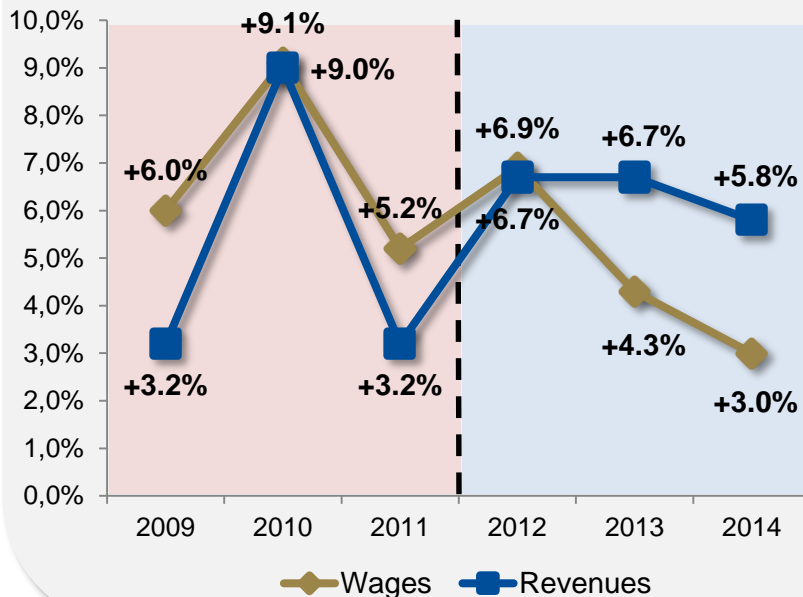
Issue

Mandatory for clubs participating in UEFA European competitions only (about 240 clubs out of the 716 that take part in the 54 European top divisions)

Deep dive: FINANCIAL FAIR PLAY RESULTS

Impact

Recent evolution of European top division football clubs' revenues and wages (percentage growth per year)



Results since 2011

2011		2014
-€ 0.4b	Operating profit	€ 0.8b
-€ 1.7b	Net result	-€ 0.5b
€ 3.3b	Equity	€ 4.9b
€ 57m	Overdue payables	€ 8m
		€ 5m in 2015



From 2011 to 2014

€2,000m

Spent in youth and community development

From 2011 to 2014

€1,750m

Spent in infrastructures

Underpinning sustainability is a clear set of RULES

Keyword: Rules

Europe and Italy have introduced dispositions to regulate and control the system.

UEFA actions **are limited to clubs participating in European competitions.**

Therefore, in a national league, the application of rules across clubs was heterogeneous. The solution was to **introduce a National Licensing System.**

New monitoring tools at disposal of UEFA and its NAs



UEFA Club Licensing
(since 2003)

UEFA Financial Fair Play
(since 2010)



National Licensing
(since 2009)



The Italian NA had to introduce a new set of economic and financial requirements

In the past, many **clubs failed** as old criteria were inadequate.

Among them:



Napoli



Fiorentina



Torino



Parma



Siena



Perugia



Ancona



Messina



Venezia



169

The number of professional **clubs that have failed** since 1986-87: 1 in Serie A, 9 in Serie B and 159 in Lega Pro

About 5 million

The number of Italian people remained without football due to insolvency of their clubs

Italy introduced its Control System in 2009-2010

The Italian Licensing System is a set of parameters and requirements set by the **Executive Committee**.

Clubs must comply in order to take part in the professional leagues. The criteria are divided in the following **categories**:



**Legal and
economic**



Infrastructural



**Sporting and
organizational**



To meet the criteria, clubs had to take action to improve their economics, organization and development plans.



The FIGC introduced new rules aimed at club economics

National Licensing was introduced by the new Italian FA governance.

It will be implemented gradually over 4 years (see details below) requiring compliance to new economic and financial indicators. The system will also be extended to Serie B and Lega Pro clubs.

2015 - 2016	2016 - 2017	2017 - 2018	2018 - 2019
Implementation with	Implementation with	Implementation with	Implementation with
Team roster up to 25 players max, with at least 8 players grown in Italy	Team roster up to 25 players max, with at least 4 players grown in Italy and 4 players grown in the club		
Payment of overdue payables towards international football clubs (excepted for training compensation and solidarity contribution)	Payment of training compensation and solidarity contribution towards international football clubs	Compliance with the system of three indicators not to be refused the Domestic License	Break-even rule: balance between costs and revenues
Payment of overdue payables towards registered members as at 30th April (including social taxes and withholding taxes)	Payment of overdue payables towards registered members as at 31st May (including social taxes and withholding taxes)		
Payment of overdue payables towards personnel as at 30th April (including social taxes and withholding taxes)	Payment of overdue payables towards personnel as at 31st May (including social taxes and withholding taxes)		
Main indicator	Main indicator	Main indicator	Main indicator
Current Asset Indicator (current assets over current liabilities); Limit: 0.4	Current Asset Indicator ; Limit: 0.5	Current Asset Indicator ; Limit: 0.6	Current Asset Indicator ; Limit: 0.6
Corrective indicators	Corrective indicators	Corrective indicators	Corrective indicators
Debt indicator (debts over revenues); Limit: 2	Debt Indicator ; Limit: 1.75	Debt Indicator ; Limit: 1.5	Debt Indicator ; Limit: 1.5
Wage/Turnover Indicator (wages+amortization of players registration over revenues); Limit: 0.9	Wage/Turnover Indicator ; Limit: 0.85	Wage/Turnover Indicator ; Limit: 0.8	Wage/Turnover Indicator ; Limit: 0.8
Notes			
In case of breach of the aforementioned limits, clubs have to deposit a detailed financial plan	Transfer embargo is applied in case of breach of the limits	Mandatory for admittance to the 2017-2018 championship	Mandatory for admittance to the 2018-2019 championship

The FIGC introduced new rules aimed at club economics

Break-even rule

- ★ Serie A clubs must comply with the break-even rule in order to acquire the National License and be **admitted to the league**. The system will be in place **starting from 2018-2019**.
- ★ The National regulation follows the UEFA FFP guidelines and defines an **acceptable deviation** (first limit) which is not calculated on absolute basis, but in terms of **a fixed percentage of the previous three years average Value of Production**. However, clubs can exceed this level only if such excess is entirely covered by contributions from equity participants and/or related parties.
- ★ A second and higher limit is implemented. Clubs **breaching the break-even rule** with a total deficit higher than the second threshold will be punished with **further sanctions** (i.e. transfer market blockade).



The FIGC defined a set of mandatory positions

Through its National Licensing system, the Italian FA has defined the following **professional figures** as mandatory within a clubs' Organizational Chart.

These figures are required to attend specific training and educational courses organized and monitored by the Italian FA's **Sport Directors' Committee**.

- CEO - Managing Director
- GS - General Secretary
- CFO - Administration, Finance and Control Officer
- Sports Director
- CMO - Media Officer
- CCO - Marketing / Commercial Manager
- SLO - Supporter Liaison Officer
- CSO - Security Officer / Deputy Security Officer
- Stewards
- Head Coach of the First Team
- Assistant Coach
- Team Assistant
- Head of the Youth Sector
- Youth Coaches
- Head of the Medical Staff
- First Team Masseur / Physiotherapist
- First Team Physical Trainer



The ultimate objective is to encourage investment

In order for the sport to grow and flourish, it is imperative to have strong fundamentals.
The FIGC encourages and requires clubs to invest in:

- ★ **Stadia**
- ★ **Training facilities**
- ★ **Youth sectors**
- ★ **CSR**
- ★ **Women's Football**
- ★ **CRM**



Development



Investments



Growth

Football Associations play a vital role in enabling long term growth of clubs and the wider football system

- ★ Setting *the rules*
- ★ Promoting *sustainability*
- ★ Protecting *investment*
- ★ Requiring *professional training*
- ★ Ensuring *legacy*



Combining the five points above allows us to protect what is most valuable, **the passion** of millions of fans.

And glorifies the most beautiful sport in the world, **Football**.





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