



EU Conference on Licensing Systems for Club Competitions

Organised by the European Commission
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Background paper

1. Introduction

By organising a conference on licensing systems for club competitions the European Commission implements Action 47 of the "Pierre de Coubertin" Action Plan which accompanies the White Paper on Sport: "Starting with football, organise a conference with UEFA, EPFL, Fifpro, national associations and national leagues on existing licensing systems and best practices in this field." The conference will also gather representatives from football clubs (ECA) and football fans as well as representatives of other team sports with an interest in licensing systems.

In the White Paper the Commission acknowledges the autonomy of sporting organisations and representative structures. It also acknowledges and supports self-regulation respectful of good governance principles in sport, provided that EU law is respected. Licensing systems are a good example of how, through self-regulatory measures, sport organisations can find solutions to a number of challenges facing modern sport. While licensing systems are the responsibility of competition organisers, the Commission can play a facilitating role in the promotion of such systems and in the exchange of good practices between representatives of the sport movement.

The Commission recognises the excellent work undertaken by UEFA with the creation of its licensing system at European level and by Leagues and Associations at national level. The conference will provide a platform for sport representatives to present the merits of their systems and to stimulate the exchange of good practices between the various systems in place in football, and also between different sports.

2. Licensing systems for clubs

In sport competitions, there are usually certain criteria that have to be fulfilled by clubs as a condition to participate. The main aim of such criteria is to ensure that clubs remain solvent throughout the course of a competition, thus preventing them from dropping out prematurely and distorting the results of the competition.

These criteria, which are set by the organisers of the competition, be they federations, leagues or any other private entity, are most often of a financial nature, but they also frequently require compliance with certain standards relating to e.g. security and safety for spectators and athletes. The set of criteria to be fulfilled in order to take part in a sport competition is often referred to as a **licensing system**. Licensing systems exist in different sports, notably in team sports where clubs participate (e.g. football, basketball, rugby etc.), and they can be applied in national or European competitions.

Licensing systems may be viewed as a necessary tool for the smooth functioning of the traditional European model of sport, where sport merit remains the decisive factor for a club to be entitled to participate in highly professionalised sport competitions, while a set of minimum financial, legal and management standards have to be fulfilled by all participants in order not to distort the regular course of the competition. Licensing systems are aimed at preventing non-sport elements from perturbing the competition's results. They should also ultimately improve the financial and social sustainability of clubs.

Licensing systems generally aim to improve governance in sport and to maintain the integrity of competitions by ensuring that all clubs involved in a given competition respect the same basic rules on financial management and transparency. They also promote long-term investment in infrastructure and sport facilities. These points are developed hereafter in sections 4 to 7. Licensing systems may also have additional functions – for example, they may include provisions regarding discrimination, violence, the involvement of supporters in club activities, protection of minors and training.

Licensing systems must be compatible with EU competition and Internal Market provisions and should not go beyond what is necessary for the pursuit of a legitimate objective relating to the proper organisation and conduct of sport. Insofar as they are in compliance with EU law and they respect the principle of proportionality, licensing systems should be encouraged as an effective tool to address several of the issues facing professional sport in Europe.

3. UEFA system

The licensing system for UEFA's club competitions provides an example of criteria that apply to clubs across Europe. This self-regulatory approach is considered by UEFA to be a key initiative to improve the governance and financial management of football in Europe. In its Resolution on the Future of Professional Football in Europe, adopted in March 2007, the European Parliament expressed firm support for the UEFA club licensing system and called on UEFA to further develop this system in compliance with Community law in order to guarantee financial transparency and proper club management. The European Parliament also considered that "diverging national legislation and licensing criteria in Europe cause an uneven playing field, economically and legally, and this situation seriously hampers fair sports competition between teams in European leagues, and hence also between national teams."

UEFA's club licensing system was first introduced at the start of the 2004/2005 season. A second version of the licensing manual was adopted in 2008. UEFA's system is based on the principle of subsidiarity, whereby national associations are the licensors and manage the scheme at national level, with UEFA responsible for the correct implementation of the system. In 2009, UEFA launched a discussion on financial fair play and created a group of experts with the task of reflecting on how to improve transparency and accountability in club management and to better protect both the sport competitions and the clubs themselves.

4. Financial discipline

Financial criteria are at the heart of licensing systems. Their primary aim is to ensure that no club drops out of the competition for finance-related reasons, such as insolvency or bankruptcy. This is the reason why licensing systems normally include rules aimed at improving the economic and financial capability of clubs, increasing their transparency and credibility, and ensuring the necessary level of control over the clubs' accounts.

Financial criteria included in licensing systems also pursue another significant objective: they aim at reducing inequality in revenue distribution among clubs participating in the same competition. The abovementioned 2007 European Parliament Resolution recognises that a number of issues face professional football such as "an increased ability on the part of the richest clubs to sign up the best players, a stronger link between financial power and sporting success, an inflationary spiral in players' salaries". Calls for restoring a competitive balance in football club competitions have been voiced by several stakeholders, including federations, leagues and clubs.

The link between the balancing of competitions and redistribution of revenues is clear. This can be achieved through different measures, central marketing of media rights accompanied by solid solidarity mechanisms being an effective tool in this respect. Licensing systems can also play an important role in reducing financial disparities amongst clubs. Sport stakeholders have raised the possibility of introducing through licensing systems some sort of **cost control mechanisms**, which are already implemented in different forms in major US leagues as well as in some team sport leagues in Europe.

5. Integrity of competitions

It is essential for sport competitions to be authentic and free from external elements which may raise doubts about the way sport results have been achieved. The integrity of sporting competitions – their ability to function smoothly and remain intact from start to finish – goes to the very heart of good governance in modern sport.

One needs only to consider the consequences of the collapse of one or more clubs during the competition season to understand the seriousness of the risk: the calendar of fixtures may be thrown into chaos, difficult economic questions arise for the remaining clubs, and a legal minefield is opened in respect of broadcasting and other revenues. Additionally, the reputation of sport may suffer considerable damage.

Club licensing systems offer a powerful tool to ensure the integrity of competitions. They promote higher standards of governance and operational management, and help to educate and professionalise the clubs' human resources. Financial criteria provide an important monitoring tool to ensure the integrity of competitions, but they do not work alone. Licensing systems can also encourage other best practices, such as training centres for the development of young players or the construction of physical infrastructure, which all promote stability and sustainability in professional sport. They can also include rules related to the ownership, control and influence of clubs.

6. Investment and infrastructure

Another important objective of licensing systems is to promote the adaptation of the clubs' sporting infrastructure in order to provide players, spectators and media operators with safe, secure, well equipped and well managed facilities.

The improvement of infrastructure may be fostered by imposing strict standards for the safety, security and equipment of stadiums and arenas where the clubs participating in the competitions will play their matches. As in the majority of European countries clubs are not the owners of the stadium where the match takes place, the requirements have often to be transmitted to the relevant owner – in many cases, a local authority and/or municipality.

Rules related to infrastructure may also contain requirements about minimum standards for training facilities, thus constituting an effective tool to encourage clubs to promote training of young players through adequate centres.

7. Licensing systems in other sports than football

Licensing systems for club competitions are not an exclusive feature of football. They are implemented in a number of other sports, in particular team sports, at both national and European level. Whereas due attention is given in each of these systems to the peculiarities of the discipline concerned, the requirements of the systems present strong similarities with the schemes adopted by football authorities. Licensing systems in other sports notably address issues such as integrity of competitions, financial stability, selling of media rights and revenue sharing, club administration, capacity and security of infrastructure, and training and education of young players.

Some licensing systems present distinctive elements that find no equivalent in the field of football. By way of example, the English Rugby Guinness Premiership implements a salary cap scheme whereby a ceiling is set to the maximum salary different categories of players can be paid. This scheme has two main objectives: to maintain a competitive balance in the competition and to encourage larger squad sizes amongst the clubs participating in the league.

In basketball, the licences awarded to individual clubs to take part in the Euroleague competition, a pan-European club championship, are granted based on a ranking of clubs where sport results are weighed against a range of other criteria, including minimum capacity of sport arenas as well as the turnover generated by TV rights and/or sponsorship agreements.

8. Future outlook

Coordinated development of licensing systems at European and national levels seems to be an effective way of ensuring good governance, integrity of competitions and financial stability of clubs across different team sports. This conference aims to provide a contribution to the ongoing debate about improving licensing systems for clubs in Europe.