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The FIFA Clearing House Regulations

On 22 October 2022, the FIFA Council approved the FIFA Clearing House Regulations. This brief overview is aimed at presenting the new regulatory framework from a club perspective.

➤ **What is the FIFA Clearing House and why has it been established?**

The Clearing House is an external entity, established in France. It is not part of FIFA.

The Clearing House will initially act as an intermediary to process the payment of training rewards and ensure compliance with international financial regulations.

The main purposes of the Clearing House are:

- to centralise, process and automate payments between clubs, (firstly, this will be concerned with payments related to 'training rewards' only: agents' fees and transfer fees may eventually become part of the remit of the Clearing House, but this is unlikely for the foreseeable future); and
- to promote financial transparency and integrity and avoid fraudulent conduct in the transfer system.

The following 'training rewards' exist at FIFA level:

- *Training Compensation*: clubs investing in the training and education of young players should be rewarded if their players go on to become professional players; and
- *Solidarity Contribution*: training clubs should be rewarded by receiving a percentage of the transfer fees paid for the future transfer of their players.

FIFA are concerned that the training rewards have not been reaching the training clubs that are entitled to receive them. Out of the USD 400 million that should be distributed each year to training clubs, it is estimated that such clubs only receive around USD 70-80 million.

The aim of the FIFA Clearing House is to cover this gap.

➤ **How will the process for the payment of training rewards work?**

The process of distributing training rewards will consist of three steps:

(1) identification of entitlement to training rewards

The FIFA administration will identify training rewards entitlement through the information provided by national associations and their affiliated clubs in the context of international transfers, domestic transfers (where relevant), and when a player is registered as a professional for the first time.

This means that instead of the previous system in which a training club was required to claim its training rewards from the new club, the new system should automatically allocate the training rewards to the training club when a transfer, or first registration of a player as a professional, occurs.

In respect of solidarity contribution, it must be noted that the identification of entitlement to training rewards will be made upon a proof of payment of transfer compensation being submitted to FIFA via TMS.

The proof of payment of transfer compensation must be declared to FIFA by the player's new club via TMS (or declared to the national association for domestic transfers) within 30 days of each payment, pursuant to Annexe 3 (art. 12, par. 1) of the FIFA Regulations on the Status and Transfer of Players). This proof of payment plays a crucial role in the calculation of training rewards: in accordance with article 1 of Annexe 5 of the FIFA Regulations on the Status and Transfer of Players, 5% of any transfer compensation must be deducted for payment of the solidarity contribution. Consequently, the amount declared in the proof of payment in TMS will be considered to reflect 95% of the transfer compensation. As a result, **it is crucial that clubs enter into the TMS the transfer compensation 'net' of any amount due as training reward pursuant to the RSTP.**

(2) creation of an electronic player passport and calculation of the amount due

Upon FIFA identifying the entitlement to training rewards, a PROVISIONAL ELECTRONIC PLAYER PASSPORT will be automatically generated and will provide the player's registration history from the age of 12. This will be based on registration information that has previously been provided by national associations.

National associations and clubs will then have 10 days (pursuant to article 8.2 of the FIFA Clearing House Regulations) to inspect the player passport and check if they have any issues with its contents.

During the 10-day inspection period, if a club that is not listed in the provisional player passport believes that it should be included in the final version, it may request its national association to be included in the subsequent review process and to provide the relevant registration information.

There will then be a 10-day review process (pursuant to article 9 of the FIFA Clearing House Regulations) involving the relevant clubs and national associations, which will allow FIFA to determine the final accurate version of the player passport, and this version will provide the basis for the calculation of the training rewards.

During the review process, national associations may submit a request via TMS to amend any registration information on the player passport.

Specific issues that might be raised by a club include:

- where a former club is required to have offered a contract to a player to retain its entitlement to training compensation, proof of that offer and its notification shall be uploaded to TMS by the player's former club.
- where a former club did not offer a contract to a player and it believes that it is still entitled to training compensation, a request shall be submitted in TMS by the club or its member association, including written reasons for the request and supporting evidence.
- where a training club has waived its right to receive training rewards, proof of a valid waiver shall be uploaded in TMS by the player's new club.

If there are complex issues relating to the player passport, the case can be referred by the FIFA general secretariat to the Dispute Resolution Chamber of the Football Tribunal for a decision.

The final version of the player passport confirmed by FIFA will be notified to the parties, accompanied by an ALLOCATION STATEMENT automatically calculated by TMS, which will

specify the exact amounts of solidary contribution/training compensation owed by the new club to the player's training clubs.

As mentioned above, for the purposes of calculating the allocation statement, the amount declared in the proof of payment will be considered to reflect the respective transfer compensation (or instalment thereof), with 5% as solidarity contribution having been withheld by the club making the payment, in accordance with article 1 paragraph 1 of Annexe 5 to the RSTP (article 11.4 of the FIFA Clearing House Regulations).

The Clearing House will process the payments according to such allocation statement.

The notification of the player passport and allocation statement shall be considered as a final decision by the FIFA general secretariat, which may be appealed to the Court of Arbitration for Sport.

Prior to processing the payment of training rewards, the Clearing House will conduct a COMPLIANCE ASSESSMENT of all parties involved in the transaction. This will consist of due diligence and a comprehensive risk analysis and screening of the clubs, their owners, the source of the funds and the nature of the transaction.

Where a party fails the First Compliance Assessment, the Non-Compliant Party shall be subject to disciplinary proceedings, the transaction will not be processed and a Second Compliance Assessment will start.

(3) transfer of payments between clubs

Once all parties pass the compliance assessment, and provided that the player passport and allocation statement have become final and binding, the Clearing House will issue a PAYMENT NOTIFICATION to the player's new club detailing the amount due.

The player's new club will then send the payment of the training rewards (bearing any applicable bank fees) to the Clearing House within 30 days and, when the funds have been received by the Clearing House, the training rewards will be immediately distributed by the Clearing House to the entitled training clubs.

The training clubs will receive the funds from the Clearing House into their registered bank accounts, and will also receive a DISTRIBUTION STATEMENT from FIFA specifying the amount received.

➤ **Which sanctions may be applied for non-compliance?**

If a new club fails to pay the requested amount in full by the specified deadline, it shall be:

- a) charged an administrative levy of 2.5% of the requested amount by the FIFA Clearing House, payable to each training club instead of interest for late payment; and
- b) given a further 7 days to pay the requested amount in full by the FIFA Clearing House.

If a club still does not process the payment of training rewards correctly, or has not passed the compliance assessment, a case may be passed to the FIFA Disciplinary Committee to conduct disciplinary proceedings, which may result in sanctions being imposed.

A club that fails to pay the amount requested shall be sanctioned with a fine and a ban on registering any new players, either nationally or internationally. The registration ban shall be lifted once the amount has been paid in full.

A club can also be sanctioned for failing a first compliance assessment (and ordered to pay a levy to the training club of 2.5% of the calculated training rewards due, plus a reprimand or fine) and a second compliance assessment (a fine and a registration ban for new clubs, or a forfeiture of training reward for training clubs).

➤ **When do the new Clearing House Regulations come into force?**

The Clearing House Regulations are effective from **16 November 2022**.

Any questions? If you have any questions or would like any assistance, please do not hesitate to contact us.

Lombardi Associates