



An update on change drivers and economic and legal implications of transfers of players

*Executive Summary to the
DG Education, Youth,
Culture and Sport of the
European Commission*

March 2018

EUROPEAN COMMISSION

Directorate-General for Education, Youth, Culture and Sport
Directorate C — Innovation, International Cooperation and Sport
Unit C.4 — Sport

Contact: Eac-Sport@ec.europa.eu

*European Commission
B-1049 Brussels*

An update on change drivers and economic and legal implications of transfers of players

***Executive Summary to the
DG Education, Youth, Culture and Sport
of the European Commission***

written by



Disclaimer

This document has been prepared for the European Commission; however, it reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

***Europe Direct is a service to help you find answers
to your questions about the European Union.***

**Freephone number (*):
00 800 6 7 8 9 10 11**

(*) The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

More information on the European Union is available on the Internet (<http://europa.eu>).

Luxembourg: Publications Office of the European Union, 2018

ISBN: 978-92-79-80994-1

doi: 10.2766/37872

© European Union, 2018

Reproduction is authorised provided the source is acknowledged.

*European Commission
B-1049 Brussels*

Executive summary

The aim of this report is to analyse the developments of the transfer market since 2013 in terms of main economic trends and legal evolution. The study was commissioned in October 2017 by the Directorate-General for Education, Youth, Sport and Culture (DG EAC) of the European Commission and undertaken by KEA, supported by Ecorys. This research draws on and updates the findings of a previous study on the topic, published in 2013¹.

Background and context

The transfer of players is a relatively unique and complex economic and legal construct, because of the difficulties in distinguishing between sporting and economic matters. In fact, while sporting rules and regulations are designed to preserve fairness in the competition, the volume and level of transfer amounts (especially in the football market) have significant economic consequences on sports clubs.

In this sense, the study firstly and foremost takes into account the legal framework provided by the EU in addressing the peculiarity and the dual nature of transfers: a way to maintain fair and balanced competition, as well as an economic activity. Under EU law, the transfer system is justified by the specificity of sport, as set out in the 2007 White Paper on Sport, which substantially recognizes that the transfer of players between clubs plays an important role in the functioning of team sports. This is particularly relevant in a context of sharp growth of the transfer market in the last decade.

Key findings

Chapter 2 of this study analyses the most relevant economical features of the EU football market. This chapter also focuses on the potential discrepancies and unbalances of this market, thus looking at the impact on the competitiveness of the financial concentration and lack of economic redistribution. In particular, the study here takes into account the impact of the existing redistribution mechanisms, such as the solidarity and training compensation, but also the redistribution of broadcasting and commercial revenues. This chapter evidences that the size of the European football market is growing sharply, reaching a total of €24.6 billion for 2015/2016,² and this growth is reflected across all aspects of the transfer market:

- International transfer fees have grown from USD2.71 billion in 2012 to USD4.79 billion in 2016.³

¹ KEA & CDES (2013). The economic and Legal Aspects of Transfer of Players. A report prepared for the European Commission, DG EAC.

² Deloitte (2017) Annual Review of Football Finance: Ahead of the Curve. Sports Business Group, July 2017.

³ FIFA TMS (2017) Global Transfer Matchmaking Report 2017. Zurich, Switzerland.

- Transfer fees (including domestic transfers) in the big five leagues have grown significantly from €2 billion in 2012 to €5.9 billion in 2017.⁴
- Revenues stemming from broadcasting rights have more than doubled since the previous study for the big five leagues, with a cumulated amount totalling €8.518 billion 2017/2018 compared to €4.238 billion in 2011/2012.⁵

Importantly, this chapter evidences the concentration of resources across top leagues and a small number of clubs, along with the relation between the amount of money spent on transfers, sporting results and economical revenues. As a result, the study shows an increasing gap between top clubs within the top leagues, but also between the different leagues in terms of economic and sporting performances.

Chapter 3 of the report is based on the recent legal developments in terms of regulations implemented by the football authorities since the publication of the previous study, in 2013⁶. The legal analysis focuses on those legal developments originally aimed at balancing the sporting competitions, at increasing transparency in football transfers, at protecting youth development and finally at regulating the profession of intermediaries, a professional role which is increasingly influential in the football transfer market. In particular, important legal developments are analysed, such as the implementation of the Financial Fair Play by UEFA, the ban on third-party ownership and the FIFA Regulation on Working with Intermediaries. Key findings of this chapter include:

- Regarding the Financial Fair Play (FFP), the break-even requirement mechanism has produced considerable results on its core objective: improving financial stability for clubs. Conversely, the FFP has not led to significant side-effects in addressing competitive balance between clubs (it is important to note this was not the purpose of this regulation, however).
- On another level, the ban on Third Party Ownership (TPO) might actually worsen the current unbalances of the system, because of the difficulties for smaller clubs to receive external forms of investments. It might however lead to being more ethically acceptable and, most importantly, not affecting the integrity of the game if adequately implemented. In particular, it still requires some adjustments in order to prevent loopholes to the ban, such as the bridge transfers.
- Our analysis shows that the newly implemented FIFA regulation on football intermediaries has not fixed the issues identified. It stresses the importance of a centralised licensing system – based on the example of the National Basketball Players Association (NBPA) Regulations⁷ governing player agents in the US – and calls for clearer rules on agents' remuneration, in consultation with key stakeholders and based on market practices.

⁴ Raffaele Poli, Loïc Ravenel and Roger Besson (2017) Transfer market analysis: tracking the money (2010-2017). CIES Football Observatory Monthly Report n°27, September 2017.

⁵ Deloitte (2017) Annual Review of Football Finance: Ahead of the Curve. Sports Business Group, July 2017.

⁶ KEA & CDES, *supra* note 1

⁷ NBPA. (2016). NBPA Regulations Governing Player Agents.

- Issues linked to youth protection and development, discussed in section 3.4, are fields where a clear consensus emerges across football stakeholders to take action to enhance minors' protection. Greater involvement of public authorities, both at the national and European levels, would be helpful to address harmonisation issues in terms of minors' protection or entry rules within the EU.
- The lack of transparency on the transfer market has direct impacts on the enforcement of the training compensation and solidarity mechanisms, which remains a challenge and shows no signs of improvement over the years. The development of a Global Clearing House could increase transparency and strengthen the effectiveness of current measures for the redistribution of revenues, including the solidarity and training compensations.

However, it should be noted that most of the issues covered and analysed by this report are currently being discussed and will soon be subject to a process of reform by the relevant football stakeholders interviewed in this study. The outcomes of these discussions should be closely monitored in light of the findings of this report.

At this stage, the study has identified 8 potential policy recommendations to feed into this reform process:

1. Better exploit the existing social dialogue process on professional football to explicitly address issues linked to transfer of players;
2. Recast of the FIFA Regulations on Working with Intermediaries;
3. Improve transparency tools in the football market (TMS database, Football Associations reports, Global Clearing House);
4. Increase the solidarity mechanism percentage and strengthen its enforcement;
5. Address the issue of bridge transfers by strengthening investigation tools monitoring club ownership;
6. Regulate the loan transfers by limiting the number of loans per beneficiary and lending clubs;
7. Improve the rules on minors and the condition of entry for young players;
8. Establish a "luxury tax" on transfer fees beyond a certain transfer fee amount.

HOW TO OBTAIN EU PUBLICATIONS

Free publications:

- one copy:
via EU Bookshop (<http://bookshop.europa.eu>);
- more than one copy or posters/maps:
from the European Union's representations (http://ec.europa.eu/represent_en.htm);
from the delegations in non-EU countries (http://eeas.europa.eu/delegations/index_en.htm);
by contacting the Europe Direct service (http://europa.eu/europedirect/index_en.htm) or
calling 00 800 6 7 8 9 10 11 (freephone number from anywhere in the EU) (*).

(*) The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

Priced publications:

- via EU Bookshop (<http://bookshop.europa.eu>).

