

WE CARE ABOUT FOOTBALL



HERE TO STAY CLUB LICENSING

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Preface

Titles, promotion and other honours should be won and lost on the field of play – this is the firm belief of all those who, like us, defend the pyramid structure and the system of promotion and relegation that characterise the European sporting model.

Even though we cannot hope for perfectly equal chances for all, it is nonetheless important to preserve the integrity and balance of the competitions and to ensure that everyone is subjected fairly to the same rules, both on and off the field. There should be no question, for example, of allowing a club to get into debt just to transfer in the best players, or, for the same reason, of allowing it to neglect its organisation, its training structure or the quality of its facilities.

The primary aims of the UEFA club licensing system are to increase transparency by promoting the exchange of information at European level, to raise the level of professionalism in club management, to ensure the clubs' financial stability, and in so doing, to ensure the integrity of the competitions. The licensing system is not set in stone, but must develop on the basis of experience, a process to which this report aims to contribute.

Michel Platini
President of UEFA

2004 2008 Table of contents

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Foreword

This report - the first of its kind - aims to provide clarity as to the characteristics of the club licensing system, and how the system functions. Its implementation within UEFA's member associations dates back to 2003, when licensors had to carry out the assessment of their clubs for the first time in order to issue the licences for the 2004/05 season¹. Since then, the licensing system has developed apace, involving 53 national associations, more than 700 clubs and around 850 people, just to mention those working at licensor level. It has been the subject of numerous press articles and conferences across Europe, and has in the last 12 months received increasing recognition amongst European political institutions².

The system is based on a series of defined quality standards (covering the areas of sporting, infrastructure, personnel, administration, legal and financial matters) which must be fulfilled in order for a club to be admitted to any UEFA club competition. It facilitates the exchange of existing best practices at national and international level. The same minimum standards apply to all clubs and licensors, no longer just on, but also off the pitch. Its implementation across all UEFA's member associations represents a significant step forward in improving transparency and governance of football clubs.

The data contained in this report principally comes from the member associations, and has been collected during the first four years of experience. The information has been pulled together and compiled, with cross-checks made to several sources. It must be recognised that the absence in the first version of the Club Licensing Manual of benchmarking as a specific objective has limited the amount of information at the disposal of UEFA, as well as comparability of information. The information reported is, in some cases, the result of a voluntary process initiated by some member associations, and we hope that further to the introduction of benchmarking as an objective of the club licensing system, together with more standardized reporting, the quality of information will improve and provide a more detailed picture of European club football.

This report is structured with five chapters. The first presents the club licensing system in general: its content, the main characteristics and the way the system has been implemented across the UEFA member associations. The second chapter describes the role of the member associations or, in the case of delegation, their affiliated league (as the licensor), its licensing administration and decision-making bodies. It further clarifies who is the license applicant, providing information in relation to the club's legal forms and structures. The third chapter

illustrates the role of UEFA, which at the same time provides assistance, but also ensures the consistent application of the system in all licensors. The fourth chapter presents a picture of the licensing decisions taken in the first four seasons. Finally, the report provides an outlook for the future, describing the various activities currently under way and the plans for the coming years.

We hope you find this report informative and useful.



Gianni Infantino
Deputy General Secretary
Director Legal Affairs and Club Licensing

¹ Hereinafter season means UEFA season

² Independent European Sport Review 2006, Report on future of professional football in Europe approved by the European Parliament

The challenges

Right from the beginning when the first document was drawn up by the UEFA Task Force in June 2000, it was clear that UEFA was initiating a complex project - one that former UEFA CEO Gerhard Aigner initiated and defined as "the most important project UEFA has ever had". The club licensing system aims at fixing minimum standards that had to apply to all clubs, across all UEFA member associations, irrespective of their size and degree of professionalism. For the first time, clubs had to fulfill a full set of specific criteria to enter UEFA club competitions.

This implied a change in the approach and, more importantly, a change of philosophy that had to be implemented through the whole "European pyramid of football": UEFA, the national associations and, finally, the clubs. The role of the member associations became crucial since they are the "licensor" and responsible vis-à-vis UEFA and the other member associations and clubs for the correct implementation of the system on their territory. Given the great diversity in the cultural, social, financial and legal frameworks of the different countries in Europe, the biggest challenge for UEFA in the last four years has been to ensure the consistent implementation of the set minimum standards in all national associations. As of today, UEFA can confirm that this objective has been achieved.

The club licensing system has the invaluable benefit of bringing the member associations closer to their clubs. By improving governance of clubs and licensors, it increases confidence in football, encourages investments and demonstrates that football can govern itself.

All of this has been possible thanks to the great commitment shown by all those involved in the project, and the invaluable contributions received from the stakeholders³ during the last years. Notwithstanding the fruitful results achieved in such a short period of time, there is no doubt that much still has to be accomplished, in particular when it comes to sharing information about what can be achieved via the licensing system, and what does not enter into its scope of application.

The UEFA club licensing system has the following objectives:

- Further promotion and continuous improvement of the standard of all aspects of football in Europe, and continuing priority given to the training and care of young players in each club;
- Ensuring that a club has an adequate level of management and organisation;
- Adaptation of clubs' sporting infrastructure to provide spectators and media with well-appointed, well-equipped and safe stadiums;
- Improvement of the economic and financial capability of the clubs, increasing their transparency and credibility, and placing the necessary importance on the protection of creditors;
- Safeguarding the continuity of international competitions for one season;
- Monitoring financial fair play in the competitions;
- Allowing the development of benchmarking for clubs⁴.

Contrary to general belief, it is important to underline that the club licensing system cannot solve all the problems related to club football. Nevertheless it is a dynamic tool that will help, by achieving the set objectives, to give credibility to the football industry as a whole. Consequently, this report should also serve to clarify what these objectives are, and eliminate some of the major misconceptions about the UEFA club licensing system.

"UEFA club licensing demonstrates that football can govern itself."

³ For the purpose of this report, stakeholders are defined as member associations, leagues and clubs

⁴ Objective first introduced in the UEFA Club Licensing Manual V2.0.





1

General information on the club licensing system



The set of regulations



[Manual V2.0](#)

The club licensing system is governed by two UEFA regulations: The UEFA Club Licensing Manual and the UEFA Club Licensing Quality Standard. It furthermore finds Statutory recognition in the UEFA Statutes⁵.

The UEFA Club Licensing Manual (hereinafter Manual) incorporates the UEFA minimum criteria that clubs have to comply with in order to be granted a licence for entering UEFA club competitions.

The initial steps were taken in September 1999 when, at the initiative of the UEFA Professional Football Committee, the UEFA administration was asked to prepare parallel studies on the following topics: introduction of a European club licensing system and the introduction of salary caps in football. The studies concluded that a club licensing system would be feasible if carefully structured, and proposed the introduction of such a system. It was also concluded that any attempts at implementing mandatory salary control would not be appropriate without greater comparability of clubs' financial data and without the necessary legal framework. Clear priority was therefore given to the licensing system and, upon approval by the UEFA Executive Committee, in cooperation with eight member associations (also known as the pilot associations⁶), the first edition of the Manual was drafted. Version 1.0 of the Manual came into force on its approval by the UEFA Executive Committee in March 2003, and applied for the first time for the 2004/05 season (i.e. clubs needed a licence for entering UEFA competitions for the 2004/05 season).

The second version of the Manual was developed with the assistance and the input of the member associations, various committees and two working groups: a financial working group⁷ and a legal working group⁸ composed of experts of various member associations and leagues. Version 2.0 of the Manual was approved by the UEFA Executive Committee in October 2005, to be applied for the first time for the 2008/09 season.

The Manual is the basic working document for national associations to be transformed into a national document. In other words, the member associations establish a "National Club Licensing Regulation" including all minimum criteria defined in the Manual, which is then approved by UEFA.

The national association or its affiliated league (i.e. the "licensor") is therefore responsible for managing the licensing system at national level in accordance with its "National Club Licensing Regulation".

⁵ UEFA Statutes: Article 7bis, paragraph 4 and Article 50, paragraph 1bis

⁶ "Pilot association" refers to those associations that were foreseen to run the club licensing scheme during a pilot period before extending it to all other member associations. Included experts from ENG, ESP, LUX, NED, NOR, SCO, SVN and SWE

⁷ Included experts from AUT, CYP, ENG, FRA, GER and NED

⁸ Included experts from ENG, ITA, SCO, SWE and SUI

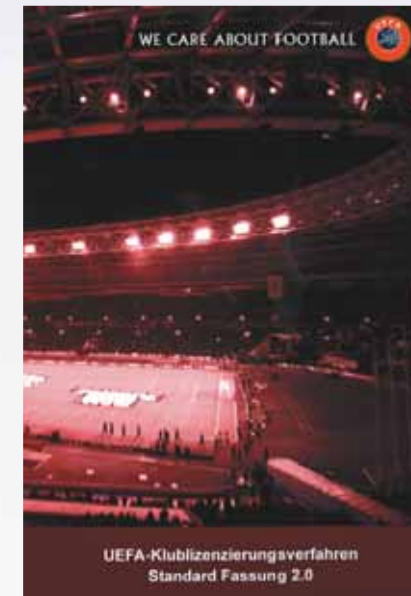
The Standard (hereinafter Standard) defines the minimum requirements that the licensor must comply with to operate the national club licensing system. It is supported by a Toolkit that provides additional guidance on how the Standard requirements may be met.

The Standard was established at the request of the pilot associations in order to ensure consistency in the assessment principles and methods followed by all licensors. The principles and structure of this document are based on the internationally recognised quality management system, ISO 9001:2000, and help licensors to improve the efficiency and effectiveness of their internal administration. It has been developed in co-operation with five licensors⁹.

Consequently, it is not just about clubs having to fulfill minimum criteria - but it is also a matter of the licensors having to comply with minimum requirements for assessing the club's applications.

Version 1.0 of the Standard came into force for the first time in 2004, and licensors had to follow the requirements of the Standard to assess the clubs and grant the licenses for the 2004/05 UEFA season.

Following the approval of the new version of the Manual, the Standard was also improved. The Standard 2.0 version will apply for the first time for the assessment valid for the 2007/08 season.



[Standard V2.0](#)

Did you know?

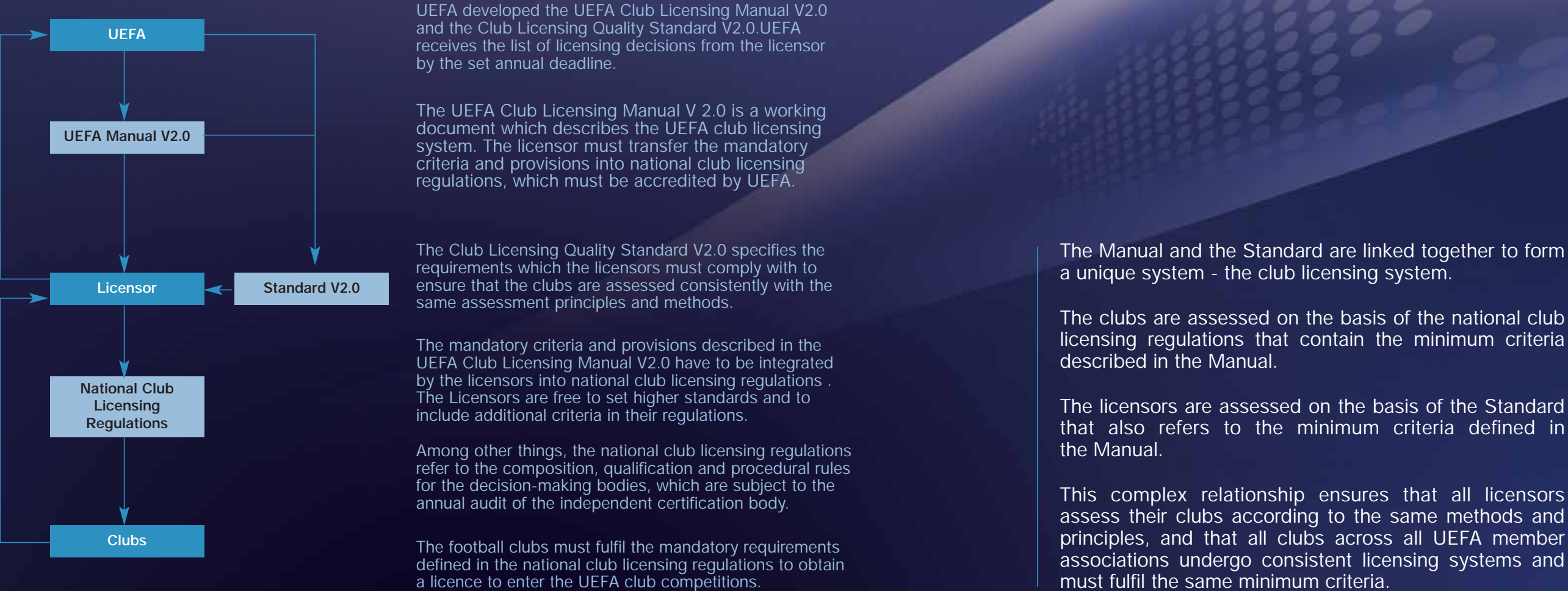
In the new Standard, licensors are also given the option and are encouraged to undergo additional requirements, thereby enabling them to apply for an ISO 9001:2000 certificate.

The Scottish Football Association was the first licensor to be granted with an ISO 9001:2000 certificate.

"It is not just about clubs having to fulfill minimum criteria - but it is also a matter of the licensors having to comply with minimum requirements for assessing the club's applications."

⁹ Included experts from BEL, BUL, GER, LUX and SCO

Table I: Relationship UEFA - Licensors - Clubs



"All licensors assess their clubs according to the same methods and principles. All clubs across all UEFA member associations undergo consistent licensing systems and must fulfil the same minimum criteria."



The characteristics of the system

The system has been introduced simultaneously in all UEFA member associations¹⁰. UEFA uses the system to lay down minimum standards for all three of its club competitions. The national associations are the licensors, rather than UEFA. This is because the member associations have a better understanding of their clubs and national environment, and are better suited to help them to achieve higher standards. Furthermore, the licensing system has often been extended to participation in the national competitions.

The licensors have a high degree of flexibility in determining any additional criteria and the sphere of application of all criteria for their national regulation. For example, UEFA has fixed the quality of the criteria, but has not defined the quantity. The system is designed to be dynamic, taking into account the latest developments and experiences. As a result, the content and the application of the licensing system may vary to some extent in the 53 individual member associations, depending on whether or not an association already implements its own club licensing system for its entire top division as a condition for entering the domestic championship.

In this respect, rather than referring to a level playing field, it is more correct to speak about 53 different national licensing regulations, which are all based on common minimum standards defined by UEFA, but which are adapted according to the licensors' own needs and objectives. Each member association has to make the decision as to which clubs the system applies. As a minimum, the club licensing system must be implemented for the top-division clubs which qualify for the UEFA club competitions on sporting merit or through the UEFA fair play ranking for the upcoming season. It is best practice, however, to implement the club licensing system for all top-division clubs of the member association as a condition for participation in the UEFA club competitions, as well as for participation in the national competitions (top division and lower divisions). The quality standards are therefore improved on a broader basis for the national championships, as well as for UEFA club competitions, and the clubs of the same division are treated equally.

The positive impact of higher quality standards from club licensing has therefore spread beyond just the top clubs competing in the European competitions. For the 2007/08 season, over 90% of all top-division clubs in Europe applied for a license - i.e. a staggering 655 clubs.

UEFA recommends that such decisions are carefully evaluated. In particular, it is very important that the licensors carefully consider the criteria to be implemented for entering the national competitions, the impact of such decisions on the national competition regulations and the consequences of a licence refusal at national level.



¹⁰ The Football Association of Montenegro joined UEFA as the 53rd member in 2007. It will apply the licensing system as from season 2007/08.

"Rather than referring to a level playing field, it is more correct to speak about 53 different national licensing regulations, which are all based on common minimum standards defined by UEFA."

Basically, the following options have been applied by the licensors:

- 1) One club licensing system foreseeing one licence as a condition for entering UEFA competitions only;
- 2) One club licensing system foreseeing one licence as a condition for entering UEFA and national competitions;
- 3) One or more club licensing system(s) foreseeing different licences as a condition for entering UEFA and national competitions.

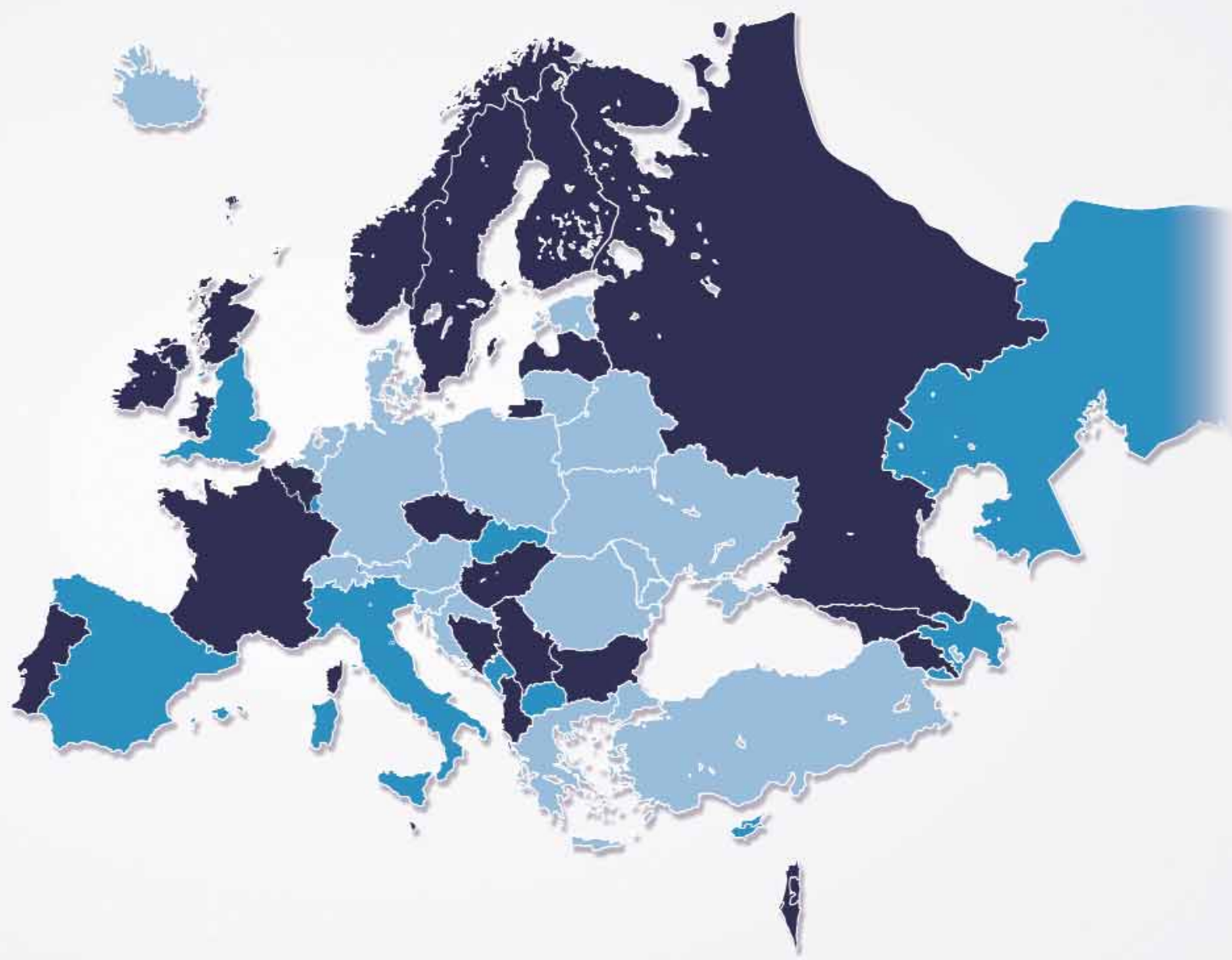
Depending on the option chosen by each member association, the system has then been made compulsory or is applied in practice by:

- a) the clubs qualified on a sporting basis for UEFA competitions only;
- b) all the clubs belonging to the top-division;
- c) all the clubs of the top-division, as well as by other clubs competing in the lower divisions. It must be noted that, in such cases, the criteria to be followed by clubs competing in lower divisions are less stringent than those to be followed by top-division clubs.

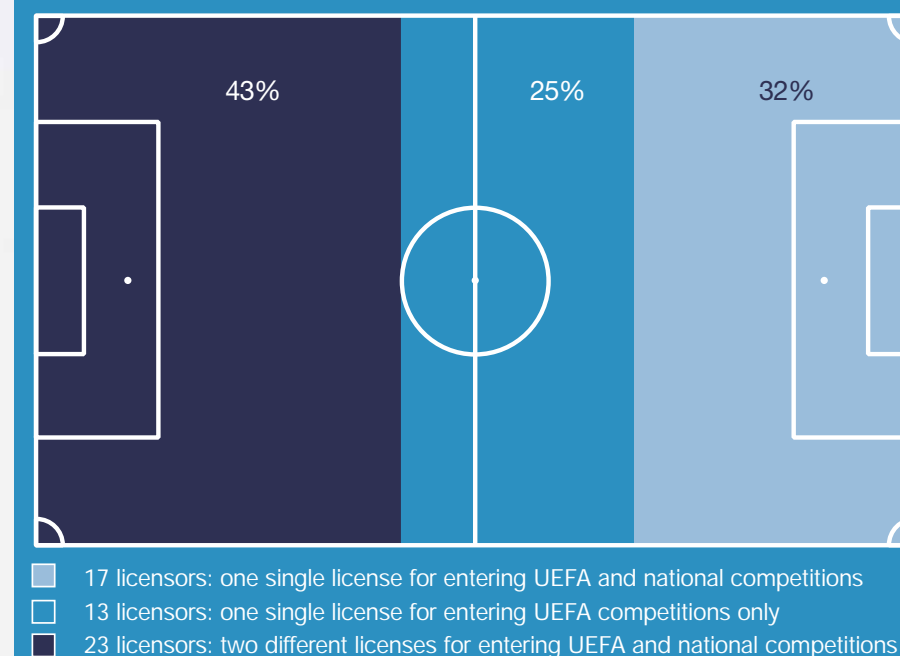
Did you know?

While the club licensing system foresees minimum criteria to be fulfilled by all clubs, it does not foresee the application of consistent sanctions [for the non-respect of the licensing criteria by the clubs] across all member associations.

Except for the non-respect of mandatory "A"- criteria, which all lead to the refusal of a licence, the non-respect of mandatory "B" criteria may lead to different consequences depending on the decision of the licensor. Typical sanctions in such cases are warnings, fines or the duty to submit guarantees.



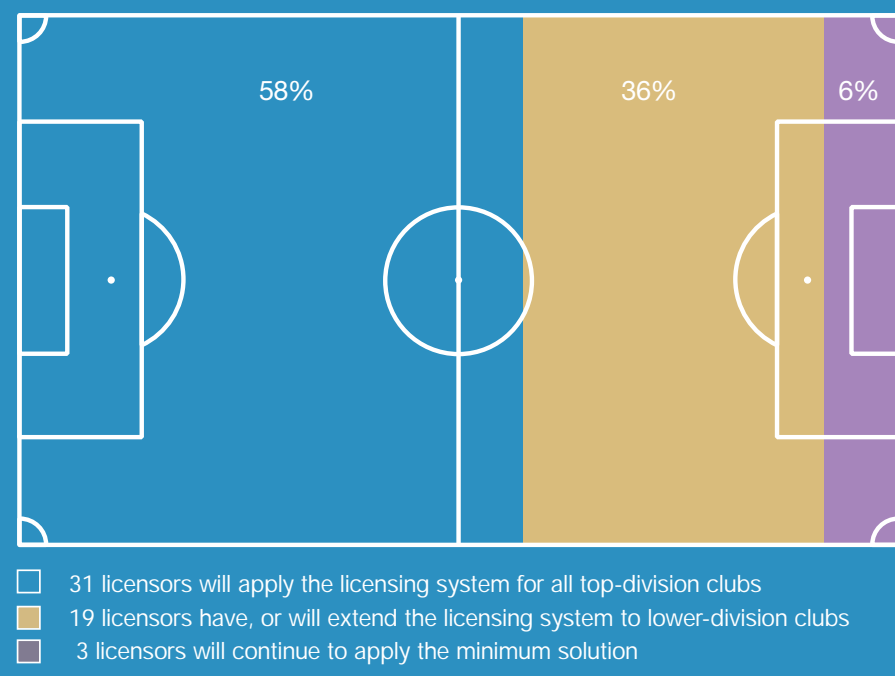
Profile of licensing system - per licensor - 2008/09 season



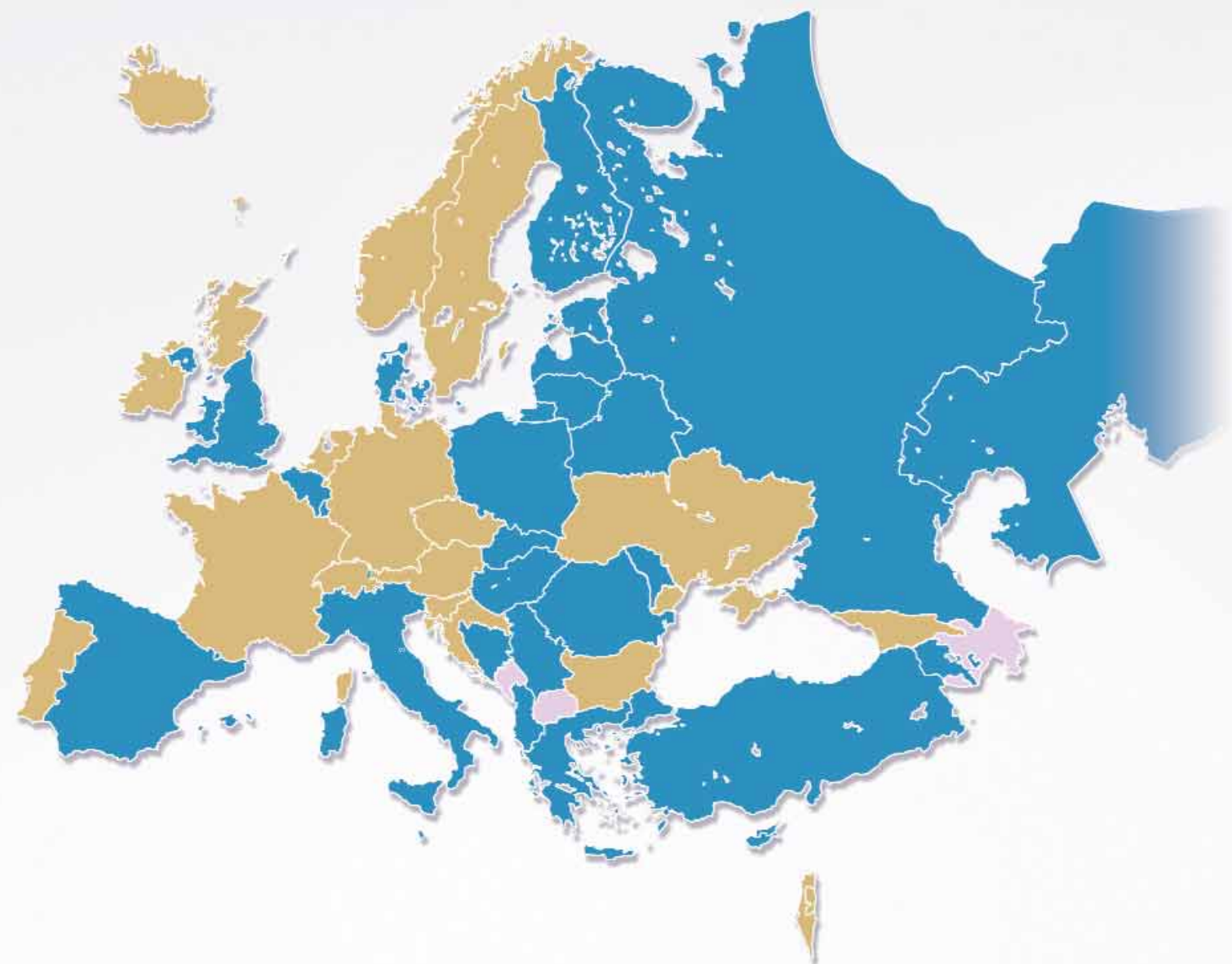
It is interesting to note that in the 2008/09 season, 75% of the member associations will also have a licensing system (or similar admission procedure) for entering the national competitions. Provided that the licensing system is dynamic, it is likely that this picture will change in the future.

The criteria to be fulfilled by the clubs may be identical to the ones to be fulfilled for entering the UEFA competitions (in such cases, we speak about one single licence), or may differ from those required to enter the UEFA competitions (we speak in this case of two different licences), in that the criteria are less/more strict, in that the criteria are the same, but the types of sanction differ, or because they focus primarily on one category of criteria (e.g. financial criteria).

Clubs undergoing the licensing system - 2008/09 season



In 50 member associations (i.e. 94%), the licence is applied by all or almost all top-division clubs. This is for two reasons: either the system has been made compulsory to all clubs, or at the time clubs have to apply for a licence, the national competitions that are the basis for sporting qualification for UEFA competitions are still not finished. This is why in England or Spain - despite the fact that the system is not mandatory - all top-division clubs apply for a licence in order to safeguard the opportunity to play in Europe.







The criteria of the UEFA Club Licensing Manual

The criteria defined in the Manual have been designed to lay down minimum standards to be fulfilled by those clubs wishing to take part in European club competitions. They are designed to be flexible and to support and encourage member associations to introduce a licensing system not just for entering UEFA competitions, but national competitions as well. In order to provide a firm and fair basis for the new system, UEFA has created an approach based on a grading system ranging from the absolutely must A — to the best practice — C - criteria.

In order for the clubs to obtain a licence, they need to comply with all minimum mandatory criteria specified in the national club licensing regulations as accredited by UEFA in accordance with the applicable Manual. The key criteria cover the following topics: Sporting, Infrastructure, Personnel & Administrative, Legal and Financial.

Over the page, we have set out the criteria in detail, followed by an analysis of the main changes.

Did you know?

In the UEFA Club Licensing Manual V1.0, the criteria were graded into four categories:

- A must be fulfilled as defined;
- B must be fulfilled with possible alternatives/options;
- C must be fulfilled with possible other sanctions, apart from exclusion from UEFA club competitions;
- D are 'best practice' recommendations.

In the UEFA Club Licensing Manual V2.0 the gradings were reduced to three. Grades A and B were merged together and became A. In addition, C became B and D became C:

- A must be fulfilled as defined;
- B must be fulfilled with possible other sanctions, apart from exclusion from UEFA club competitions;
- C are 'best practice' recommendations.

Table II: UEFA Club Licensing Manual V1.0 - The Criteria (as from 2004/05 season)

	A Criteria	B Criteria	C Criteria	D Criteria
Sporting (4)	Approved youth development programme Sporting merit – first squad			Education of youth players Refereeing matters – Programme for Mutual Understanding
Infrastructure (62)	Stadium – certification Stadium – safety Stadium – approved evacuation plan Stadium – control room Stadium – capacity Stadium – individual seats Stadium – floodlighting Stadium – spectators area Stadium – first aid rooms	Stadium – availability Field of play – specification Size of field of play Training facilities – availability for club	Stadium – ground rules Stadium – covered seats Stadium – accommodation of supporters Stadium – sanitary facilities Stadium – signposting and directions on tickets Stadium – media and press facilities Training facilities – approved infrastructure Stadium – Drug testing room Stadium – Spectators with disabilities	Field of play (3) Stadium (25) Stadium area (3) Stadium media facilities (9)
Personnel and Administrative (15)	Administration – General Manager Administration – Club secretariat Football staff – Head of youth programme	Administration – Finance officer Football staff – Head coach Specialists – Security officer Football staff – Medical Staff	Football Staff – Youth coaches Specialists – Media officer Stewarding	Football staff – Head coach Specialists – Media officer Specialists – Security officer Stewards IT sector
Legal (4)	Documents and confirmations from the licensee Membership and conditions of membership	Participation in competitions Register extract		
Financial - phase 1(4)	Audited Financial Statements Financial Statements for the interim period No payables overdue from transfer activities No payables overdue towards clubs' employees			

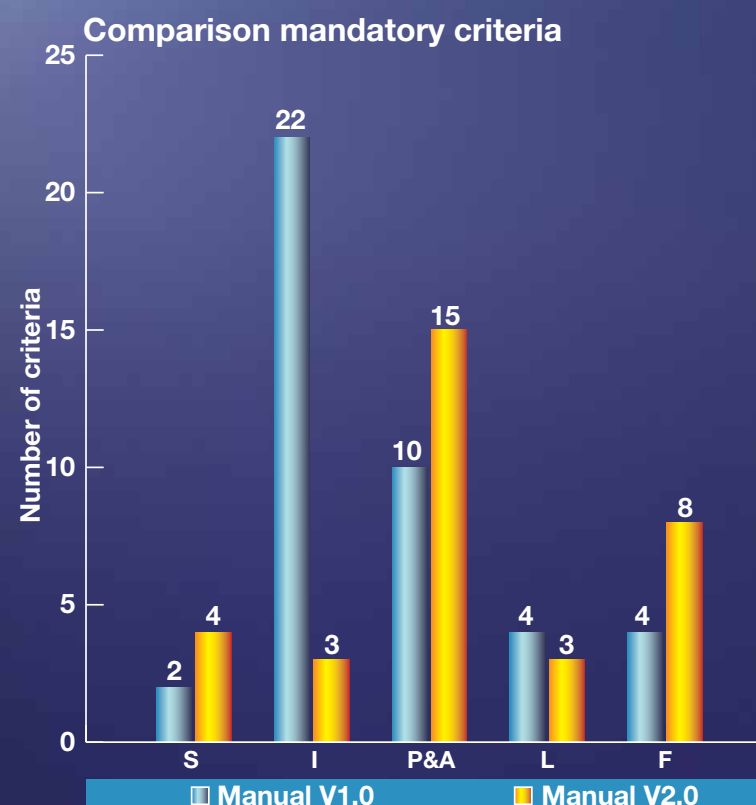
Table III: UEFA Club Licensing Manual V2.0 - The Criteria (as from 2008/09 onwards)

	A Criteria	B Criteria	C Criteria
Sporting (5)	Approved youth development programme Youth teams Medical care of players	Refereeing matters and Laws of the Game	Racial equality practice
Infrastructure (3)	Approved stadium for UEFA club competitions Training facilities - availability	Training facilities - approved infrastructure	
Personnel and Administrative (15)	Finance officer General Manager Club secretariat Security officer Media officer Medical doctor Physiotherapist Head coach of first squad Head of youth development programme Youth coaches Safety and security organisation - stewarding	Assistant coach of first squad Rights and duties Duty to notify significant changes Duty of replacement during the licensing season	
Legal (3)	Declaration in respect of the participation in UEFA club competitions Other documents and confirmations from the licence applicant Register extract		
Financial (8)	Annual Financial Statements-audited Financial Statements for the interim period - reviewed No payables overdue towards football clubs arising from transfer activities No payables overdue towards employees and social/tax authorities Written representation letter prior to the licensing decision Future financial information	Duty to notify subsequent events Duty to update future financial information	

Compared to V1.0, the new edition of the Manual has been well-received, as it is considered to be better structured, with an improved link between the criteria and the set objectives. It provides the main users (licensors and licence applicants) with clear information and guidelines on how to fulfill and assess the set of criteria.

The criteria itself have been improved to increase clarity and leave less space to subjective interpretation. The focus has been put on reasonableness, proportionality and measurability. Ensuring that the national regulations are in compliance with specific national law remains key to allowing the implementation of club licensing in all 53 member associations, despite the sometimes tremendous differences in cultural, economic and sporting domains. In this respect, it is worth noting that the club licensing system has already been examined by one competition authority in Belgium and has been found to comply with competition law, insofar as the licensing provisions are reasonable and proportionate.

The new criteria, in particular the financial criteria, have demanded an adaptation of the national licensing regulations, including those of the most experienced licensors like Germany and France. The "Direction Nationale de Contrôle et de Gestion", acting as the financial expert for the French Football Federation, recently stated in its annual report on the financial situation of football clubs: "The financial criteria defined in the new UEFA club licensing manual have demanded some amendments to the regulations of the DNCG. The strengthening of such criteria should allow a better financial control and a standardised approach in the assessment of European clubs".



With the exception of the infrastructure criteria that have now been integrated into the new UEFA stadium regulations, the number of mandatory criteria to be fulfilled by the clubs has increased (30 vs. 20). Note that the chart does not take into consideration the financial criteria as per Phases II and III of the Manual V1.0 that never came into force as a result of the development of Manual V2.0. Mandatory criteria include those graded as A, B and C under Manual V1.0, and those graded as A and B under Manual V2.0.

"The implementation of the financial criteria defined in the new UEFA Club Licensing Manual required some amendments to the regulations of the DNCG. The strengthening of such criteria should allow a better financial control and a standardized approach in the assessment of European clubs."

Source: Report DNCG, Commission de Contrôle des Clubs Professionnels
Comptes des clubs professionnels Saison 2005/2006 [free translation]

Sporting criteria

Sporting criteria have been improved to stress the importance of player development. Training youth players is a key area for football clubs. The criteria stress the importance of fostering youth development programmes, and the need to identify and to educate young players. Links to the grassroots should also be encouraged.

UEFA therefore requires higher quality standards for clubs qualifying for Europe. This is in line with the objective of the "Sports rule to encourage local training of players" that aims to promote the training of new local talent in order to safeguard the future of football, and also aims to continue the link between football clubs and their local community.

For this reason, football clubs, in order to be granted with a licence, will need to implement written youth development programmes which fulfil the minimum standards. Clubs will have to run at least four youth teams, either within the club or affiliated to the club (instead of three teams as previously foreseen by Manual V1.0). Such youth teams must be trained by qualified coaches.

Did you know?

Clubs are requested to prepare a youth development programme including, as a minimum, information on:

- a) Objectives and youth development philosophy;
- b) Organisation of youth sector;
- c) Personnel (technical, medical and administrative, etc.) and required minimum qualifications;
- d) Infrastructure available for youth sector;
- e) Financial resources;
- f) Football education programme for the different age groups;
- g) Education programme on the Laws of the Game;
- h) Medical support for youth players;
- i) Review and feedback process to evaluate the results and the achievements of the set objectives;
- j) Validity of the programme.



"The impact on coach education and on coaching licences in Belgium has been very positive. Since the introduction of the mandatory licences, we noticed a significant increase in the number of inscriptions at all levels."

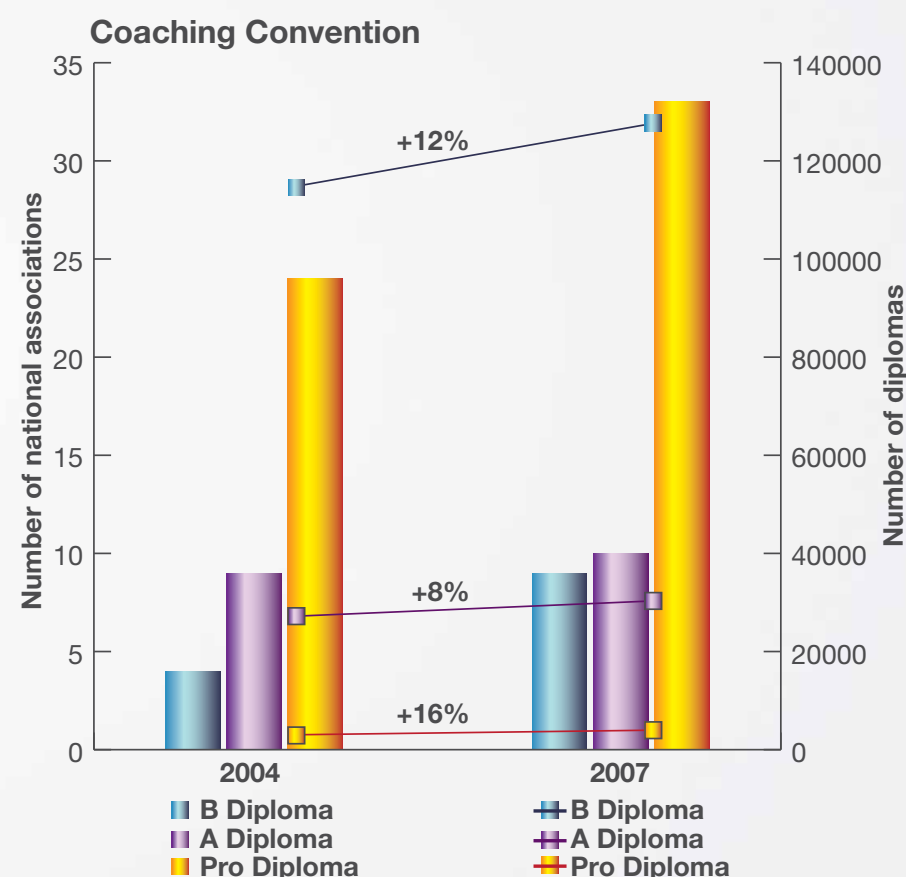
Michel Sablon, Technical Director, Belgian Football Association

Personnel & administrative criteria

License applicants must also fulfil a large number of professional and administrative requirements. Clubs will now have to promptly inform the licensor about significant changes (e.g. change of Head coach) in their personnel structure. This aims at ensuring fulfillment of minimum standards over the whole season. Furthermore, particular focus has been put on the area of coach education, in order to safeguard and further improve the quality of European football. In this respect, a clearer link with the "UEFA Convention on the Mutual Recognition of Coaching Qualification"¹¹ (The Convention) has been established so that only those coaches, including foreign coaches, with the highest qualification of the member association on which territory the club is situated will satisfy the criteria. The introduction of specific licensing criteria focusing on coaching qualifications (head coach, assistant coach, head of youth development coaches and youth coaches) represented an additional boost to the Convention and the coach education programmes throughout Europe. If, prior to the introduction of the club licensing system, it was still possible in some associations to be head coach without having undergone coach education and possess an appropriate diploma, now this is not possible anymore, in particular if the club concerned aims to enter European competitions.

¹¹ The Convention's aim is to upgrade the coach education structures to a defined level of quality in terms of duration and content inasmuch as this minimum level has not yet been reached.

Finally, the club licensing system influenced other UEFA regulations to the extent that not just club coaches, but also national team coaches will need a specific diploma starting from 2009 (U-21 level: from autumn 2009; A-National level: from autumn 2010).



Did you know?

Up to the 2009/10 season, head coaches may satisfy the licensing criteria if they have been issued with a recognition of competence issued by their member association. Such a recognition of competence is issued on condition that he/she has a minimum of five years' experience as a head coach in any top or second division club of a member association. From 2009/10, new recognitions of competence will no longer be applicable. Those issued before 2009 will remain valid.

In 2004 when the licensing system was launched, the number of member associations adhering to the Convention was 37, giving a total of 143,757 diplomas. By June 2007, all member associations (with the exception of new member, the Football Association of Montenegro) had adhered to the Convention. The number of diplomas issued has reached 163'001; i.e. an increase compared to 2004 of around 12%.

"The decision to invest in football grounds recognises the dedicated efforts by the FAI leadership to implement all the facets of club licensing across the Eircom League."

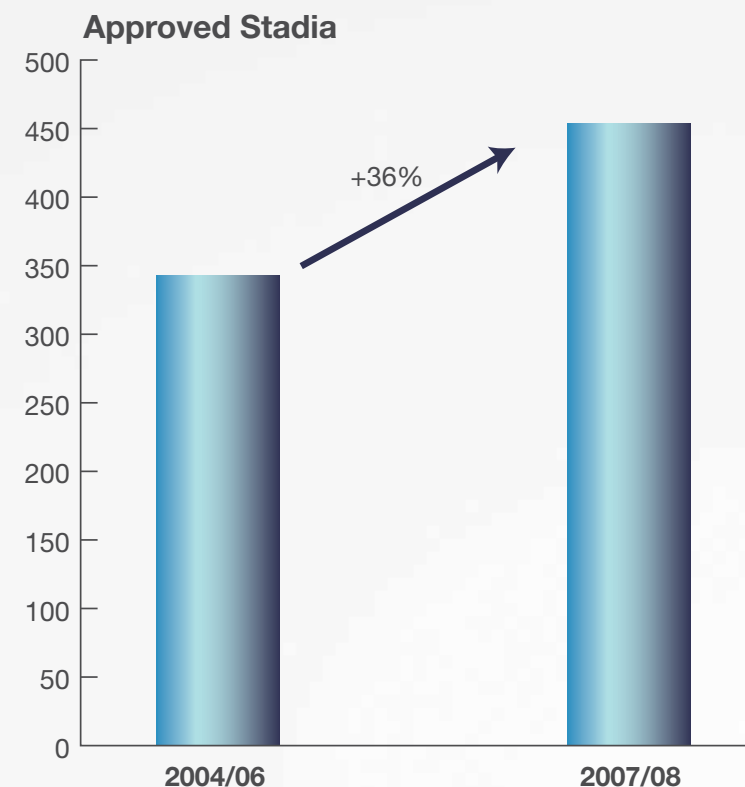
Mr John O'Donoghue, Sports Minister of the Republic of Ireland

Source: The Irish Examiner, 22 July 2005

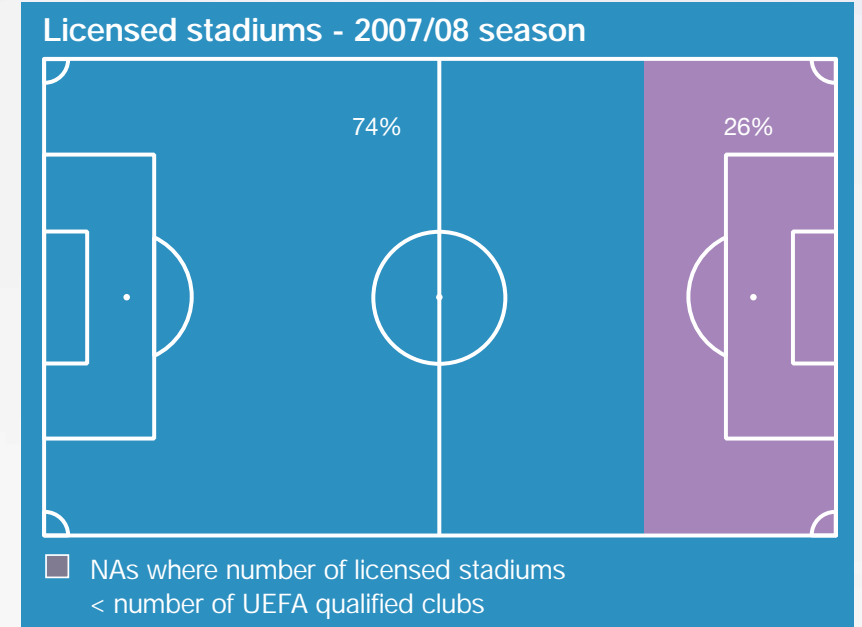
Infrastructure criteria

In order for a license applicant to be granted a licence, it must prove that it has a stadium available which fulfils certain minimum criteria and is approved by the licensor. However, such approval does not ensure that an approved stadium can be used for all UEFA club competitions or through an "entire competition". Different quality criteria are set, and must be met for the various UEFA club competitions or for the different stages of the same competition. For example, the quality standards required to host a UEFA Champions League group-phase match are higher than the standards required for qualifying matches in the same competition. Thus, clubs must have available at least one stadium that allows it to play the entire competition for which it qualifies on a sporting basis. It is important to note that the football clubs may own the stadium directly or have an agreement in place to rent it for the purpose of playing the home matches in the competition. The above approach has contributed positively to the improvement of several grounds around Europe in making them compliant with the licensing regulations, and increasing requirements fixed in the competition regulations. For example, huge efforts were made in the Republic of Ireland, where the government contributed a €15.8 million investment to improve the standards of grounds of league clubs in line with the requirements of the club licensing scheme. In the new edition Manual V2.0, most of the infrastructure criteria, with the exception of those referring to training facilities, have been integrated into the new UEFA Stadium Infrastructure Regulations, and compliance with

such regulations will be deemed to be in compliance with the licensing system. In doing so, the whole approach around infrastructure requirements has been harmonised with the other UEFA regulations. Criteria are integrated into one single document, avoiding misinterpretations between the former licensing criteria (focusing primarily on structural issues) and the requirements contained in the competition regulations, (focusing primarily on operational issues).



The number of approved stadiums has improved over the last three years by 36% whereas the increase in the number of licence applicants amounted to only 12%. The trend is positive thanks to the assistance of UEFA via the HatTrick solidarity scheme, as well as the huge investments carried out by clubs or public authorities to keep in line with the licensing criteria.



In the 2007/08 season, 26% (14) of all member associations will have at their disposal a number of licensed stadiums that is lower than the number of teams qualified to play in European matches. As a consequence, some teams have to use alternative stadiums and share grounds.

For the same season, 14 licensors reported a maximum of three licensed stadiums on their territory (18 in 2004/05), while 21 licensors reported at least ten licensed stadiums (13 in 2004/05).

Legal criteria Financial criteria

Legal criteria were simplified and, at the same time, it was stressed that clubs should recognise the Court of Arbitration for Sport in Lausanne as the sole competent body for disputes on international level.

“The capacity of the club to continue to operate as a going concern in the foreseeable future has become a key element of the new system.”

Finally, financial criteria were revised in cooperation with the member associations and, in particular, with the invaluable support of a financial working group composed of financial experts from six licensors. While the requirement for clubs to report under International Financial Reporting Standards (IFRS) would have increased comparability of financial statements, the requirements of Manual 2.0 stop short of this. After all, it has only recently been introduced as a requirement for stock exchange-listed companies, including some of the largest companies in Europe, and it is clearly unrealistic to expect all clubs to meet these reporting requirements. Notwithstanding the fact that clubs continue to report under national reporting frameworks, certain specific minimum information such as the breakdown of income into main revenue streams and the presentation of cashflows have been incorporated into all national regulations, and will now be required from all clubs. This will increase financial transparency. Furthermore, the financial accounts will now need to be audited according to International Auditing Standards (or national standards if these are equivalent to International Auditing Standards), with the aim of ensuring the same assessment quality in all member associations. In this new edition, the focus is no longer limited to historical data (e.g. audited financial statements), but also to future financial information. All clubs are now required to prepare budgeted information, which means that the capacity of the club to continue to operate as a going concern in the foreseeable future has become a key element of the new

system. Clubs may show deficits and have debts; however, in order to obtain a licence, they must be able to demonstrate that they can continue their activity as a going concern and that they do not have overdue payables towards other clubs, their employees and social/tax authorities. These financial criteria remain key, and have been reinforced. For example, clubs will now have to settle all their overdue debts towards other clubs and their employees by 31 March at the very latest. In doing so, a common deadline across all licensors has been fixed, providing a clearer framework aiming to increasing the level of transparency. Following the introduction of Manual V1.0, a huge quantity of financial and other information was submitted by clubs to the licensors. The objective to promote benchmarking contained in Manual V2.0 will encourage licensors into mobilising this information and enabling feedback to be given to clubs, together with structured analysis. For the time being, and thanks to the work of licensing managers, UEFA is in the position to collect aggregate financial data from numerous licensors. This exercise will allow the preparation of the first pan-European picture of European club football. In the coming years, the requirements included in the new financial criteria will allow wider comparison and improve transparency of the football industry.





Nowadays, it is difficult to measure in detail the impact achieved with the implementation of the financial criteria of Manual V1.0. A recent survey conducted amongst 30% of the licensors showed that, in particular, the criteria aiming at the protection of the creditors (especially other football clubs and the employees) had enjoyed a positive impact, and had played a major role in encouraging clubs better to manage their liquidity, in a more efficient manner. It is important to underline that in all those licensors where similar criteria were not already existing, and where such measures to protect football creditors were implemented for the first time, the results achieved have been significant. For example, the number of disputes in relation to transfer fees (owed to another club) or in relation to unpaid wages and bonuses towards employees issued in front of the national or international competent body have decreased significantly. This may also depend on various other factors (e.g. decrease in the number of transfers), but it is a fact that the large majority of licensors consider the impact of the licensing criteria as important. Licensors, traditionally rich in disputes between clubs and players or coaches, such as CYP, ITA or SVN, registered a decrease in the number of cases, by between half and three quarters.

"The introduction of the financial criteria has undoubtedly contributed to the significant reduction in the number of disputes in relation to overdue payables towards employees."

Francesca Sanzone, Licensing Manager, Italian Football Federation

Did you know?

In order to allow proper implementation and allow clubs to prepare for the set standards, the new rules have to be approved some years before they enter into force. In particular, this is the case for new financial criteria. Since these may be based on, or specifically refer to annual financial statements of the year preceding the season to be licensed, they must be known in advance by the clubs in order to be considered and incorporated in their financial accounting. This is the reason why the new licensing regulations were approved in late 2005, but will only apply for the first time for participation in the 2008/09 season.

The requirements of the UEFA Club Licensing Quality Standard

The requirements of the Standard have been designed to ensure that the assessment processes followed by each licensor follow the same methods and principles. The Standard also helps the licensors (responsible for assessing fulfillment by the clubs of the licensing criteria) to pursue continual improvement in performance, efficiency and effectiveness for the benefit of their clubs, and their own organisation.

The focus is on the management of the processes that make up the national club licensing system, the interactions between these processes, and the input and output that bind these processes together. Thus, the requirements are not only limited to the assessment process of the applicant clubs (i.e. the licensors' core business) but also contain more general requirements which are linked to quality management principles and process orientation. They are divided into five sections: Management, Resources, Documentation, Review & Improvement and Core Process.

To ensure that the club licensing system is applied consistently throughout Europe, all licensors are audited against the Standard by an independent certification body (SGS, Société Générale de Surveillance) – one of the worldwide leaders in this sector. Based on the outcome of its annual audit, the certification body issues certificates.

The 40 requirements are divided into minor and major. Under Standard V2.0, non-fulfilment of major requirements has as a consequence the immediate refusal or withdrawal of the certificate. Corrective action can only be taken in the next licensing cycle. Non-fulfilment of minor requirements must be corrected within a certain time framework determined by the certification body. Such an approach is stricter compared to Standard V1.0, where licensors were able to address, within a set timeline, non-compliances in order to receive the annual certification.

"The impact that the licensing system has had in Iceland is a positive one. Clubs will have better facilities and stadiums, and the financial side has become more transparent and secure."

Omar Smarasson, Icelandic Football Association Source: Sportbusiness International, 01.01.2005

Table IV: UEFA Licensing Quality Standard V2.0 — The requirements

Management	Resources	Documentation	Internal review	Core process
Management commitment	Confidentiality	Master list	Complaints management	Documented organisation of core process, including defined key steps
Accredited national club licensing regulations	Independence	Filing and archiving system	Feedback from clubs	Licensing process timetable
Club licensing policy	Job description	Method for identifying and tracing documents and records	Feedback from the chairmen of the decision-making bodies	Notification of licensing decisions to UEFA
Club licensing objectives	Assessment of performance, competence and training needs	Return of originals	Internal control	
Organisation chart	Evaluation of training	Documents and record management procedure	Risk assessment	
Composition, independence and qualifications of decision-making bodies	Evaluation of external suppliers	Quality manual	Applicability of accredited national club licensing regulations	
Decision-making procedure	Purchasing method		Adherence to code of conduct	
Annual review			Corrective action	
Internal and external communication			Written analysis of outcome of activities required by IR.01 to IR.08 and comparison with set objectives	
Physical and human resources			Procedure for activities required by IR.01 to IR.09 and MA.08	
Data analysis				
Code of conduct				
Client needs				
Process map				

Did you know?

For participation in the UEFA club competitions in 2007/08, clubs will be assessed by licensors according to the requirements defined under Standard V2.0. Such requirements aim at better governance at licensor level to ensure it always operates in accordance with well-defined and approved procedures, and to ensure a systematic approach to continuous improvement is in place. The licensors that have been granted with a certificate may then use the SGS mark in all their correspondence, and in association with the services provided.



1



2

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Club Licensing Quality
Standard Version 2.0
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¹ SGS mark issued from the 2004/05 season

² SGS mark issued from the 2007/08 season onwards.

In bold major requirements





2

The licensor and the licence applicant



■ Professional leagues managing the licensing system: Deutsche Fussball Liga, Österreichische Fussball Bundesliga and Swiss Football League

Who is the licensor?

The national association is the licensor. Under certain conditions, the national association may delegate the club licensing system to an affiliated league. However, it remains responsible via-à-vis UEFA for the correct implementation of the licensing system. The licensor governs the licensing system, appoints the corresponding licensing bodies, fixes the necessary processes and takes the decision whether to grant a licence or not.

Did you know?

Before the introduction of the UEFA club licensing system, several member associations already implemented criteria to be fulfilled by clubs for entering national competitions. However, these criteria focused primarily on financial matters. This was the case in particular in Austria, France, Germany, the Netherlands, Israel, and Switzerland. The UEFA club licensing system represents in this sense a huge change whereas different areas (sporting, infrastructure, personnel and administrative, legal and financial) are included and linked together under the same structured approach in one single regulation.

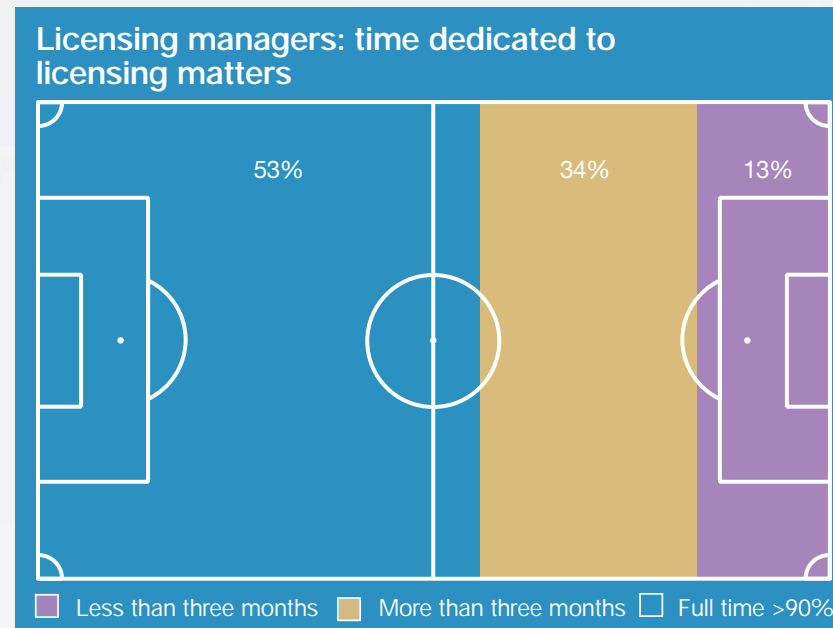
The licensing administration and the decision-making bodies

The licensor also establishes an appropriate administration and appoints its qualified staff members. The tasks of the licensing administration (LA) include among others:

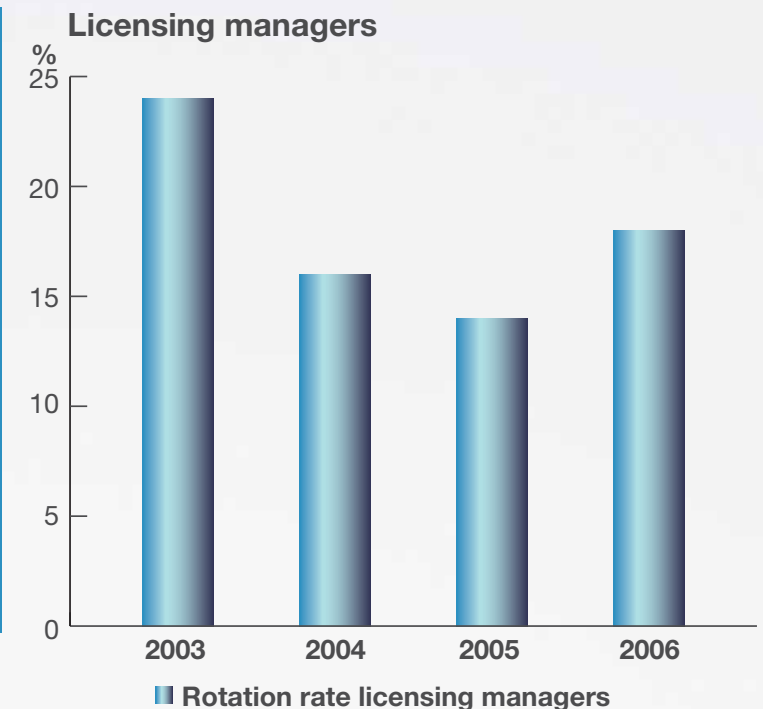
- preparing, implementing and further developing the club licensing system;
- running and managing the assessment of clubs;
- providing administrative support to the decision-making bodies;
- assisting, advising and monitoring the licensees during the season;
- serving as the contact point for, and sharing expertise with the licensing departments of other UEFA member associations, and with UEFA itself.

The licensing managers

Each national association appoints a licensing manager who manages and coordinates the work of the licensing office. The 53 licensing managers are usually full time employees working exclusively on licensing matters. Typically, the licensing managers consolidate the findings of the criteria experts, and report directly to the decision-making bodies. In a minority of cases (22%), the licensing managers assume a pure coordination role as the experts deliver their assessments directly to the decision-making bodies. In most cases (85%), the licensing manager is the leader of a separate unit or department within the licensor and reports directly to the General Secretary or the Board of the licensor.



The licensing manager is the key role within the licensing administration. He coordinates the whole office, provides support to the decision-making bodies and assists clubs during the season. In the majority of national associations (53%), the licensing manager is dedicated full time to licensing matters, in most other cases (34%), the licensing manager contributes a significant part of his time (> 3 months) to licensing matters and combines his work with other duties. In a limited number of cases (13%), the licensing managers work has been estimated to be less than three months, but in such cases most of the workload of the licensing manager is shared with the experts who are very much involved during the whole season.



The rotation rate of licensing managers shows how many times licensing managers were replaced on national level on a yearly basis.

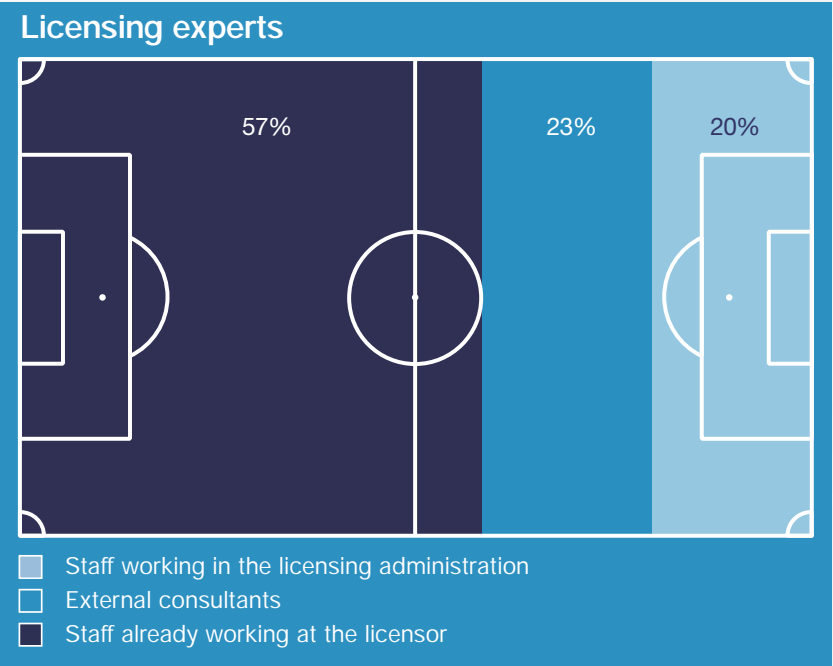
Apart from year 2003, where many project leaders who worked on the drafting of the regulations and on their implementation were replaced by new licensing managers in charge of the running of the system, the rotation rate has been pretty stable. On average, 15% (1 in 6) of the licensing managers were replaced on a yearly basis. This can represent a real challenge to licensors and good corporate management is required in order to ensure proper know-how transfer between people. In such cases UEFA must ensure that the new licensing manager quickly gains a good understanding of the system for the proper running of the following licensing cycle. Although this rotation rate appears high, it is worth noting that 24 licensing managers have remained in place since the implementation of the system in 2003.

The licensing experts

Each licensing administration is equipped with other staff and licensing experts that provide the licensing managers with support on administrative and technical matters. At least one expert must have a financial background and a diploma in accountancy/auditing recognised by the appropriate national body (e.g. national trade association), or must have several years experience in the above matters (a “recognition of competence”).

In total 316 licensing experts assess the licensing documentation submitted by the license applicants and report to the licensing manager or decision-making bodies whether the minimum mandatory criteria have been fulfilled or not.

The licensing experts are most of the time (57%) employees of the licensor who are involved as well with other matters within the national association and provides support to the licensing managers because of their qualification in specific football domains. It is interesting to note that 23% of the experts are external consultants who are mandated by the licensor to assess in particular the financial and legal criteria. Finally only 20% of the experts are working for the licensing administration on an exclusive basis.



The decision-making bodies

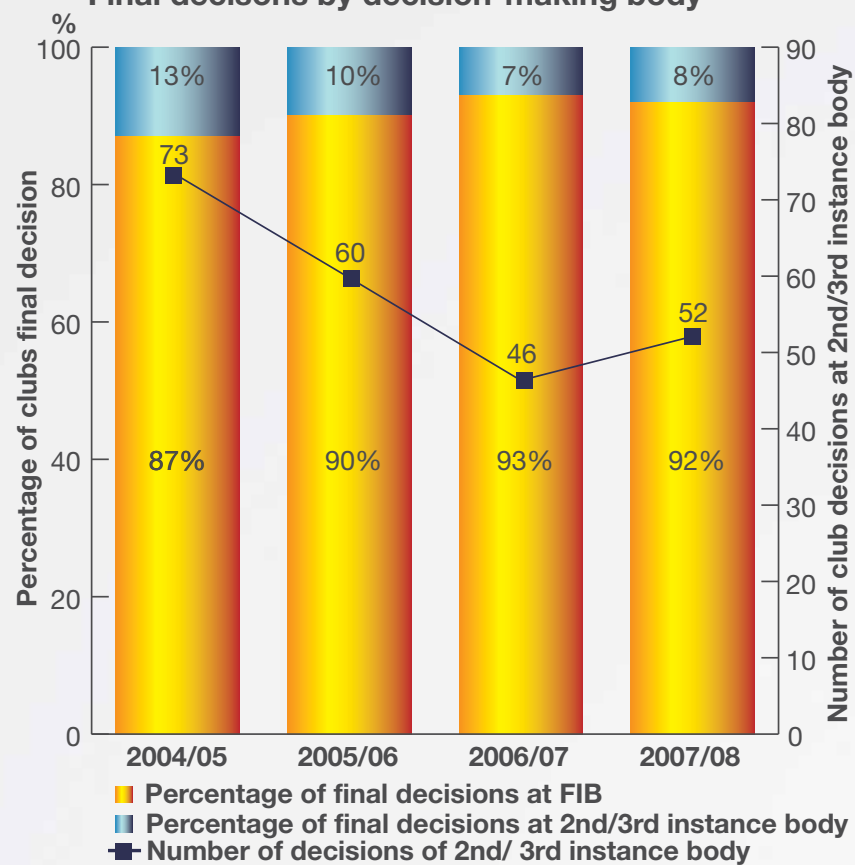
The licensor establishes, as a minimum, two decision-making bodies: a First Instance Body (FIB) and an Appeals Body (AB). The decision-making bodies must have at least one qualified lawyer and an auditor holding a qualification recognised by the appropriate national professional body among their members. These bodies decide whether a licence may be granted or not. The decision of the Appeals Body is final, unless otherwise specified by the licensors’ regulations.

The size of the decision-making bodies varies considerably, but the most commonly applied composition is five members for the First Instance Body, and seven members for the Appeals Body, with quorums of three for both bodies most frequently in force. In total, around 480 people are involved across Europe in decision-making on club licensing matters.

In certain member associations, the licensing system comes under the authority of additional instances (e.g. Court of Arbitration) that will then take a final and binding decision. For instance, this is the case in AUT, BEL, FRA, GER, ITA, LUX, SUI and UKR.

Decision-making bodies are required to respect minimum criteria for confidentiality and independency, and to strictly adhere to the set procedures. Thus, in order to guarantee clear segregation of powers, members of the appeals body cannot sit in any other statutory committee of the licensor.

Final decisions by decision-making body

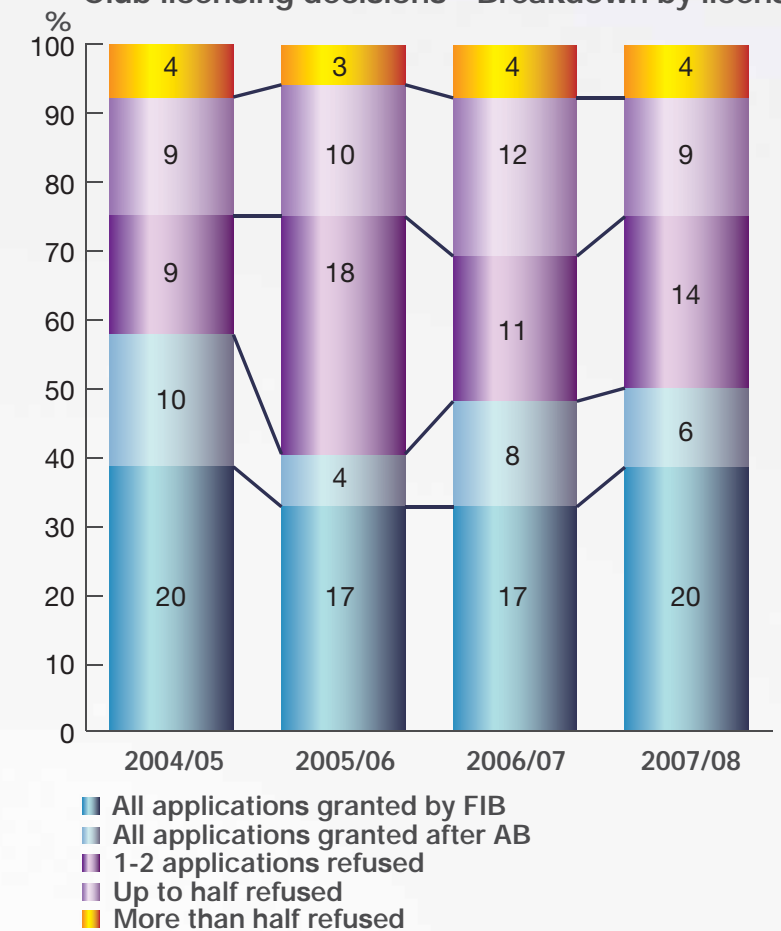


It is interesting to note that the great majority of applications are decided by the First Instance Body of the licensors (from 87% of all applications in 2004/05 up to 93% in the 2006/07 season). In the last season only 8% of the applications (52 in absolute terms) were decided by the ultimate instance (Appeals Body or Court of Arbitration). In total 29 licensors have used the Appeals Body for licence decision to date.

Looking at 2007/08 season, only 50% of the licensors (26) granted licenses to all their applicant clubs, including 38% (20) which granted all licences at the first-instance level.

8% of all licensors (4) refused the licence to more than half of their clubs. In 2007/08, the member associations concerned were BIH, BUL, KAZ and NIR.

Club licensing decisions - Breakdown by licensor



The core process

The core process defines the assessment process run by the licensor. It includes the assessment of the documentation sent by the clubs, as well as the procedure for decision-making.

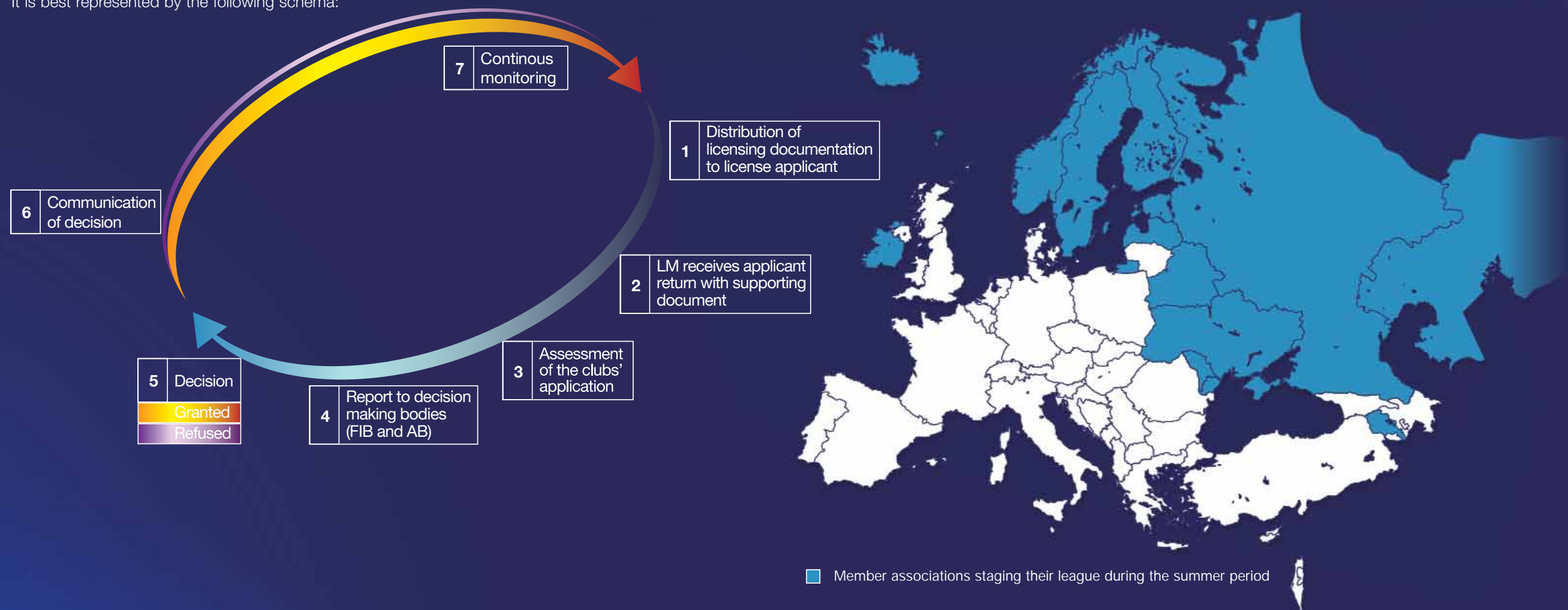
The licensors are free to adapt and complete this core process within the framework of their national club licensing regulations, internal organisation and needs, in order to run it as a system. The core process is a yearly process and concludes with the submission of the licensing decisions to UEFA by the deadline set by UEFA. So far, this deadline was 31 May of each year.

The national championship and its staging over the winter season or the summer season may influence and determine the calendar of the core process. Given that the a process usually starts in February/March (to conclude in May), which is in most cases prior to the end of the national championships (in particular this is true for all those licensors running a national “winter season”), and given that clubs may still not know at that time of the year whether they are or are not qualified on a sporting basis for UEFA competitions, all those clubs still competing for a place in Europe and wishing to keep that possibility, are required to apply for a licence. On the other hand, licensors with a “summer season” may plan their core process differently, in that they know already in advance (usually the year preceding the season to be licensed) which clubs are qualified for UEFA, and those that are not. It is common procedure that the core process of the licensors with a summer championship is split in two parts: one terminating before December, with the issue of licences to enter the national championship, and a second part terminating in May, with the issue of licences for entering international competitions. The licence is valid for one year.

Did you know?

If a club qualifies for a UEFA competition based on its sporting results, but has not undergone any national licensing process or has undergone a licensing process which is lower/not equivalent to the one applicable for top-division clubs because it belongs to a division other than the top division, the member association of the club concerned may — on behalf of such a club — request the extraordinary application of the club licensing system. In practice, such a club could, for example, be the winner or the runner-up in the main domestic cup or league cup, and play in a division other than the top division. Based on such an extraordinary application, UEFA may grant special permission to enter the corresponding UEFA club competition, subject to the fulfillment of specific criteria, which only applies to that specific applicant, and for the season in question. So far, a special permission has been granted to: Millwall FC (ENG), Berrichonne de Chateauroux (FRA), FC Terek Grozny (RUS) and FC Zlaté Moravce (SVK)

It is best represented by the following schema:



Who is the licence applicant?

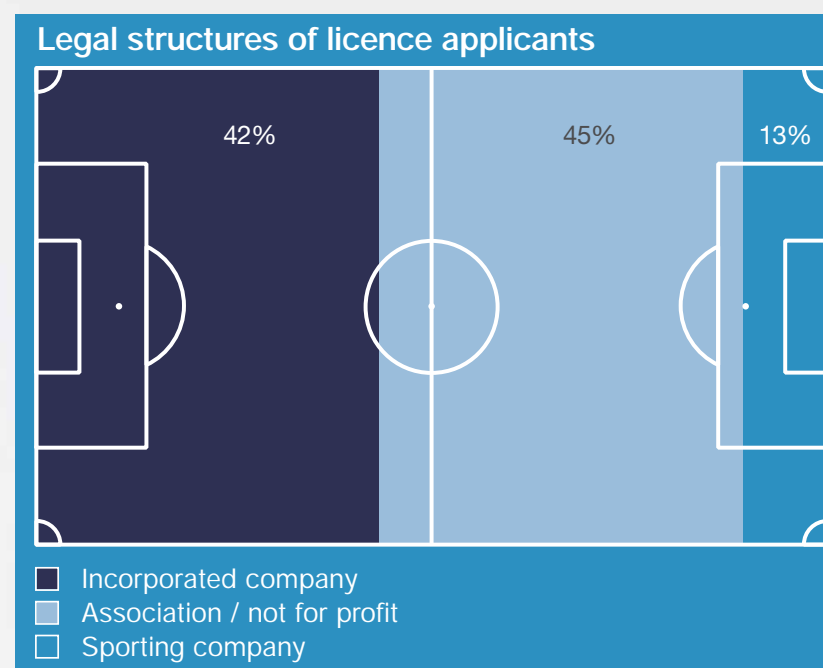
The answer to such a question is, at first glance, very simple. The license applicant is the “football club”. However, it is not always easy to identify the clubs or, from a legal point of view, the legal entity or entities managing the football activities.

Generally, the license applicant is linked to the licensor through membership. However, this is not always the case due to the increasing complexity and diversity of legal structures, and the legal frameworks in the different countries. For such a reason, the comparison between legal entities managing the football activity may become a hazardous exercise. For licensing purposes, the legal form adopted by football clubs is not relevant. Clubs are organised differently throughout Europe, depending on statutory regulations, national laws or on their specific business opportunities. Clubs are most commonly organised under the form of associations, frequently as incorporated companies, regularly as specially defined sporting forms and, in some cases, as stock exchange-listed or as state-owned.

Most of the time, clubs are stand-alone entities, despite a trend in recent years particularly prevalent in larger western markets for clubs to delegate parts of their core business (e.g. merchandising) to controlled entities.

In some circumstances, clubs are part of a bigger group-managing non-football activities. In this respect, the understanding of the group structure becomes key for a correct analysis of the license applicants’ financial situation. For licensing purposes, the definition of the license applicant has therefore been adapted to reflect the reality, and has been defined, in the new edition of the Manual V2.0, as the legal entity responsible for the team participating in national and international competitions together with its subsidiaries and associated companies. This can be the registered member of the association, or can be a separate legal entity which has a contractual relationship to the registered member.

It is important to stress that the Manual V2.0 introduces an additional condition to further protect football creditors. In order to apply for a licence, the Manual requires that the membership has lasted at least for a period of three years.



European top division clubs are most commonly organized under the form of incorporated company or under the form of association (not for profit). A survey among 711 top division clubs showed that 55% (383) are incorporated companies including stock exchange listed clubs (4%) and sporting specific incorporated companies (13%). Not for profit associations represents 45% of all top division clubs and this include as well state or municipal funded entities (3%). It is worth noting that among the 655 clubs that applied for a licence in the 2007/08 season, 26% (173) are organized as part of larger groups (managing sometimes as well non-football activities) and 15% (101) of the clubs delegated the management of the first team competing in the top division to a separate incorporated company (either because imposed by the national law or for commercial purposes) while the management of the youth football continues to be a priority of the club (organized as an association). The company may be linked to the licensor via direct membership (34%) or indirectly via the association with whom they have a contractual relationship.

Most common club legal forms - by licensor



The European map illustrates which legal forms prevail in each member association. It must be noted that most of the time it is not the only legal form used by clubs, so that it is possible that in the same territory clubs are listed at the stock exchange and are as well owned by municipal authorities (e.g. KAZ). It follows that clubs are organized as associations in 38 licensors (the most common legal form in 23), as incorporated companies (excluding specific sporting form or listed at the stock exchange) in 31 licensors (the most common legal form in 23) and finally as sporting incorporated companies in 8 licensors (the most common legal form in 7).

In total 28 clubs competing in the top division of 11 national associations are listed at the stock exchange (including secondary markets, e.g. Ofex).

The number of clubs funded by the State or by the local municipalities amounts to 20 spread over 7 national associations mainly based in the eastern part of Europe.

- Prevalence of clubs organized as incorporated companies
- Prevalence of clubs organized as sporting incorporated companies
- Prevalence of clubs organized as association / not for profit
- ▬ Clubs listed at the Stock exchange
- ▬ Clubs funded by State or municipal authorities

"The licensing system involves 53 member associations, more than 700 clubs and around 850 people, just to mention those at licensor level."



3

The role of UEFA

Provided that the club licensing system is under the responsibility of each national association, UEFA's main roles in this area are those of:

- a) Project leader: to lead the development of the club licensing system in cooperation with the stakeholders, and ensure regular dialogue with political and regulatory institutions;
- b) Advisor and sponsor: to provide the licensors with technical and advisory support and financial assistance;
- c) Guardian: to ensure the consistent and correct application of the system across all member associations.

"UEFA ensures that the club licensing system is consistently applied across all member associations, and provides the licensors with support and assistance."

The bodies through which UEFA acts with regard to the club licensing system are:

- the Executive Committee for the approval of the UEFA regulations, the exception policy and the delegation requests, and any other matter which is not governed by the regulations;
- the UEFA General Secretary or Deputy General Secretary¹² for the approval of the exception requests, the execution of the spot-checks, the accreditation of the national club licensing regulations and the extraordinary application procedure to enter UEFA club competitions. They are supported in their tasks by the UEFA club licensing unit;
- the UEFA club licensing unit, to manage the system on an operational basis;
- the Club Licensing Committee¹³, to support the UEFA Executive Committee in all matters regarding club licensing;
- the Organs for the Administration of Justice for the penalisation of breaches of duties relating to the UEFA Club Licensing Manual.

¹² Former UEFA CEO and UEFA Deputy CEO

¹³ Former UEFA Club Licensing Panel



Project leader

UEFA's role is, first of all, to define the licensing regulations, and lead their implementation across all member associations. A good understanding of the licensor environment is therefore essential for the appropriate development of the system. This is why UEFA's approach has always been to pursue dialogue with the member associations, leagues (European Professional Football Leagues) and clubs (European Club Forum), while drawing up and drafting the new rules. Invaluable feedback was collected, analysed, discussed and, if considered appropriate, integrated in the regulations. For example, for the development of Manual V2.0, UEFA organised, between May 2004 and August 2005, 13 workshops with the financial and legal working groups to discuss technical items related to the licensing criteria, and also met 17 times with various committees and panels to obtain feedback on the proposed solutions. In addition, during the development of the Manual various meetings with other bodies such as the London Stock Exchange were held to obtain feedback on the proposed solutions.

This consultation process was certainly time-consuming and required, particularly in the initial developing phase, more time than foreseen, but has been essential to draw up a robust set of minimum rules applicable in all member associations. Initial scepticism has been gradually replaced by overall acceptance and, as the recent implementation on national level has shown, by overall recognition and appreciation of the direct and indirect benefits generated by the licensing system.

UEFA has furthermore provided support to FIFA in the elaboration of the FIFA Club Licensing Manual to be implemented in all confederations within the next five years.

"UEFA's approach has always been to pursue dialogue with the member associations, leagues and clubs, while drawing up and drafting the new rules."

Advisor and sponsor

In order to support the member associations or leagues in their new task as licensors, UEFA provides continuous technical and financial support. This is aimed at helping the licensors in establishing an appropriate administration with the necessary skills and adequate infrastructure. Great importance is given to the cooperation with licensors, in order to understand their concerns and needs. UEFA is therefore very keen in maintaining constant dialogue, and in visiting the licensors to gain a better picture of the local environment, and to support the licensors with its stakeholders.

The technical support represents a key service provided by UEFA. Besides the aforementioned local site visits, UEFA provides training on technical issues (e.g. financial, project management, infrastructure, etc.), with the assistance of external consultants. This ensures that the administration of the licensors is constantly updated on the latest regulatory developments and auditing techniques. These events also facilitate the dialogue between licensors (they can learn from each other's experiences), increasing the circulation of information, transparency and, ultimately, the credibility of the whole system. In the period 2003-2005, BSI (British Standard Institution), one of UEFA's partners in the project, performed a total of 60 site visits with all licensors, assisting licensors in implementing the Standard.

The whole project was entirely financed by UEFA, which also provides financial assistance to the member associations to cover the administrative costs related to the implementation and running of the licensing system. These are part of the annual HatTrick solidarity payments made to benefit European football as a whole. As from season 2005/06, the payments are linked to certain criteria (e.g. number of assessed clubs), to provide an incentive for the adoption of the licensing scheme for at least all clubs belonging to the top division. In total, CHF 70 millions will be paid to member associations for the implementation and running of the licensing system as at the end of the 2007/08 season.

Did you know?

UEFA regularly meets the licensors. In total, the UEFA club licensing unit held 119 bilateral meetings, mainly focusing on the accreditation of national regulations, presentation of the regulations to the clubs and site visits, with major focus settling on the implementation of the Manual and the Standard. Furthermore, UEFA regularly organizes major events involving all licensors. These workshops are also organised in cooperation with external consultants (British Standard Institution, Société Générale de Surveillance, PricewaterhouseCoopers, Deloitte), and aim to provide the most experienced skills and advice. In the period between 2001 and 2006, UEFA organised seven major workshops to provide licensing managers and decision-making bodies from the licensors with explanations about the content of the Manual and of the Standard. In total, more than 1,000 participants attended those major events.

"In total 70Mio. Swiss Francs will be paid to member associations for the implementation and running of the licensing system as at the end of the 2007/08 season."

Guardian

Within the club licensing scheme, UEFA's main task is to ensure the consistent application of the minimum standards across all member associations. This is achieved through the approval of the national club licensing regulations, and the implementation of the compliance concept.

The approval of the national licensing regulations

The approval of the national licensing regulations represents a crucial and extensive task, and is performed by the UEFA club licensing unit. It ensures that the minimum criteria are adopted and understood by each licensor. It consists of the accreditation process and the exception process.

The accreditation process

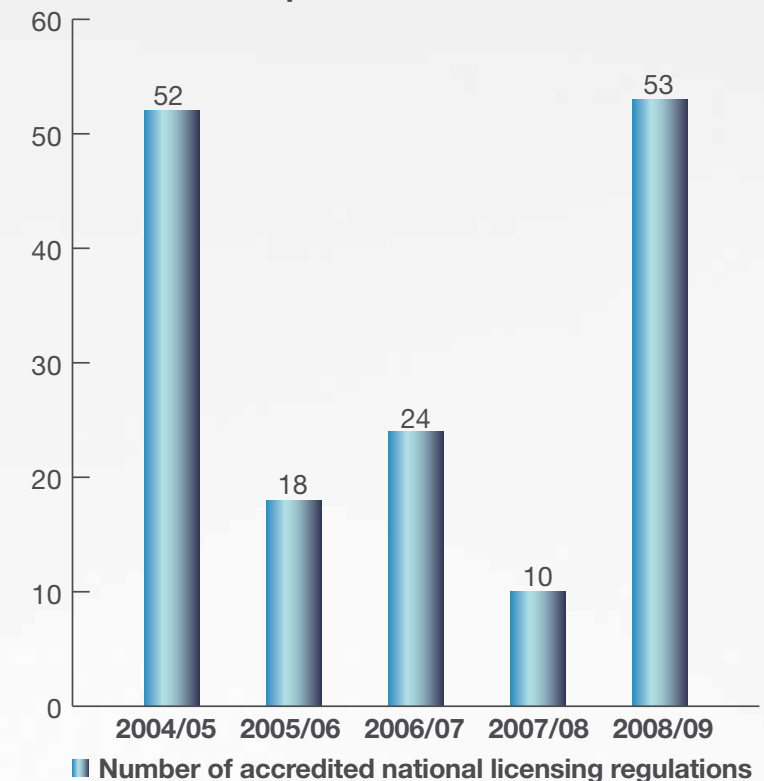
The member associations finalise the wording of the national club licensing regulations and send them, translated in one of the UEFA official languages, to UEFA for approval. UEFA then approves the regulations through what is known as the "accreditation process".

Through this process, UEFA ensures that the national club licensing regulation contains the minimum mandatory criteria and process steps defined in the UEFA Club Licensing Manual.

This process finally guarantees that in each single member association the UEFA "must" criteria and the "must" process steps are implemented accordingly at national level. The member associations are responsible for ensuring compliance with the national law and provide a written confirmation to UEFA. In addition, written third party confirmation is requested and provided by each licensor, to ensure that national auditing standards are equivalent to international auditing standards.

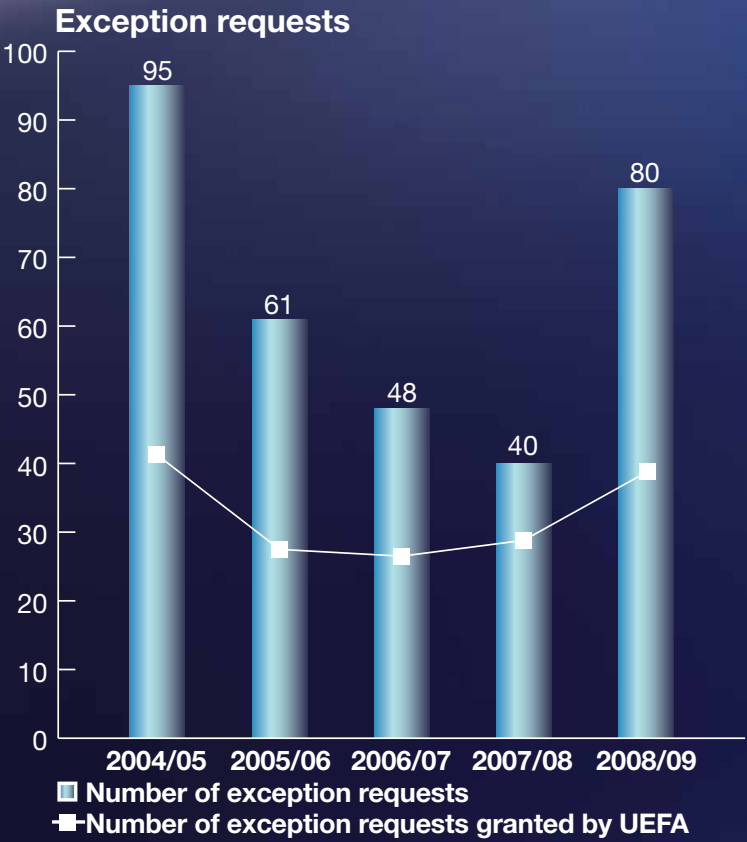
The member associations are free to amend their club licensing regulation at any time. However, for the new regulation to come into force, this must first be accredited by UEFA.

Accreditation process



The number of accreditations presents a peak in conjunction with the introduction of the new rules. During the periods 2005/06 and 2006/07, the increasing number of accreditations shows the dynamic nature of the system, and the fact that licensors were improving their national regulations on the basis of their past experiences. Only a few national licensing regulations were amended for the 2007/08 season, given the approaching introduction in 2008/09 of the new set of criteria contained in the Manual V2.0. The accreditation process has afforded UEFA considerable insight into football across the 53 member associations, in areas such as the underlying existing legal and regulatory structures, the form of clubs and other national specificities. This sort of experience from hands-on practice is deemed invaluable by the UEFA administration.



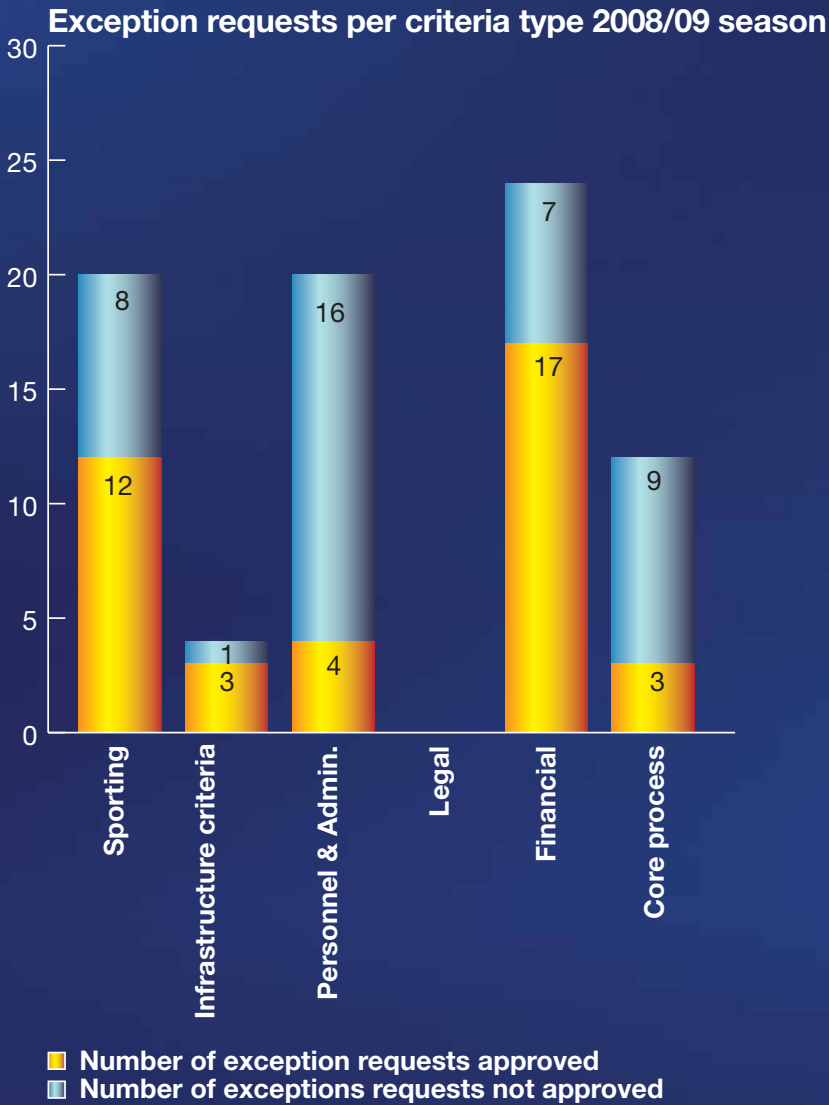


The number of exception requests presented by the member associations presents a peak in conjunction with the implementation for the first time of the new licensing criteria. During the 2005-2008 period, the number of requests decreased due to the development (in particular within the infrastructure area) and improvements achieved by several licensors.

The exception process

Under specific circumstances (e.g. non-applicability of a certain criterion within the member association due to compulsory national law; decrease of a criterion quantity under the minimum set by UEFA; extension of the introduction period for the implementation of a specific criterion), the licensor may request the non-applicability of aspects of a particular criterion to UEFA. It is worth underlining, however, that no carte blanche exemption from a criterion has been given in Manual V2.0. Exceptions are generally valid for one season. Exceptions granted to a member association will then apply to all clubs which play within the member association, and which qualify for a UEFA club competition.

For participation in the 2008/09 season, most of the exception requests in the sporting (9) and financial (15) area were granted to a group of member associations including AND, CYP, FRO, LIE, LUX, MLT, NIR, SMR and WAL.





The compliance concept

The implementation of the compliance concept represents a big step forward in ensuring that the licensing system is consistently applied across all member associations. It comprises the direct execution of random compliance audits, or "spot-checks", the coordination of the SGS audit activity and the execution of local site visits on the basis of a risk approach.

Altogether, they represent a systematic approach aimed at providing confidence to stakeholders that all clubs have been subject to the same rules off the pitch, and have been assessed by their licensor according to common methods and principles.



"Spot-checks"

Spot-checks are directly performed by the UEFA administration according to a random selection of the licensors. UEFA reserves, at any time, the right to conduct spot-checks with the licensors and, in the presence of the latter, with the applicant club. In practical terms, UEFA performs an audit of the clubs' files that have been subject to the system, and reviews the documentation related to all five categories of criteria of the licensing system (sporting, infrastructure, personnel & administrative, legal and financial criteria), as well as the relevant licensing decisions, to get the necessary comfort that the licensor operated in accordance with the rules defined in the club licensing manual, and to ensure that the license was correctly awarded.

UEFA performed a total of 20 spot-checks focusing on the seasons 2004/05, 2005/06 and 2006/07. The spot-checks were carried out over the whole season, and do not necessarily have to be terminated before the new season starts. In total, 65 clubs were checked for compliance with the club licensing criteria. UEFA is assisted in its task by external advisors who are specialised in the financial and legal domain of the concerned territory.

The non-observance of the minimum mandatory requirements as defined in the national club licensing regulation accredited by UEFA may result in sanctions against the club concerned and/or licensor as defined by the UEFA disciplinary bodies, and according to the nature and the gravity of the violations. These include the disqualification of the club from the current competition, or a ban from future competitions for which it qualifies.

Did you know?

The member associations that were subject to spot-checks in the first three licensing seasons were:

AZE, BIH, ESP, FIN, FRA, MKD, GRE, ITA, LIE, MLT, NED, NOR, POL, POR, RUS, SCO and SRB.

In 2007 three licensors (AZE, FIN and MLT) were referred to the UEFA Organs for the Administration of Justice for investigation. In July 2007, on the basis of the disciplinary inspector's report, the UEFA Control & Disciplinary Body decided to issue fines and warnings to the concerned licensors.

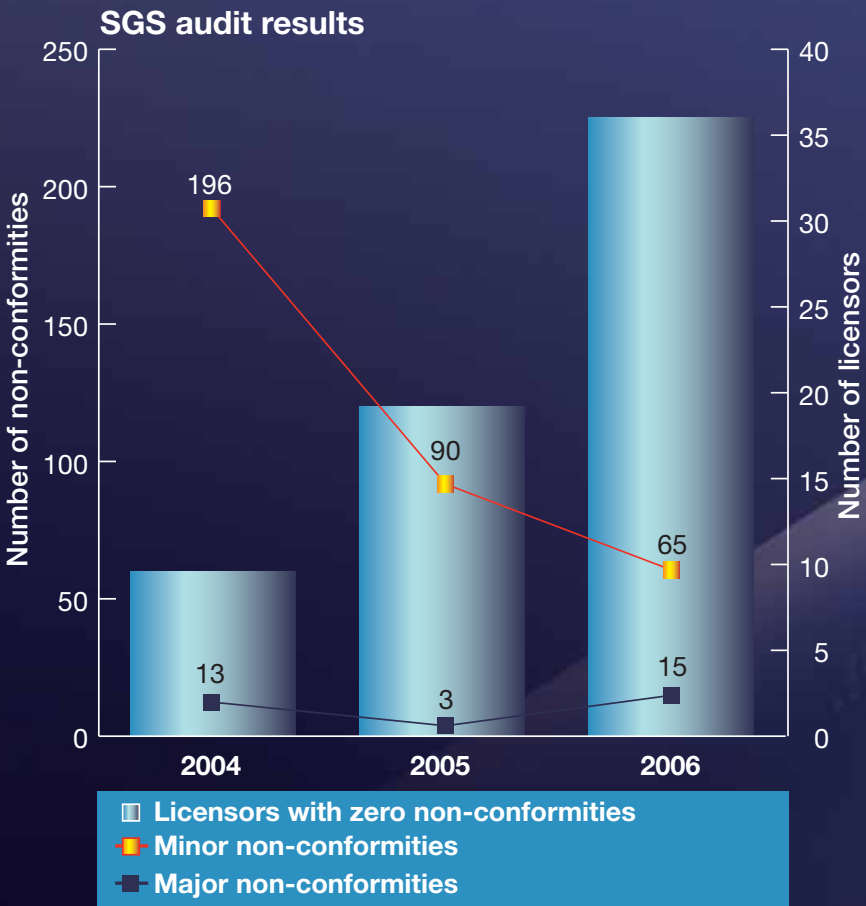
“An independent certification company performs an annual assessment in each and every one of the 53 licensors. A total of 6,572 audit checks, i.e. an average of 124 checks, are performed for each licensor every year.”

Certification audits

Certification audits are performed by SGS (Société Générale de Surveillance), which is an independent certification company that performs an annual assessment in each and every one of the 53 licensors. A total of 6,572 audit checks, i.e. an average of 124 audit checks, are performed for each licensor every year.

The focus of the audit lies in the processes implemented by the licensors, and is aimed at ensuring that all licensors operate in accordance with the rules defined in the Standard. Furthermore, the aim is to encourage continuous improvement and enhance efficiency. Professionalism and a positive attitude to a systematic approach is increased as a result.

Failure to comply with the minimum requirements of the Standard may lead to financial consequences for the licensor concerned, to spot-checks and to disciplinary sanctions by UEFA.



The number of non-conformities reported by SGS decreased by 60%, from 209 in 2004 to 80 in 2006. In 2006, the number of non-conformities was concentrated on a smaller number of licensors.

This led SGS to refuse, for the first time, the SGS certificate to four licensors (ALB, DEN, HUN and ROU), and to financial consequences for the associations concerned.

Site visits

Site visits are performed by the UEFA administration, and are aimed at providing licensors with assistance and support. These visits are organised in accordance with a risk approach, taking into account ten factors, such as the rotation of key licensing staff and participation in the benchmarking data surveys. In practical terms, UEFA identifies the licensors requiring support, and organises the necessary steps and action plans in cooperation with the association concerned. It is important to note that following a site visit, no disciplinary action may be taken towards a licensor. The licensor will be given the opportunity and the time to implement the necessary improvement work.







4

Club licensing results

During the first four seasons, a considerable number of football clubs in all 53 national associations underwent the licensing system. The results of the assessment conducted by each licensor were communicated to UEFA on 31 May of each year. On the basis of such lists, UEFA then decided whether or not to admit the clubs to UEFA club competitions. It must be stressed that this admission process falls under the sole jurisdiction of UEFA and its competent bodies, which then take a final decision regarding the admission of a club to any UEFA club competitions. The licence per se is therefore not sufficient for admission to one of the UEFA competitions, in that it is itself one of the admission criteria¹⁴.

The number of clubs that applied for a licence has increased over the years. Data collected shows that the total number of clubs (top-division and lower-division clubs) undergoing the licensing system was well above 700 in the 2006/07 and 2007/08 seasons. 90% (655) of all clubs playing in the 52 national top divisions (LIE has no domestic championship) underwent the system for participation in the 2007/08 season. This reflects the fact that a limited number of member associations still make the system mandatory only for those clubs that have qualified on sporting merit for European competitions.

¹⁴ Admission criteria also include: the fact that the club must have qualified for the competition on sporting merit; the duty of the clubs to comply with the rules aimed at ensuring the integrity of the competition; the club must not be, or have been involved in any activity aimed at arranging or influencing the outcome of a match at national or international levels; it must confirm in writing that the club itself, as well as its players and officials agree to respect the statutes, regulations and decisions of UEFA, and agree to recognise the jurisdiction of the Court of Arbitration for Sport in Lausanne; it must fill in and submit the official entry form.

The number of licenses refused has been fairly stable over the period in question. It is important to point out the fact that the consequences of a licence refusal may be different from one association to the other, in particular depending on whether or not the association has a licensing system for entering the national competitions. When this is the case, a clear distinction between UEFA and national licences or competitions must be made.

With regard to UEFA competitions, a licence refusal will always result in the non-admission of the club to the competition for which it has qualified on sporting merit. In such circumstances, the vacant place may be filled in by the club following in the national ranking list (runner-up in the case of national cup(s), as the next club in the fair play national ranking list in the case of the fair play competition), provided that it has a licence.

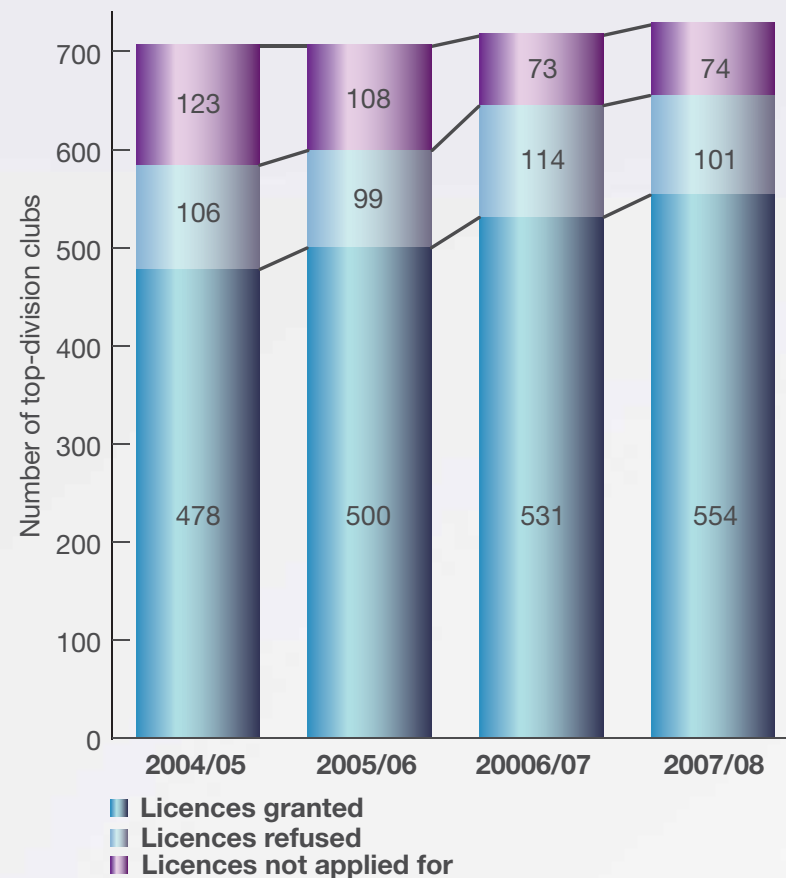
The following charts provide an overview of the number of licenses granted and refused over the last four seasons, as well as as on the number of clubs not admitted to UEFA club competitions.

Did you know?

The decision to implement the system as a condition for also entering the national competitions has given the licensors additional tools to monitor and ensure the respecting of the licensing criteria not only before the start, but also through the whole competition. The palette of sanctions at the disposal of the licensor at national level is therefore larger, and typically includes bans on player transfers and the deduction of points in the national championship. In addition, the refusal to grant a licence may lead to various consequences: from the deduction of points in the following championship to relegation to the immediate lower division, or even to the relegation of the club to the amateur league. This was the case, for example, in Hungary and Romania [2006/07 season] or the Republic of Ireland [2007/08 season] where high-profile clubs - Ferencváros TC, AFC Sportul Studentesc and Shelbourne FC respectively - were relegated to the second division. The catalogue of sanctions determined by each licensor highly depends to a considerable extent on the objectives and priorities it wants to achieve.

"90% of all clubs playing in the 52 national top-divisions underwent the licensing system in the 2007/08 season."

Club licensing decisions - Top-division clubs

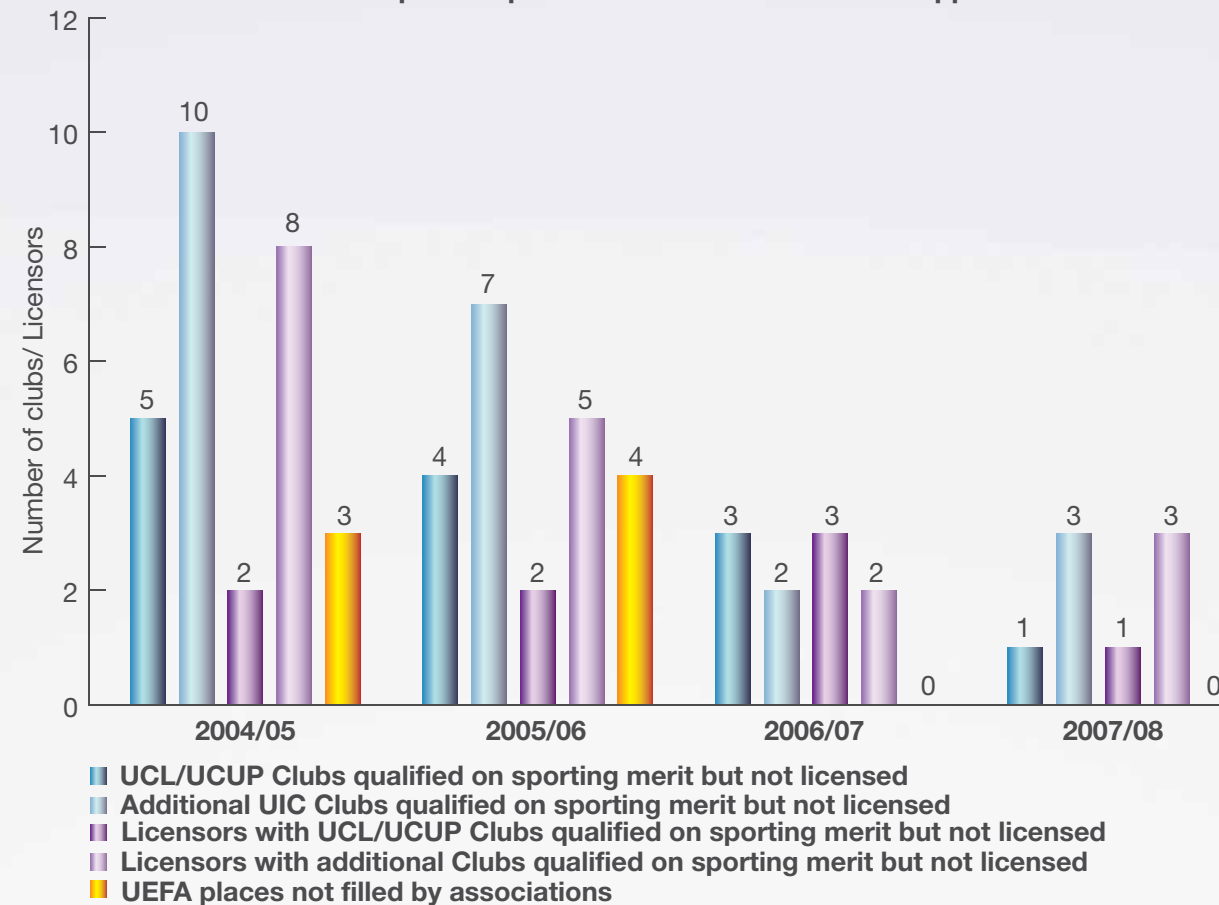


An increasing number of top-division clubs applied for the licence to enter UEFA competitions – from 584 clubs in the 2004/05 season to 655 clubs (i.e. an increase of 12%) in the 2007/08 season. Such a progress is the result of the fact that an increasing number of member associations have made the licensing system mandatory for all top-division clubs.

Last season, 85% (554) of all licence applicants were granted a licence (82% in season 2004/05) – showing the improvements made by clubs in meeting the minimum criteria. Only 15% (101) of them were refused a licence (vs. 18% in the 2004/05 season).

Among all the criteria to be fulfilled by clubs the most challenging are without any doubt the infrastructure and financial criteria (that were not respected respectively by 65 and 60 clubs) followed then by personnel and administrative criteria (34 clubs), sporting criteria (23 clubs) and legal criteria (12 clubs).

Overview of UEFA competition places lost due to refusal/non-application for licence



The number of clubs not admitted to the UEFA club competitions has decreased over the last few seasons (reflecting the decrease in the number of licences refused) – the peak being in season 2004/05 and 2005/06 (15 and 11 clubs respectively). In total 35 clubs were unable to take part in UEFA club competitions due to licence refusals from 18 licensors. In the 2004/05 season, five clubs belonging to the member associations of KAZ and SVN were prevented from entering the UEFA Champions League and UEFA Cup. It is perhaps worth noting that all 19 clubs belonging to the top-division in KAZ were refused a licence, which meant that the association could not field any team in the UEFA competitions that season.

In the 2005/06 season, 15 clubs in KAZ and 13 clubs in BIH were refused, or did not apply for a licence. Among these two clubs in each association were prevented from entering the two major UEFA competitions. As a consequence, both member associations lost two UEFA places that season.

In the 2006/07 season, two clubs, FK Vozdovac (SRB) and Professional FC Astana (KAZ), both of whom had qualified for the UEFA Cup were prevented from entering the competition. In the same season, FC PAOK Salonika (GRE) was not admitted to the UEFA Cup following a decision by UEFA, despite a licence being awarded by the Hellenic association. The licence was in fact granted only after the deadline set by UEFA on 31 May. The Greek club appealed. The decision by UEFA was finally confirmed by the Court of Arbitration for Sport in Lausanne (CAS 2006/A/1110). No member association missed any UEFA place that season.

Finally, in the 2007/08 season, only FC Shellbourne (IRL), winner the Eircom League was prevented from entering the UEFA Champions League. As the licence in IRL is also a condition for playing in the top-division, the club was relegated to a lower division.





5

Outlook for the future

The club licensing system represents for UEFA a key project to foster the credibility of the football industry.

International recognition

The benefits of the system have gained further recognition on a broader international dimension, as the recent work of the FIFA Task Force “For the Good of the Game” has shown. FIFA has decided to promote the implementation of a club licensing system in all confederations, to provide a robust framework for better corporate governance on a worldwide scale.

European political institutions have also recently stressed the central role of the club licensing system as an instrument for better governance and financial management of clubs that “protects the interests of not only the competition organisers, but also the interests of the players and interests of the public”¹⁵.

According to the “Independent European Sport Review” [Review], that was launched by Richard Caborn, United Kingdom Sports Minister, and that was drafted by José Luis Arnaut together with several experts in the legal, economic and political fields, the club licensing system “represents a quantum step forward in terms of improving transparency and the overall running of football clubs.”

Furthermore, the European Parliament adopted a report entitled the “Future of Professional Football in Europe” [Report]. This Report, originally authored by the Belgian MEP Ivo Belet, has now been formally approved by the European Parliament¹⁶ as a whole and, as such, may be viewed as the most recent expression of EU “attitudes” towards football and the issues that our sport faces.

¹⁵ Source: Independent European Sport Review: chapter 3.53.

The European Parliament has endorsed the recommendations contained in the Review, and has specifically requested the European Commission to take both its own Report and the findings of the Review into account. The Report supports the UEFA club licensing system, not only as a means to improve the financial stability and sound management of clubs, but also as a measure to help promote football as a whole across Europe.

In this respect, UEFA believes that the Report and the Review represent a further step in the right direction, and are positive for European football.

Both studies presented various recommendations to UEFA on how to improve and enforce the club licensing system across Europe. In this respect, it is worth noting that UEFA already started several initiatives to positively respond to those recommendations. The publication of this report on club licensing, together with the implementation of the compliance concept (described previously in this document), as well as the elaboration of benchmarking procedures, clearly shows UEFA's approach to improving transparency and sharing best practice methods.

“The club licensing system represents a quantum step forward in terms of improving transparency and the overall running of football clubs.”

¹⁶ The European Parliament is the only directly elected body of the European Union and consists of 785 members across 27 EU Member States. Altogether, this institution therefore represents almost 500 million European citizens.

Improving transparency

In particular, the benchmarking project, recently initiated by UEFA with the support of a group of licensors¹⁷, aims at encouraging the sharing of information and at increasing visibility by providing licensors and clubs with contextual information to use when interacting with national stakeholders (e.g. leagues, clubs, players, media, supporters, sponsors, government or municipal authorities, etc.). This project will include the publication of annual reports that will provide the first-ever wider picture of European club football.

¹⁷ Including AUT, CYP, GER, FRA, ITA, NED, SCO, SVN, SWE, POR and RUS

Future challenges

Enhancing and keeping the system credible is crucial. This is why UEFA started to act as facilitator organising several “exchange platforms” providing small group of associations, similar in financial or sporting size, the necessary infrastructure and tools to exchange on the issues faced and solutions implemented.

In this context UEFA will continue to play its role as project leader, guardian and advisor. Activities, aimed at ensuring the system has been correctly implemented by all member associations - such as spot-checks and SGS audits - will be reinforced.

Furthermore the creation within UEFA of a Club Licensing Committee, chaired by Drs Mathieu Sprengers, UEFA Executive Committee member, will bring an additional boost to the future development of the system, providing strategic input and ensuring strong representation at political level. There is no doubt that the club licensing system will continue to develop to keep in line with the financial, legal, sporting and political context. One of the strengths of the system to date is undoubted represented by the fact that it has been built following a “one size fits all” approach. This approach nevertheless also places limits on the system in that all new measures in order to be introduced must be feasible and implementable in all the countries.

In this respect the future agenda is already very rich and will include, in line with the recommendations of the Review and the Report, the initiation of feasibility studies: to improve the current licensing rules with a particular focus on the clubs that play in major club competitions; to improve existing rules on ownership and control of football clubs aimed at ensuring the integrity of the club competitions; to establish an independent body to monitor overall compliance of the club licensing system (such as a DNCG Européenne, inspired by the French financial controlling body); to evaluate the opportunity of introducing a “cost control mechanism” aimed at bringing financial stability to football and improve competitive

balance; to create a “transfer system” aimed at better monitoring the transfer of players between UEFA’s member associations and at better monitoring the related financial flow and the activity of player’s agents.

UEFA will therefore continue to support through the licensing system initiatives based on the principles of good governance to further promote and improve the standard of all aspects of football in Europe.



In UEFA - We care about football.



What Club Licensing IS - in figures

70'000'000

Licensing linked HatTrick funds paid 2004-2008 (in CHF).

6'572

The total number of audit steps carried out on licensors by external audit body (SGS) each year.

2008

From January to May licensors will be assessing clubs for the first time on the new UEFA Club Licensing Manual V2.0 that will serve as a basis for granting the licences for the 2008/09 season onwards.

>850

number of people involved in licensing matters – an estimated 160 full time employees.

>700

Number of clubs who applied for a license in 2007/08.

101

The number of top-division clubs refused a UEFA license in 2007/08 (15% of applicant clubs).

65

The number of clubs spot-checked by UEFA from 20 licensors.

53

The number of licensors.

50

The number of associations that now apply licensing to at least all their top division clubs.

40

The number of requirements to be fulfilled by the licensors to receive the SGS certification.

35

Number of clubs not admitted to UEFA club competitions 2004-08 due to license refusals from 18 licensors.

33

Number of minimum mandatory criteria to be fulfilled by clubs to be granted a licence to enter UEFA club competitions.

19

Number of countries which have rolled out licensing beyond the top-division.

11

Number of licensors with stock exchange listed clubs.

7

Number of licensors with state funded (owned) clubs.

4

The required minimum number of youth teams operated by/ affiliated to every licensed club.

4

The number of clubs that were granted a special permission by UEFA in the period 2004-2008.

3

The number of professional leagues (AUT, GER and SUI) to whom the management of the licensing system has been delegated by their national association.

1

The number of licensing department (SCO) that have received ISO 9001 certification.

100% The number of cases heard at CAS (Court of arbitration of Sport) which ruled in UEFA's favour (1 case).

90% of all top division clubs (655) applied for a license for participation in the UEFA competitions 2007/08.

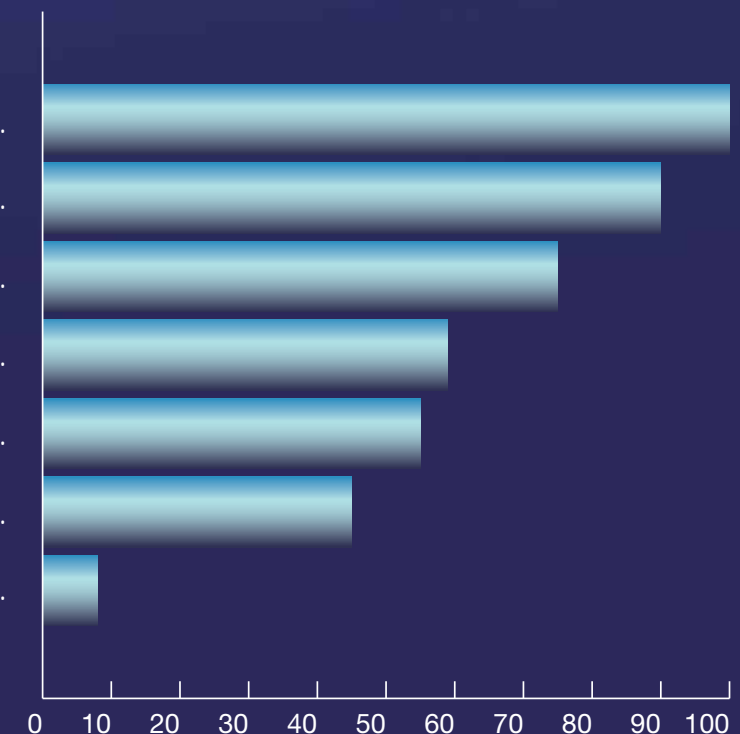
75% Member associations who operate a licensing system for entering national competitions as well.

59% The proportion of the 101 clubs refused licenses who failed financial criteria.

55% Countries that have used the appeals body for license decisions to date.

45% Percentage of license applicant clubs that are associations/ not for profit entities.

8% Licensing decisions referred to appeals body/ court of arbitration in the 2007/08 season.





What Club Licensing IS NOT - Commonly voiced Misconceptions

"Club licensing tries to impose common financial standards on clubs but is widely thought to have little teeth"

To date clubs in 38 countries have been refused licenses including 13 clubs who missed out on UCL/UCUP participation.

"On pitch qualification plus a license guarantees entry into the UEFA competitions"

A club license is only one of a number of admission criteria set out in the competition regulations.

"The club licensing system is designed to create a level playing field for clubs"

Minimum standards but not a level playing field.

"UEFA gives clubs licenses to compete in its club competitions"

The licence is granted by the licensor (national association or league) and not directly by UEFA.

"The UEFA licence is refused when a club shows a deficit"

Although some licensors choose to include this requirement at national level, this is not a system wide UEFA criterion.

"It's unfair, why should only clubs undergo checks?"

Every licensing department is independently audited every year against 40 specific requirements.

"Clubs cannot have overdue payables with its players, tax authorities, social charge authorities and suppliers"

UEFA club licensing does not deal with general creditors but only with 'football creditors' – these are particularly important as failure to settle can have knock on effects across football clubs.

What Club Licensing has done

Contributed to increased coaching qualifications

Evidenced by 12% increase in number of coaching diplomas issued in the period 2004/2007 (163'001 as of July 2007).

Contributed to increased professionalism within licensors

Evidenced by 60% reduction in external auditor (SGS) recommendations.

Reduced tensions and legal disputes

A number of associations reported decrease between 1/2 and 3/4 in club to player/coach disputes.

Provided a catalyst for improved infrastructure across Europe

Evidenced by 36% increase in number of approved stadiums (454 as of July 2007).

Improved trust in clubs financial positions

Stakeholders now know that club accounts are consistent & reliable (stricter reporting and auditing requirements).

IMPRESSUM

This report has been produced by the UEFA club licensing unit.

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