

THE INDEPENDENT FOOTBALL REGULATOR - REGIME SUMMARY

[THIS DOCUMENT DOES NOT OVERRIDE THE SPECIFIC CONTENT OF THE BILL AND IS TO BE USED AS A PLAIN ENGLISH SUMMARY]

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Introduction and Overview

The Football Governance Bill establishes a new independent regulator for English football. The Independent Football Regulator (IFR)'s core purpose will be to improve financial sustainability of clubs, ensure financial resilience across the leagues, and to safeguard the heritage of English football. In line with this, it will have powers to operate a licensing regime, and to monitor and enforce compliance with requirements on financial regulation, club ownership and directors, fan engagement and club heritage protection. The IFR will set corporate governance standards and have the power to prohibit clubs from joining competitions where they are not fair and meritocratic and would threaten the heritage and sustainability of English football. The IFR will also have backstop powers to intervene as a last resort to bring about a solution on financial redistribution between the football leagues.

The Bill is generally in line with the Bill introduced in March 2024 by the previous government, however we have made some key changes to strengthen some of the measures. These changes are outlined in the attached supplementary document.

The IFR will have no role in sporting rules or 'on-pitch' matters, nor will it micromanage commercial decisions made by clubs. Furthermore, the IFR will have a duty to have regard to the desirability that, when exercising its functions, it avoids impacts on sporting outcomes and also any adverse impacts on the competitiveness of clubs and on financial investment in English football.

The legislation will ensure that any requirements placed on clubs will need to be proportionate to a club's specific circumstances and to the issue they are seeking to address. The IFR will also have statutory regulatory principles so that, wherever possible, it will look to work with the leagues when it exercises its regulatory functions and have due regard to existing league rules. These provisions will help to ensure a coherent and effective regulatory regime, minimising regulatory overlap and burden.

What the Bill and Regulator will do

The legislation will strengthen the governance and financial resilience of football clubs and the link between clubs and their fans. The legislation will do this by:

- Establishing a new independent regulator. The IFR will operate a licensing system, where all clubs in scope will need a licence to operate. The intended scope (to be established by secondary legislation) is all clubs in the top five tiers of men's English football.
- Creating a new Owners' and Directors' Test to make sure club custodians are suitable.
- Enabling the use of targeted financial regulation to improve the financial resilience of individual clubs and the system more broadly.

- Setting a minimum standard of fan engagement and requiring clubs to comply with club heritage protections.
- Requiring clubs to seek IFR pre-approval for any sale or relocation of their stadium.
- Preventing English clubs from joining prohibited leagues that do not have the support of the fans or that threaten the heritage or sustainability of English football.
- Giving the IFR targeted backstop powers to intervene in financial distributions (subject to certain thresholds being met), in order to ensure financial sustainability.
- Establishing a 'Football Club Corporate Governance Code', requiring clubs to report annually on how they apply the principles of the Code and explain why this is suitable.
- Periodically prepare and publish a comprehensive 'State of Game' report, which will act as a market study for football and provide the IFR with a key evidence base.

Approach to regulation

English football is a major global success story, with fans benefitting from watching some of the world's best players play in England every week. This success is in part down to the investment into clubs that has improved the quality of football and the competitiveness of our clubs on the world stage. This is why the IFR will seek to avoid adverse impacts on financial investment in English football or on club competitiveness, and seek to avoid impacts on sporting outcomes in general.

The regulatory regime will be designed to be proportionate and, as such, the IFR should not adopt a "one size fits all" approach. Instead, it should tailor any intervention to the specific circumstances and risks a club faces and, in so doing, avoid placing unnecessary regulatory burdens on clubs. The IFR's approach should be advocacy-first: aiming to work constructively with clubs and leagues to resolve issues wherever it can. Only where this has proven ineffective, or in the most urgent cases or serious instances of non-compliance, would the IFR intervene more directly or strongly.

As an example, in the event any given club was to experience financial difficulties, the steps the IFR would be expected to take under normal circumstances might be:

- I. Engage with the club to understand the issue and encourage proactive mitigations by the club;
- II. Engage with the relevant league and provide the opportunity for the league to offer a binding commitment of how it can address the issue without need for IFR intervention;
- III. the IFR may still decide to apply bespoke conditions to the club's licence aimed at improving its financial sustainability. These conditions would need to be proportionate to the issue the club was experiencing and to the specific circumstances of the club.

The regulatory regime therefore takes a participative approach, working with the industry where possible and appropriate. If the IFR does then decide to impose conditions, the

regime allows the IFR to tailor conditions to clubs and minimise the burden of any intervention.

It is also the case that some clubs may see little direct intervention from the IFR, or may not need to make significant changes to comply with its regime. For example, while clubs will be required to meet minimum standards of engagement with fans, there will be flexibility for clubs in how this is achieved. It is likely that for many clubs who are already engaging adequately with their fans, no change will be required. A club may meet the IFR's threshold requirements and mandatory conditions naturally, for instance through a competition organiser's rules, in which case regulatory intervention would not be needed.

General

Form/set up

- **Set up:** The IFR will be established as a new body¹. As is common with independent public bodies to ensure they can be held accountable, the Non-Executive positions on the Board (including the Chair) will be appointed by the DCMS Secretary of State, who will also be consulted on the CEO appointment. A campaign to appoint the Chair of the IFR is expected to launch during the passage of the Bill. Ahead of that, an interim Chief Operating Officer, Martyn Henderson, has been appointed. Martyn leads the 'Shadow Regulator' - the forerunner to the IFR with responsibility for set up and preparatory work. The Chair, once appointed, will oversee the appointment of the permanent senior executive team, including the CEO. The geographical location of the IFR will also be decided over the coming months.
- **Funding:** The IFR will eventually be industry funded through a levy, once the licensing system is operational. Up to this point, it will be funded by the Government, with this initial funding eventually recouped through the levy. The Bill will give the IFR discretion to determine the methodology for charges, although it will be required to take into account clubs' individual finances to ensure affordability and proportionality. There are limits to its fee raising powers - the IFR's budgets will be approved annually by His Majesty's Treasury (HMT) and DCMS, and it will have a duty to consult with DCMS, HMT and the football industry ahead of setting charging levels. This ensures accountability and transparency, and ensures initial government funding is recouped within a reasonable timeframe. This consultation requirement is typical of regulators (e.g. the Pensions Regulator and Ofcom online safety regime).
- **Implementation:** Preparatory work to set up the IFR will take place in parallel to the passage of the Bill. This work will be overseen by the Shadow Regulator. This activity will primarily be focused on organisational set up, for example recruitment and infrastructure requirements, to ensure that the IFR is operationally ready as soon as possible. Some preparatory work relating to the State of the Game report will also be carried out in addition to planning for how the regulatory regime will be implemented. The team leading this work will engage with leagues and clubs to ensure their views are fed into the design and delivery of the IFR.

¹ <https://www.gov.uk/guidance/public-bodies-reform#what-is-a-public-body>

- Once the Bill receives Royal Assent, the IFR will be formally established as a legal entity. At which point, we expect it will commence its formal consultation on how the regime will be implemented and support clubs with their transition to the new requirements.
- There will be a period of time following Royal Assent for consultation with the leagues and clubs on the detail of the regime and to allow for a smooth transition to the new requirements ahead of provisional licences being issued.

Purpose and duties

- The IFR must exercise its functions in a way that, so far as reasonably practicable, is compatible with the strategic purpose of the Football Governance Bill and advances one or more of its objectives.
- **Purpose of the Bill:** to protect and promote the sustainability of English football, for the benefit of fans and the local communities football clubs serve.
- **Objectives:**
 - i. The club financial soundness objective - to protect and promote the financial soundness of clubs;
 - ii. The systemic financial resilience objective - to protect and promote the financial resilience of English football;
 - iii. The heritage objective - to safeguard the heritage of English football.
- **Duty to have regard to important 'secondary' outcomes :** The IFR must have regard to the desirability of exercising its functions in a way that avoids:
 - i. effects on sporting competitiveness of regulated clubs relative to other regulated clubs;
 - ii. adverse effects on the competitiveness of regulated clubs against other clubs (e.g. against clubs based outside of England or Wales);
 - iii. adverse effects on financial investment in English football.
- In exercising its functions the IFR must have regard to its **Regulatory principles:**
 - i. Efficient and expedient - the need to use its resources in the most efficient, expedient and economic way;
 - ii. Participative - the desirability of it co-operating, and proactively and constructively engaging, with clubs, owners, senior managers and other directors and competition organisers as far as reasonably practicable
 - iii. Proportionate - that any requirement or restriction imposed is to be proportionate to the benefits which are expected to result from that requirement or restriction;
 - iv. Football context specific - the desirability of it acting in a way that recognises the specific context of the football industry, including that clubs are subject to requirements and rules by virtue of their membership of competitions;
 - v. Tailored but consistent - the desirability of it acting consistently (subject to it recognising the differences between clubs and the circumstances affecting clubs);

- vi. Senior management responsibility - the desirability of it acting in a way that recognises the responsibilities of senior managers, and other directors and owners, in relation to the regulatory requirements placed on clubs;
- vii. Transparent - the desirability of acting as transparently as reasonably practicable.

Scope

- It is intended to cover clubs in the top five tiers of the men's football pyramid only (= 116 clubs). This will be achieved using secondary legislation - the Bill will require that only clubs competing in competitions specified by the Secretary of State in regulations will need a licence (referred to as "regulated clubs"). The intention is for the Secretary of State to specify the Premier League, the EFL (3 divisions) and the National League.
- **Women's game:** not currently in scope. This is in line with recommendations of the Carney Review and gives the women's game the opportunity to self-regulate in the first instance given the pivotal stage the game is at. That said, it could be brought into scope through secondary legislation with the affirmative Parliamentary procedure.²

State of the Game report

- The IFR will periodically undertake a 'State of the Game' report to better understand the market and its individual clubs. This will include an overview of the main issues that the IFR considers to be affecting English football, and an assessment of whether any features may jeopardise or risk jeopardising the IFR's ability to advance one or more of its objectives. It will essentially be a broad assessment of the structure, features and economic issues in the market (including its financial health), the effectiveness of regulation, and whether any feature of the market risks undermining the IFR's objectives. For example, to identify, assess and analyse risks to the financial sustainability and systemic financial resilience of English football.
- It may only assess the state of English football insofar as is relevant to the exercise of the IFR's functions. For example, including but not limited to: the distribution of revenues across the industry; fan engagement and club heritage; corporate governance; owners and directors; and financial regulation.
- This report will provide the IFR with an evidence base, allowing it to better understand the market, to design the details of its regulatory system, and to inform implementation. As the report will be a published assessment of the market, it may also help encourage and inform action by other market participants (e.g. clubs, competition organisers, and industry organisations) in certain areas.

Club Licensing

Licensing regime

² The affirmative Parliamentary procedure requires that each House of Parliament approves the proposed legislative change before it can be made.

- Clubs in scope will need a licence to lawfully operate in the specified competitions. Operating without a licence can be met with an injunction from the courts (and other sanctions imposed by the IFR e.g. financial penalties).
- Full operating licences will be conditional on clubs complying with the following requirements:
 - i. **Mandatory conditions** are set in legislation and are standardised requirements (with some discretionary elements in parts) that apply to all licensed clubs at all times regardless of their individual circumstances.
 - ii. **Threshold requirements** are high level principles set in statute, which the IFR is expected to provide further detailed guidance on. A club might meet these threshold requirements naturally, or by complying with discretionary licence conditions (or, in the case of the 'appropriate financial resources' threshold requirement, by complying with league commitments). The structure of threshold requirements and underlying discretionary licence conditions (see directly below) allows for tailored, proportionate regulation, since it allows the IFR to assess what is required from each specific club to meet the threshold based on their unique circumstances. This structure also enables a light-touch approach to regulation where appropriate, as, if clubs meet the threshold naturally (e.g. through their compliance with the league's own existing rules), then the IFR should not need to apply discretionary licence conditions.
 - iii. **Discretionary conditions** can be set by the IFR, are bespoke to the licensed club, and must either i) fall under one or more of the threshold requirements, or ii) be set with the aim of advancing the IFR's systemic financial resilience objective. Compliance with discretionary licence conditions (and, if relevant, any league commitments) will contribute to a club meeting the threshold requirement.
 - iv. **Freestanding requirements** - A number of requirements set in statute will apply to all regulated clubs, regardless of whether they have a licence or not. This is to prevent circumvention by bad actors willing to forsake an operating licence to, for example, strip a club of its assets (e.g. the stadium).

Annex A summarises the various requirements and potential conditions on clubs. The diagram in Annex B explains how these requirements/conditions are structured and relate to one another, in the context of what a club must comply with and when. Further detail on each requirement is below.

- To aid transition, there are two types of licence: Provisional and Full.

Provisional licence

- i. When a club first applies, it will be for a provisional licence. This will allow the club to operate for a fixed period only (up to a maximum of 3 years initially, with possibility for the IFR to extend beyond this).
- ii. To obtain a provisional licence, clubs will apply with some basic minimum information and documentation (e.g. a strategic business plan containing financial information, a personnel statement listing the club's owners, directors, and senior managers). The

IFR will grant a provisional licence if it is satisfied that the club will meet all the freestanding requirements, and the mandatory conditions. The expectation is that the provision of information and documentation, as well as broader engagement with the IFR, as part of the application process will be sufficient to satisfy the IFR of this. So it should be straightforward for all clubs to be able to obtain a provisional licence. The IFR then has time to assess the club in depth and determine exactly what may be required for the club to progress to a full licence.

- iii. Once a club is provisionally licensed, the mandatory conditions apply and the IFR may impose discretionary conditions if it felt them necessary. These discretionary conditions would be aimed at bringing the club up to the required level of compliance with the threshold requirements before the end of the provisional period. Under normal circumstances, before setting any discretionary conditions on a club under the appropriate financial resources threshold requirement only, the IFR would first notify the relevant league and give the league an opportunity to make binding commitments within a set timeframe, to avoid the use of a discretionary licence condition (see below).

Full licence

- i. At the end of the provisional period, if the IFR considers that the club meets the threshold requirements (and continues to meet the freestanding requirements and mandatory conditions), and none of its existing owners or directors have been found unsuitable by the IFR, it will grant a full licence. If the club fails to meet the requirements, the provisional licence can be extended and the club may face sanctions. If the club persistently and without reasonable excuse fails to obtain a full licence, and the IFR considers there is no reasonable prospect of it doing so, the IFR will have the power to revoke its provisional licence.
- ii. A full licence allows the club to operate, with no expiry date. A full licence does not need renewing, as clubs will instead be monitored and supervised on an ongoing basis - this will form the basis for addressing any non-compliance or amending the requirements on the club, as necessary. There will be an annual 'touch point' where the club would submit an annual declaration, and pay its licence fee.

Mandatory conditions

- Legislation will require that four mandatory licence conditions should be applied to all clubs. While these may have minor elements of specificity to the club in question, they are standardised requirements that apply to all licensed clubs at all times.
- **Financial plans** - Every licensed club must submit a plan to the IFR containing all the necessary information for the IFR to assess the risk profile of the club - the basic requirements will be listed in statute and the IFR may require additional information as it deems necessary. The licensed club must then comply with the plan, and update it when necessary. The plan must be updated at such frequency as specified by the IFR (at a minimum, this would be on an annual basis), or when there is a material change in circumstances affecting the club.

- **Fan consultation** - The licensed club must regularly consult with persons appearing to the IFR to represent the views of the club's fanbase, whether elected by other fans or selected via other means, on relevant matters (as defined under the fan engagement threshold requirement).
- **Corporate Governance** - The IFR will design a principles-based Football Club Corporate Governance Code ('the Code') in consultation with industry (including the FA). The licensed club must prepare a corporate governance statement setting out how they are applying the principles of the Code, including the action they are taking to improve equality, diversity and inclusion, before a specified date fixed by the IFR. The IFR's role will be advisory and it will not be able to mandate clubs to take a specific approach to applying the principles of the Code. This will ensure that clubs across the pyramid have the flexibility to design and own their corporate governance processes.
- **Annual Declaration** - The club must notify the IFR on an annual basis of any matter that they have notified, or should have notified relating to owners and officers, or a material change in circumstances affecting the club, or supply a statement confirming there were no matters to declare.

Threshold Requirement 1: Appropriate financial resources

- The IFR will deliver financial regulation, aimed at improving the financial resilience of clubs, through a club's financial plans (above), its non-financial resources (below) and crucially this threshold requirement. A lack of financial resilience is a key way harm manifests. The threshold requirement will be met if the IFR determines a club's financial resources are appropriate relative to its circumstances (including the risks it faces and the business it carries on).
- Financial regulation should be applied in a proportionate manner. As above, this means that the individual requirements placed on clubs (through discretionary licence conditions under the threshold requirements) will differ according to their circumstances (e.g. the league a club is in, its available resources, the risks it faces).
- In order to provide greater clarity to relevant clubs and leagues on financial regulation, the IFR will publish detailed guidance containing, amongst other things, expected outcomes. This would be done in consultation with all appropriate bodies,, and should have regard to the industry's existing rules.
- The model of financial resilience regulation will require clubs to:
 - Demonstrate sound basic financial practices, including financial planning, forecasting, scenario planning and demonstrate their cash flows. The legislation will allow this to be monitored on a real time basis by the IFR. Clubs will have to prepare contingency plans or 'wind back' plans as a response to their modelled scenarios and the impact of sporting and economic events.
 - Have appropriate financial resources or 'buffers' to enable the club to meet cash flows, including in the event of a financial shock or sporting downturn;
 - Protect the core assets and value of the club.

- Legislation will prescribe, through a mandatory licence condition, that all licensed clubs will be required to have a financial plan which must contain all the information the IFR requires to assess the risk profile of the club. If the IFR assesses the risk profile of the club and identifies risks that could put the long-term sustainability of the club in jeopardy, it is expected that it would work with the club on an advocacy-first basis to consider whether the club can reduce the level of risk through an updated plan.
- If a club's plan (or revised plan) still exhibits a potentially concerning level of risk, the IFR will then have the ability to apply discretionary licence conditions (subject to the procedure outlined below) requiring clubs to improve their financial resources relative to the financial risk the club faces, its financial plan, and their performance relative to the plan. The IFR will only be able to impose discretionary licence conditions in line with the procedure outlined below and in a finite number of areas:
 - i. Liquidity requirements,
 - ii. Debt management, or
 - iii. Overall expenditure restrictions.
- Relating to (iii) overall restrictions on a club's expenditure, the IFR cannot restrict expenditure in a specific area or aspect, for instance, a reduction in expenditure on player wages. It will be for the club to decide how, and in what areas, they reduce or limit their overall expenditure to meet this discretionary licence condition.
- **League commitments in lieu of discretionary licence conditions** - Under this threshold requirement, *before* setting a discretionary licence condition on a club, the IFR will be required to notify and consult with the relevant league, and allow the opportunity for the league to offer binding commitments to avoid the use of a discretionary licence condition. This aims to strengthen the participative approach by providing a formal opportunity for the leagues to propose a solution to an identified issue first, while also recognising the duty for the IFR to have regard to the leagues' rules. If the IFR is content that the league's commitment would remedy the issue, then it would take no further action itself but the league would be required to deliver the commitment. If the IFR determines the league's commitment will not remedy the issue, or an existing commitment is not proving effective, the IFR can step in and impose a discretionary licence condition(s). In urgent cases, where there is an immediate risk and insufficient time to consult, the IFR can apply discretionary conditions immediately.

Threshold requirement 2: Appropriate non-financial resources

- The threshold requirement will be met if the IFR determines a club's non-financial resources are appropriate relative to its circumstances (including the risks it faces and the business it carries on).
- The IFR will be able to set discretionary licence conditions in relation to the club's non-financial resources, if necessary. Non-financial resources include any systems, controls, plans or policies that the club maintains, any information that the club holds and the personnel it has available.

- This is another important element of financial regulation, since these resources also have a bearing on a club's financial sustainability and resilience to shocks. For example, risk management might include a club's contingency ('wind back') plan. Hence, this threshold requirement will complement the financial resources threshold requirement.
- The IFR will be able to set discretionary licence conditions in a finite number of areas only:
 - i. Internal controls;
 - ii. Risk management, or;
 - iii. Financial reporting.

Threshold Requirement 3: Fan engagement

- The fan engagement threshold requirement will be met if the club has adequate and effective means by which it consults its fanbase about relevant matters, and takes the views of its fanbase into account when making decisions about relevant matters.
- Clubs that do not already have this in place will be expected to implement appropriate frameworks which facilitate discussions with their fanbase and to have due regard to the views expressed within those discussions. Primarily, the IFR will expect clubs to meet this threshold requirement through adherence to the 'fan consultation' mandatory licence condition. This will require all clubs to regularly consult with a representative group of fans on relevant matters. These relevant matters are defined under the fan engagement threshold requirement as:
 - The club's strategic direction and objectives;
 - The club's business priorities;
 - Operational and match-day issues, including ticket pricing;
 - The club's heritage;
 - The club's plans relating to additional fan engagement.
- Clubs will need to have due regard to the views of fans but will not be duty bound to act upon those views. Furthermore, the IFR will have no role in the content or output of those discussions. As such, the threshold requirement will not bind clubs to the views of its fans, but it will ensure that the views and concerns of fans are being listened to.
- This threshold requirement, in tandem with the mandatory licence condition, is designed to implement a minimum standard (expected to be set out by the IFR in guidance) to improve fan engagement structures where it may be necessary to do so. It is recognised that some clubs already have appropriate structures in place which serve their fans well, and in these scenarios, it is likely that the IFR would consider the threshold requirement to be met without any additional action.
- The range of fan engagement measures each club utilises (including the use of representative groups) will differ between clubs and the IFR will be expected to recognise these natural variations. The IFR's powers in this regard will be set out under the mandatory licence condition and will be limited to specifying how the group must be constituted where that is necessary (for example - requiring clubs to implement an

independent mechanism whereby fans are selected, or voted in, to speak for the wider fanbase) and/ or how often it meets with the club.

- We expect the IFR to publish guidance outlining the acceptable standard for clubs to meet with regards to fan engagement. This will set out principles which clubs must meet as part of their ongoing licence requirements. We expect the IFR to review progress that leagues can make on fan engagement in this guidance - where league standards are deemed sufficient by the IFR, this is likely to be referred to in the guidance.

Freestanding requirements

- A number of requirements set in statute will apply to all regulated clubs, regardless of whether they have a licence or not. For some of these, they will also apply to formerly regulated clubs - this is to prevent circumvention by bad actors willing to forsake an operating licence to, for example, strip a club of its assets (e.g. the stadium). The freestanding requirements cover:
 - **Football ground disposal or relocation** - Regulated clubs will be required to get the IFR's pre-approval for the sale or relocation of their home ground, or the use of their home ground as security in respect of a loan or other liability. The IFR will not approve a sale or relocation unless it is satisfied that the sale or relocation does not endanger the long-term sustainability of the club. A relocation will also not be approved unless the IFR is satisfied that the relocation would not significantly harm the club's heritage and that the club has consulted its fans. The duty to seek approval from the IFR for a sale or other disposal of a home ground also applies to bodies that have been regulated clubs in the previous 5 years ('formerly regulated clubs').
 - **Changes to heritage** - Regulated clubs that wish to change their badge and/or home shirt colours will be required to seek the support of their fans. This will be a requirement in legislation, but clubs will continue to follow the process laid out in the FA Handbook (Rule M). If the FA's rules were to become ineffective for any reason in the future, the heritage requirements will ensure that fans must continue to approve any change to the badge or home shirt colours. Regulated clubs that wish to change their name will be required by legislation to seek the approval of the FA.
 - **Transparency during insolvency** - Regulated clubs will be required to, if they enter relevant insolvency proceedings, keep fans updated on the progression through these proceedings, as far as they are able to. This is intended to maintain transparency at what can be a very worrying time for fans. This is a duty that works alongside the fan engagement threshold requirement that clarifies that clubs should, as far as they are able, continue to take the views of fans into account on the relevant matters.
 - **Prohibited competitions** - Regulated clubs, or clubs that have been regulated in the past 10 years ('formerly regulated clubs'), will not be able to play in competitions that have been prohibited by the IFR. Statute will require that when prohibiting competitions, the IFR must have regard to whether the competition would be fair and meritocratic, would jeopardise the sustainability of other specified competitions,

would harm the heritage of English football, and to the views of fans in England and Wales. The IFR may also consider any other factors it sets in its rules. The IFR would be required to consult the FA, and any other persons it considers appropriate, before prohibiting a competition.

- **Approval of administrator** - Regulated clubs, or bodies that have been regulated clubs in the previous 5 years ('formerly regulated clubs'), must notify the IFR if considering appointing an administrator. The administrator must not be appointed without the IFR's approval. This requirement applies to club-appointed administrators only and does not apply to administrators appointed by the court or by secured creditors. Also see 'Financial distress' below.
- **Notify changes in circumstances relevant to the IFR's function** - Regulated clubs also have a general duty to notify the IFR when the club believes there has been, or may have been, a material change in circumstances affecting the club that is relevant to the IFR's functions
- There are also a small set of freestanding duties that only apply to licensed clubs:
 - **Personnel Statement** - All licensed clubs must prepare and publish a personnel statement that details the club's owners and officers, job titles and roles. The club must keep this up to date and notify the IFR when any changes to the statement occur.
 - **Levy** - All licensed clubs must pay a levy payment for chargeable periods within the duration of their licence to fund the IFR, at both the provisional and full operating licence stage (unless an exception specified within the IFR's levy rules applies).

Systemic financial issues

- The IFR will be able to take action to mitigate systemic issues in the game, in line with its second operational objective. These may be structural issues or features of English football that jeopardise the IFR's ability to deliver its objectives.
- Certain financial risks may arise that are a concern when their aggregated, correlated, or multiplied effects are considered. These risks may threaten groups of clubs, entire divisions, or even the entire English football pyramid due to interconnections inherent with multiple clubs operating in common systems. For example, risks to common credit markets, the global transfer market, or the football broadcasting market on which all clubs are reliant for revenue.
- The IFR will be able to take action to address the structural issues and/or mitigate these systemic risks by applying discretionary licence conditions to clubs who are contributing, or exposed, to the risk due to their specific relationship(s) with the system. This includes, including where appropriate, to groups of clubs, entire leagues, or to all licensed clubs. This discretionary licence condition(s) can relate to debt management, liquidity requirements or overall restrictions of a club's expenditure only.

Financial distress

- One of the primary objectives of the regulatory regime will be to improve the financial sustainability of clubs, and reduce the risk of financial collapse. This will be done through an ex-ante (or ‘front end’) system as set out above. However, clubs may still become distressed or insolvent. While the regime is not intended to be ‘zero failure’, the IFR will have some ex-post (‘back-end’) tools to try to avert and ameliorate financial distress, administration and liquidation after it materialises:
 - i. Appointing a skilled person - If a club is distressed, and efforts to improve the club’s position by imposing financial licence conditions have not been successful because the club has been unable to meet those conditions, the IFR could appoint a skilled person to provide on-hand support and recommendations to bring the club back into compliance with its financial licence conditions, with a view to improving the club’s situation. See enforcement below.
 - ii. Approval of administrator - If a club decides to place itself in administration, it is in the IFR’s interest to try to ensure that this process is orderly, the long-term future of the club is protected as far as possible, and that the interests of fans and communities are represented as far as possible. As part of this, the appointment of an administrator by a club will have to be approved by the IFR. This is a freestanding requirement on all regulated clubs (see above). Clubs will also be required to, as far as they are able, keep fans updated as to developments in the insolvency proceedings.

Owners and Directors

Suitable owners and directors

- The IFR will establish strong statutory Owners’ and Directors’ Tests (ODT) for owners and officers (i.e. directors or individuals with a similar level of authority and responsibility to directors, referred to in the Bill as ‘officers’) of regulated clubs.
- The Bill will set out the limbs of the tests. These tests will comprise:
 - i. Fitness tests (for owners and officers) to assess an individual’s integrity, honesty, financial soundness and (for officers only) competence, to ensure they are a suitable custodian to own and/or run a football club.
 - ii. Enhanced due diligence on an owner’s source of wealth (for owners only) to mitigate against the risk of illicit finance in football and ensure the financial sustainability of clubs and the pyramid.
 - iii. A requirement to submit a business plan covering the operation and funding of the club, and a requirement to have sufficient financial resources (for owners only).
- Matters the IFR must consider when assessing the “fitness” limb are set out in the Bill. This

will include: criminal history and investigations; civil proceedings; whether the individual has been the subject of relevant regulatory action; subject to UK sanctions; prohibited from entering the UK; personal finances and the finances of any body for which the individual holds, or has held, a position of responsibility; (and for officers only) experience, qualifications and training. The IFR will also have some discretion to add further matters subject to procedural safeguards.

- These matters are not designed to be unduly strict, but rather to ensure that clubs have suitable custodians. Requiring the IFR to consider criminal convictions, for example, does not necessitate that having any conviction would make an individual unsuitable. The IFR simply has to have regard to these matters when assessing whether the individual meets the fitness criteria overall.
- The Bill requires new prospective owners and officers to pass the ODT before taking up an interest/position in the club. When assessing new prospective owners and officers, the IFR will be subject to a statutory deadline to ensure a timely process is undertaken.
- Incumbent owners and officers will not automatically be subject to the ODT. However, the IFR may test incumbents if it is in possession of information that gives it grounds for concern about the owner's or officer's suitability. This would be limited to specific elements of the test:
 - Incumbent owners and officers could be tested on their fitness. The IFR would need to consider an individual's fitness against the matters set out in the Bill, as outlined above (criminal history and investigations, civil proceedings etc).
 - Incumbent owners could be tested on their source of wealth. This would be to assess whether an owner's source of wealth is connected to serious criminal conduct (i.e. conduct amounting to offences listed in Schedule 1A of the Serious Crime Act 2007). Individuals would be tested on the balance of probabilities as the standard of proof. This means that the IFR would need to be more sure than not that an individual's source of wealth is connected to serious criminal conduct in order to find that individual unsuitable on this basis.
 - Incumbent owners would not be required to submit business plans nor be subject to the financial resources element of the test. This is because plans for the sustainable running of the club will be evaluated through ongoing financial regulation.
- Owners and officers of clubs are defined in the Bill. The Bill also requires licensed clubs to declare their officers, owners and ultimate owner(s) (the owner(s) with the highest degree of influence or control over the activities of the club) to increase transparency and accountability in the game. The definition of an owner is designed to accommodate many different forms of ownership, and includes an ability to significantly control or influence, directly or indirectly, the activities of the club.

Unsuitable owners and directors and divestment

- When an owner or officer is found to be unsuitable the IFR will direct them to cease their role in the club within a specified period of time (a 'removal direction'). This may involve divesting their ownership stake in the club and/or stepping down as an officer. The IFR must consult with the unsuitable individual, the club, and the club's specified competition organiser.
- While this process is ongoing, to reduce the risk the unsuitable owner or officer is able to make decisions or take actions that harm the club, the IFR will have the following powers.
 - Interim directions - The IFR will have the ability to impose various restrictions to limit the unsuitable owner's or officer's control over the club including: making any changes to the club's organisational structure or staff; influencing the officers of the club or acting as an officer; and exercising a right to vote by virtue of the holding of shares, stock or securities.
 - Appointment of an interim officer – The IFR would have the ability to appoint an interim officer to ensure the club is able to continue operating effectively and comply with the regulatory regime.
- If an unsuitable owner does not comply with the interim measures or the removal direction, the IFR will have the power to force divestment. This could include the appointment of a divestiture trustee to secure a sale of the unsuitable owner's ownership stake at no minimum price.
- The IFR will also have the power to disqualify unsuitable persons from being owners or officers of all regulated clubs for a period of time, up to and including life.

Financial distributions

- The Government's strong preference is for a football-led solution, given the importance of distributions to financial sustainability, although the IFR will have targeted backstop powers to intervene in financial distributions as a last resort. This backstop mechanism has rules designed with industry and experts to ensure it delivers the right incentives and outcomes with minimum regulatory involvement.
- **Scope of powers:** The mechanism can only be used in the context of the distribution of broadcast revenues between the relevant football leagues covered by the IFR (i.e. the Premier League, the EFL and the National League) plus other relevant revenue streams specified in secondary legislation. The mechanism would not be used to determine distributions to grassroots, community spending, women's football, youth development and pensions, nor sporting or competitive matters that do not directly relate to financial sustainability (e.g. rules of the game, fixtures or the format of competitions).
 - It is envisaged that this will cover broadcast revenues only, but the Secretary of State will have a targeted power to designate other sources of revenue within scope to cover possible future circumstances where broadcast revenues may no longer be the predominant source of revenue in the relevant leagues.

- **Thresholds:** The relevant leagues (and not the IFR) could apply to trigger the process if: i) there is no distributions agreement in place between the relevant leagues, or ii) there has been a material reduction in the revenues received, or iii) there has been a material change in circumstances affecting the relevant revenue, or iv) five years has passed since the last agreement was entered into. The backstop could then be triggered if (and only if) the IFR deems that its ability to deliver at least one of its objectives would be jeopardised if the backstop wasn't triggered. It would include an assessment of whether existing financial regulations and other regulatory tools could be utilised to better effect instead.
- **Backstop mechanism:** If the backstop is triggered, the IFR would set out the issues to be resolved. The relevant parties would go through a period of mediation first and if no agreement is reached, they would move to the final proposal stage. At this point, the IFR would form a Committee from its independent Expert Panel and the relevant parties would present their final proposals (along with supporting evidence). This may include, among other things, an explanation of how a proposal will promote the financial sustainability of relegated clubs (where the Expert Panel determines this is a relevant question to be addressed). The panel would choose the proposal that:
 - Was most consistent with its financial sustainability and resilience objectives;
 - Does not place an undue burden on the commercial interests of either party;
 - Does not reduce parachute payments for at least a year after the distribution order is made (where this is a relevant consideration).

If only one proposal is consistent with these conditions then that will be selected. If neither proposal is consistent then the IFR will terminate the process. The reasons behind this decision would be published and the relevant leagues would be required to distribute revenues in line with the decision.

Enforcement and Appeals

Enforcement

- **'Advocacy-first'** - the IFR's default approach should be to work cooperatively with clubs to steer them to remain compliant or return to compliance. Where this is ineffective, or in more serious cases of non-compliance, the IFR will have powers to intervene more strongly.
- **Investigatory powers** - The IFR will have a broad suite of powers to investigate suspected non-compliance, including to compel information, enter business premises under a warrant, and interview any person. The Bill will also enable the IFR to receive information from (and share information with) a range of bodies (e.g. HMRC, the National Crime Agency, the Serious Fraud Office).
- **Expert reporter** - As an additional information gathering power, the IFR will be able to appoint an 'expert reporter' to report back on specific matters in relation to a club. For example, this might be to look into a specific issue, or more generally into the club's circumstances and operations. This will be a useful tool where the IFR considers a greater quantity or detail of information is required, where information needs to be gathered first

hand or on a continuous basis over a period of time, and/or where the IFR would benefit from the expert reporter's skills to synthesise and interpret the information.

- **Sanctions** - The IFR will have the power to impose financial penalties on clubs, as well as leagues (see below), up to a maximum of 10% of annual revenue, and to issue statements censuring the club or league. The IFR will not be able to impose sporting sanctions, such as points deductions or bans on player registrations.
- **Enhanced sanctions** - The most serious sanctions are reserved for rare aggravating circumstances. For example, persistent and wilful non-compliance, or non-compliance of extreme seriousness. In these cases, the IFR could ultimately suspend or revoke a club's licence and may be able to re-test the suitability of the club's owners and directors. There will be significant statutory safeguards around the IFR's power to suspend/revoke a licence, including that this cannot take effect until the end of the season. The expectation is that the IFR would pursue divestment by existing owners and directors in the first instance, rather than licence suspension/revocation.
- **Individual liability**
 - Senior managers - Each club will be required to nominate any directors that undertake 'senior management functions' (as specified by the IFR). This may also capture owners who also act as directors (i.e. are involved in day-to-day running of the club). The IFR will be able to hold these senior managers liable for the club's non-compliance if the IFR finds that the senior manager was responsible for the non-compliance occurring. The IFR will be able to apply financial penalties and issue statements censuring these individuals.
 - Senior manager liability will be linked to the suitability test for directors - a director could be re-tested and found to have failed the fitness test as a result of being liable for a club's non-compliance (e.g. if it is persistent or serious), and could therefore be removed as a director as a result.
 - Unsuitable owners and directors - When an owner or director has been found to be unsuitable, the IFR will be able to apply certain interim measures and will be able to enforce non-compliance with these interim measures (see below). Ultimately, unsuitable owners and directors could be forced out of the club if they do not go willingly.
- **Appointing skilled persons** - The IFR will be able to appoint a skilled person to a club, as an enforcement step, to help guide the club back to compliance. This could include where a club is in distress and so has been unable to comply with its financial licence conditions (see financial distress above).
- **Urgent directions** - In instances of non-compliance that present an immediate risk of serious harm to one or more of the IFR's objectives, the IFR will be able to issue urgent directions. These are requirements on a person (e.g. a club, league or individual) to take a specific action or cease a specific action within a specified period. If a person fails to comply with an urgent direction the IFR may apply to the courts for an injunction, and may also impose additional civil sanctions (e.g. financial penalties).

- **Criminal sanctions for information offences** - Certain information offences will be considered criminal in nature, and may be met with criminal sanctions. It is anticipated that these will be extremely rarely used, if ever, but will act as a deterrent against any relevant person (e.g. clubs, leagues, individuals at clubs and leagues) falsifying, concealing, disposing of or destroying information, or obstructing the IFR in the course of an investigation. The IFR's usual civil sanctions (e.g. financial penalties) will also be applicable for these information offences (but a single offence could not be met with both criminal and civil penalties).
- **Commitments in lieu of investigation** - Where the IFR is investigating a possible infringement by a person (e.g. a club breaching a licence condition), the person will be able to offer up a binding commitment to the IFR. For example, to cease certain action. If the IFR considers the commitment will mean it no longer needs to investigate, it will accept the commitment and close its investigation. The commitment will then be enforceable.
- **Expert panel** - Where appropriate, relevant enforcement decisions can be delegated by the IFR to the operationally independent Expert Panel, to provide additional scrutiny and separation of decision-making.
- **Enforcement of freestanding requirements** - As above, there will be some requirements that also apply outside of the licensing system, to all regulated clubs (and some to formerly regulated clubs). These are intended to capture clubs that would be expected to have a licence but do not, for whatever reason (e.g. where bad actors have intentionally removed themselves from scope to strip a club of its assets). For licensed clubs, these will be enforced the same as other requirements (e.g. licence conditions). For unlicensed but regulated clubs, the IFR will be able to enforce these in the same way as requirements on licensed clubs (i.e. all the same sanctions are available) with the exception of revocation/suspension of a licence.
- **Relevant leagues:** As set out above in the section 'Threshold Requirements 1: Appropriate financial resources', the leagues will have duties to the IFR and will be required to deliver any agreed commitments. The IFR will have the ability to investigate the leagues if they fail to deliver on those duties and commitments and, as above, take enforcement action if necessary. This could include censure statements and financial penalties. The maximum financial penalty on a competition organiser will be 10% of the organiser's annual revenue. Sanctions will not be applicable to individuals at leagues, except for information offences by those individuals (as above under 'Criminal sanctions for information offences').

Appeals

- Parties directly affected by the IFR's 'reviewable decisions' will have a statutory route to bring an appeal to the Competition Appeal Tribunal ('CAT'). The reviewable decisions are listed on the face of legislation and cover the majority of the IFR's final regulatory, and enforcement decisions.

- The majority of the reviewable decisions will be appealable on judicial review principles. A small set of the most punitive and contentious reviewable decisions will be appealable on the merits.³ The decisions that could be appealed on the merits are:
 - A decision to revoke a provisional operating licence when a club persistently fails to progress to a full licence.
 - A decision to suspend or revoke an operating licence as an ultimate sanction.
 - A decision to determine that an incumbent owner or director is unsuitable.
 - A decision to disqualify an individual from being an owner or director in football.

- A decision to issue a divestment direction and a decision to issue a forced divestment direction are appealable on judicial review principles, rather than on the merits. This is because these divestment decisions will only ever either: i) follow from a decision determining that an incumbent owner is unsuitable, which *is* appealable on the merits; or ii) follow from a person acquiring an ownership interest in the club without having first submitted to the IFR's suitability test - a regulatory precondition of taking up an interest in a club.

- There will also be an internal review function to provide a swifter and less costly 'second look' at a decision, rather than a directly affected party immediately pursuing litigation. An internal review is where a group of experts (usually from the IFR's Expert Panel but in some cases from a separate committee of the Board) would review the decision, and could uphold, amend or reverse the decision. The individuals would always be different to those who made the original decision. For most decisions, seeking an internal review is a pre-condition of appealing to the CAT, but for those decisions that will be decided by the CAT on their merits (listed above) seeking an internal review prior to appealing to the CAT is optional.

³ A merits appeal is a full re-hearing whereby the Tribunal would look at all the facts and evidence to re-assess. If necessary, the Tribunal may substitute its own decision over the one originally taken by the IFR. On judicial review principles, the tribunal only reviews the decision making process of a public body, and the Tribunal cannot substitute its own decision over that originally made by the IFR.

Annex A: Types of requirements on clubs (core limbs of the regime)

Threshold Requirements	Appropriate financial resources	<ul style="list-style-type: none"> • The appropriate financial resources threshold requirement is met if the financial resources of the licensed club are appropriate in relation to the activities the club carries on or seeks to carry on. • The appropriate non-financial resources threshold requirement is met if the non-financial resources of the licensed club are appropriate in relation to the activities the club carries on or seeks to carry on. • Financial resilience regulation will be delivered through these threshold requirements, and informed by a club's financial plan (mandatory condition).
	Appropriate non-financial resources	
	Fan Engagement	<ul style="list-style-type: none"> • The fan engagement threshold requirement is met if the licensed club has adequate and effective means by which it consults with fans about relevant matters (defined in the Bill), and takes the views of fans into account when making decisions about relevant matters.
Mandatory Licence Conditions		<p>Financial plans</p> <ul style="list-style-type: none"> • The club must submit a plan to the IFR when it is granted a provisional operating licence, which must contain all the necessary information for the IFR to assess the risk profile of the club. • The licensed club must comply with the plan on an ongoing basis, and update it when required. <p>Fan consultation</p> <ul style="list-style-type: none"> • The licensed club must regularly consult with persons appearing to the IFR to represent the views of the club's fanbase on relevant matters, whether elected by other fans or selected through other means (as defined under fan engagement threshold requirement). <p>Corporate Governance</p> <ul style="list-style-type: none"> • The licensed club must prepare a corporate governance statement setting out how they are applying the principles of the Football Club Corporate Governance Code ('the Code') including the action a club is taking with regards to equality, diversity and inclusion. • The IFR's role will be advisory and it will not be able to mandate clubs take a specific approach to applying the principles of the Code. <p>Annual Declaration</p> <ul style="list-style-type: none"> • The club must notify the IFR on an annual basis of any matter that they have notified, or should have notified relating to owners and officers, or a material change in circumstances affecting the

	<p>club, or supply a statement confirming there were no matters to declare.</p>
<p>Freestanding requirements - On Regulated and Formerly regulated clubs</p>	<p>Prohibited Competitions</p> <ul style="list-style-type: none"> • A regulated club (or any club that has been regulated in the past 10 years) must not play in competitions that have been prohibited by the IFR. • Statute will indicate factors the IFR should consider (e.g. that the competition is fair and meritocratic, and favoured by fans). • The IFR must consult the FA, and any other persons it considers appropriate, before prohibiting a competition. <p>Notification and approval of appointment of an administrator</p> <ul style="list-style-type: none"> • The regulated club (or body that has been a regulated club in the past 5 years) must seek the approval of the IFR before it appoints an administrator under the Insolvency Act 1986. <p>Notification and approval of stadium disposal</p> <ul style="list-style-type: none"> • The regulated club (or body that has been a regulated club in the past 5 years) must notify the IFR if it is considering selling any interest the club holds in the home ground, or using the ground as security for a loan. This will require pre-approval from the IFR.
<p>Freestanding duties - On Regulated Clubs</p>	<p>Changes to club heritage</p> <ul style="list-style-type: none"> • The regulated club must obtain the support of a majority of its fans before making changes to club crest or predominant home shirt colours, and the approval of the FA before making changes to the club name. <p>Duty to keep fans informed of insolvency proceedings</p> <ul style="list-style-type: none"> • A regulated club, if it is in relevant insolvency proceedings, must take reasonable steps to keep its fans informed about the progress of the proceedings. <p>Notification and approval of stadium relocation</p> <ul style="list-style-type: none"> • The regulated club must notify the IFR if it is considering relocating the team from its home stadium. This will require pre-approval from the IFR. <p>Owners and directors</p> <ul style="list-style-type: none"> • The regulated club must notify the IFR where it considers there is a reasonable prospect of a person

	<p>becoming an owner or director of the club.</p> <ul style="list-style-type: none"> • The notification must be given as soon as reasonably practicable after the club considers there is a reasonable prospect of the person becoming an owner or director of the club, and must be before a person becomes an owner or director of the club. • Clubs must notify the IFR of a material change in an owners' or directors' circumstances, relevant to the IFR's suitability determination. Clubs must do this as soon as practicable after it considers there has, or may have, been such a change of circumstances. • A regulated club must also notify the IFR of any material changes in circumstances affecting the club, as soon as is reasonably practicable.
<p>Freestanding duties - On Licensed clubs</p>	<p>Levy</p> <ul style="list-style-type: none"> • All licensed clubs must pay a levy payment for chargeable periods within the duration of their licence, at both the provisional and full operating licence stage (unless an exception specified within the IFR's levy rules applies). <p>Personnel statement</p> <ul style="list-style-type: none"> • A licensed club must submit a personnel statement to the IFR for approval in a club's application for a provisional licence. The IFR can approve the statement, or approve it with modifications. On an ongoing basis, clubs must provide a new personnel statement as soon as reasonably practicable after the previous statement becomes inaccurate.

Annex B: Structure of requirements on a club over time

