



FATF Report

Money Laundering through the Football Sector

July 2009



THE FINANCIAL ACTION TASK FORCE (FATF)

The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering and terrorist financing. Recommendations issued by the FATF define criminal justice and regulatory measures that should be implemented to counter this problem. These Recommendations also include international co-operation and preventive measures to be taken by financial institutions and others such as casinos, real estate dealers, lawyers and accountants. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard.

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EXECUTIVE SUMMARY

1. Criminals have shown adaptability in finding new channels to launder the proceeds of their illegal activities and sports is one of the many sectors that are at risk of being inflicted with criminal money.
2. With the growing economic importance of sports during the last two decades, especially football, money gradually started to exert a strong influence on the world of sports. This influx of money has positive effects, but also negative consequences.
3. In order to get a better understanding, this study identifies vulnerabilities which make the football sector attractive to criminals. These are mainly related to the structure, the financing and the culture of this sector.
4. The study analyses several cases that illustrate the use of the football sector as a vehicle for laundering the proceeds of criminal activities. After this analysis, money laundering (ML) through the football sector is revealed to be deeper and more complex than previously understood. Indeed, this analysis appears to show that there is more than anecdotal evidence indicating that a variety of money flows and / or financial transactions may increase the risk of ML through football. These are related to the ownership of football clubs or players, the transfer market, betting activities, image rights and sponsorship or advertising arrangements. Other cases show that the football sector is also used as a vehicle for perpetrating various other criminal activities such as trafficking in human beings, corruption, drugs trafficking (doping) and tax offences.
5. The ML techniques used vary from basic to complex techniques, including the use of cash, cross border transfers, tax havens, front companies, non-financial professionals and PEPs.
6. In many cases, connections with other well-known ML typologies were identified such as trade-based ML, the use of non-financial professionals and NPOs for ML purposes, ML through the security sector, the real estate sector and the gaming sector.
7. Various initiatives are taken by international and national actors in order to combat threats to the integrity of football, including ML. Looking ahead, there appear to be a number of areas that could be considered to improve the capacity to cope with the ML risks associated with the football sector.

INTRODUCTION

8. In reaction to the increasing compliance of financial institutions all over the world with the Financial Action Task Force (FATF) anti-money laundering and counter-terrorist financing standards, criminals have shown adaptability in finding new channels to launder the proceeds of their illegal activities. Simultaneously, the globalisation of financial markets and the development of information technology have gradually boosted the criminal economy and have expanded the possibilities for economic crime. In this context, there are growing concerns that various legitimate sectors are at danger of being infected with criminal money.

9. The sporting industry is one of the many sectors that could be attractive for criminals for money laundering purposes and merits closer consideration given the large scope of monetary transactions and the increase in the number of individuals involved.

10. In order to get a better understanding of the process of money laundering, of ways in which criminality can be connected with legal economic activities, and how criminal money finds its way into legitimate businesses, the FATF decided in June 2008 to study on money laundering through the football sector.

11. The following countries joined the project team and contributed to the study: Argentina, Belgium (as project co-leader), Brazil, France, Ireland (as project co-leader), Italy, the Netherlands (as project co-leader), Norway, Sweden, Switzerland and the United Kingdom. The report was written with support from the OECD sub-group on tax crimes and money laundering.

Scope

12. The aim of this project is to study one specific sport which could reveal money laundering schemes that may also be occurring in other sports. As one of the largest sports in the world, football¹ was chosen. Both professional and amateur football were to be examined. Although the scale of vulnerabilities to money laundering is potentially different, risks in both areas were considered likely to be similar.

13. On the other hand, the title of the project was broadened from ‘clubs’ to ‘sector’ because focussing on clubs was too narrow. Vulnerabilities not only occur within clubs but concern also other important stakeholders within the football industry. For these reasons, the original scope of the project ‘money laundering through sporting clubs’ consequently has turned into ‘money laundering through the football sector’.

¹ The term *football* is used in different ways in different parts of the English-speaking world. The name *soccer* (or *soccer football*) was originally a slang abbreviation of the word *association* from *association football* and is now the prevailing term in the United States, Canada, Ireland, Australia and New Zealand. Of the 45 national FIFA affiliates in which English is an official or primary language, only three (Canada, Samoa and the United States) actually use *soccer* in their organisations' official names, while the rest use *football*.

Methodology

14. This report is based on four main sources: an extensive literature review, the analysis of the answers to a questionnaire sent to FATF and FSRB members; the results of a typology workshop and subsequent consultation with the football sector.

15. Results to the questionnaire² were obtained in October 2008 from 25 countries, mostly European, seven South-American countries, two from Asia and Australia.³ The responding countries differ widely in size, role and organisation of football in society (ranging from large countries with big football leagues to smaller nations or nations with only non-professional football). Differences in information, position and interest in the person or organisation that provided the answers (national football association, government representatives, national FIUs, the police or judicial authorities) needed to be taken into consideration as well.

16. Following the analysis of questionnaires, a workshop on money laundering and the football sector was held in Monaco in November 2008 as part of the 2008 FATF/MONEYVAL Typologies meeting. This workshop was very well supported by members of the FATF, MONEYVAL and representatives of other countries. The following participants were involved in the 2-day breakout session which considered issues in depth: Belgium, Brazil, Cyprus, Egmont Group, France, International Olympic Committee (IOC), Ireland, Italy, Monaco, Norway, Russia, Slovenia, South Africa, Switzerland, the Netherlands and the United Kingdom.

17. The study has also relied on the experience and cooperation of the private sector. A representative of the IOC attended the Monaco workshop in November 2008. Consultation with representatives of the Fédération Internationale de Football Association (FIFA) and of the Union of European Football Associations (UEFA) also took place in January and April 2009. Those representatives received a copy of the report and were given the opportunity to comment. All the comments of the private sector were taken into account when considered relevant.

18. The project team would like to acknowledge the input of all the participants.

² The questionnaire is attached as an annex.

³ Completed questionnaires were received from: Argentina, Australia, Belgium, Brazil, Canada, Chile, Colombia, Ecuador, France, Italy, Japan, Latvia, Lithuania, Luxembourg, Mexico, Netherlands, Portugal, Romania, Singapore, Sweden, Switzerland and the United Kingdom.

CHAPTER 1: MONEY LAUNDERING AND SPORTS

19. Since ancient times, societies throughout the world have devoted considerable resources to sports, as well as offering praise to the exploits of sportsmen. What is new today is the surge of commercialisation of sport, the unprecedented internationalisation of the sports labour market, the considerable sums of money flowing in from broadcasters and sponsors, and massive cross-border investments by sponsors, including the sporting industry itself and sometimes “super rich” private investors.

20. It is difficult to ascertain the overall economic value of sports. According to some recent estimates in Europe, the sporting industry accounts for from 0,5 to 3,7 of overall EU-GDP, depending on the definition of sporting industry.⁴ Big matches in large stadiums are undoubtedly important to local economies. In addition, sport has an important social and psychological function at all levels of the society.

21. With the growing economic and social importance of sports and increasing profits that can be made out of sports, money now exerts a strong influence on the world of sports. The influx of big money has positive effects such as an increase of sport facilities and their availability to a larger number of people, yet this money also brings negative consequences. There is a higher risk of fraud and corruption given the amount of money at stake. Sport also can be used as a channel to launder dirty money.

22. Sports governing bodies as well as national and international authorities recently expressed their concerns on the inflow of dirty money into the sporting industry. The EU White Paper on Sport – the first EU Community document to recognise the importance of sport in European society – which was published in 2007 – stated, “Sport is confronted with new threats and challenges, such as commercial pressure, exploitation of young players, doping, corruption, racism, illegal gambling, violence, money laundering and other activities detrimental to the sport.”⁵

Which sports?

23. Based on a literature review and the results of the FATF-questionnaire, several sports can be identified as being vulnerable to money laundering. Sports that are regularly indicated as being vulnerable

⁴ Sound and comparable macro-economic data are generally lacking, due to, among others, problems of definition. For example, according to a paper presented to the EU in 2006 the sporting industry in Europe should be responsible for 0.5% (sport defined in a narrow sense) to 3.7% (according to the widest definition including tourism, insurance and for example better health) of overall European GDP (See: Dimitrov, D., Helmenstein, C., Kleissner, A., Moser, B., Schindler, J. (2006)). However, the vast majority of sporting activities still take place in non-profit structures, many of which depend on public support. At the same time a large part of the growing economic value of sports is linked to intellectual property rights (such as copyright, commercial communications, trademarks and image and media rights).

⁵ Commission of the European Communities (2007).

to criminal money are football, cricket, rugby, horse racing⁶, motor racing, car racing, ice hockey⁷, basketball and volleyball.

24. Just like any other business, sport can be used by criminals to launder the proceeds of crime or to perpetrate illegal activities for financial gain. Unlike other businesses, it is not always the profitability as such that make sport attractive to criminals. Connections that criminals seek to make with sport are not only motivated by the desire to gain money. Social prestige is another important factor. Popular sport can be a route for criminals to become ‘celebrities’ by associating with famous people and moving upwards to powerful circles within established society.

25. Sports that could be vulnerable to money laundering problems are either big sports (worldwide like football or on a national basis like cricket, basketball or ice hockey), sports like boxing, kick boxing and wrestling (sports that have traditionally links with the criminal milieu because of the relationship between crime and violence), high value sports (such as horse and car racing where there are ample opportunities to launder big sums of money), sports using (high value) transfer of players, sports where there is much cash around, which give criminals opportunities to turn cash into non-cash assets or to convert small into large bills. This fact means that virtually all sports could be targeted by criminals, although for different reasons.

26. A topic that deserves separate attention is betting on sporting activities. This touches upon a broad range of sports. Money laundering through legal and illegal betting, especially on the internet, is considered as a huge and increasing problem that should be explored separately in more detail. For the purposes of this study, betting on sporting activities falls outside the scope of this work and has therefore not been studied in detail.

Why football?

27. If we want to examine money laundering through sport, football is an obvious candidate. Football is by far the biggest sport in the world. There are 38 million registered players and 5 million referees and officials. Football is played all over the world and is the most popular sport in many countries. Football can count on a broad base of support, ranging from loyal fans attending weekly matches of their club, to

⁶ The FATF in earlier research has already pointed out that gambling on horse races provides ample opportunities for money laundering. Circuits have been set up to organise systematic buy-back of winning tickets from their legitimate holders. Furthermore, persons can also gamble money in order to have it laundered. If their chips are repaid at the end of their gambling session in the form of a cheque from the gambling or betting agency, apparently verifiable “winnings” are obtained. The New York Police discovered an underground operation involving the large-scale conversion of small bills into large ones with a Jamaican gang acting as a front for the Gambino crime family (New York Times 2001). This is according to the New York Police a typical form of money laundering designed to facilitate the smuggling of cash out of the country by reducing the bulk (Office of the New York State Attorney, 2001). Other ways by which money laundering can be laundered through horse racing are the acquisition of horses and the organisation of illegal races.

⁷ The National Hockey League (NHL) has 30 teams in the US and in Canada, almost 1 million registered players and is one of the largest money making sports leagues in the world generating billions of dollars in revenue. It is also popular in Russia, Scandinavian countries and central European countries such as the Czech Republic. The Russian mafia is reportedly attracted to hockey, both in the former Soviet Union and abroad (Hill, D. (2008)). There are various famous cases of extortion by Russian mobsters against Russians playing in the NHL. There are examples of infiltration in hockey franchises, not only by criminals from Russia. Internet gambling on hockey, connected with match fixing, is another way by which criminals can launder millions of dollars without any suspicion.

passive spectators at home in front of their television screens. The FIFA World Cup Final in 2006 attracted just over 1 billion viewers or 15 percent of the world population.

Table 1. Key Statistics Football Around the World (2006)

Total players	265 million
Female players as % of male world population	8%
Registered players	38 million
Referees and officials	5 million
Number of clubs	301.000
Top-20 countries with most registered players in 2006:	Germany (> 6 million), USA (> 4 million), Brazil (> 2 million), France, Italy, England, South-Africa, Netherlands, Japan (> 1 million), Canada, Russian Federation, People's Republic of China, Ukraine, Czech Republic, Poland, Spain, Austria, Sweden, Chile and Iran (> 0,4 million)

Source: FIFA 2007.

28. The professional football market has undergone an accentuated growth due to a process of commercialisation since the beginning of the 1990's. Money invested in football surged mainly as result from increases in television rights and corporate sponsorship. Simultaneously, the labour market for professional football players had experienced unprecedented globalisation – with more and more football players contracted by teams outside their country and transfer payments of astounding dimensions. Transfers are carried out all over the world. The cross border money flows that are involved may largely fall outside the control of national and supranational football organisations, giving opportunities to move and launder money. At the same time money from private investors is pouring into football clubs to keep them operating and can give the investor long term returns in terms of media rights, ticket sales, proceeds of sales of players and merchandising.

29. Betting on sports offers another means of allowing substantial money flows to move beyond the control of governing bodies. Due to its particular structure, as well as the considerable need to finance the system at short sight, notably at club level, football offers an interesting platform for irregular betting activities.

30. Football has changed from a popular sport into a global industry with an increasing economic impact at the top and important social functions at lower levels. Football can serve not only as a source of income for many people, but also as a tool for local economic development, social cohesion, education, personal development and the transmission of human and cultural values. Partly due to the industry's growth, football seems to be confronted with various forms of crime and corruption - including money laundering.

31. The multiple relations between crime and football have been described and analysed in several books⁸, and some 'headline-grabbing' money laundering cases have been revealed by the international media. There are connections between criminal organisations and the world of football – ranging from internationally operating organised crime infiltrating top football to locally operating criminals with connections in local lower leagues or even amateur football.

⁸ See for example Hill, D. (2008) and Johnson, G. (2006) on the influence of organised crime on football in the UK. Or Robert, D. (2006), who states that "*le football est devenue un formidable machine à blanchir l'argent*". Also interesting in this respect is Glenny, M. (2008) on the modern spread of transnational crime after the break-up of the Soviet Union and the simultaneous deregulation of global markets. Glenny also touches upon connections between Eastern European criminals and the world of football.

CHAPTER 2: STRUCTURE OF THE FOOTBALL SECTOR

Football governance

32. The international governing body of the football industry is the Fédération Internationale de Football Association (FIFA). FIFA's purpose is to promote and develop football throughout the world. FIFA also is the guardian of the regulations of the game. FIFA consists of six confederations (AFC, CAF, CONCACAF, CONMEBOL, OFC and UEFA)⁹ which are the umbrella organisations for the national football associations. Professional and amateur football clubs are members of their national football associations. National associations must be members of both FIFA and the confederation in which their nation is geographically resident for their teams to qualify for entry to FIFA's competitions. FIFA has in total 208 member associations (one per country). The whole industry is built on two main pillars: club football and national team football.

33. UEFA is one of the biggest of the six confederations of FIFA. It is by far the strongest in terms of wealth and influence over the global game. Virtually all of the world's top players play in European leagues. This is in part due to the salaries available from the world's wealthiest football clubs, particularly in England, Germany, Italy and Spain. Two of the top seven teams in the FIFA World Rankings are nevertheless CONMEBOL members (Brazil and Argentina).

34. At a lower level, the FIFA confederations like UEFA consist of national associations, of which the English Football Association, founded in 1863, is the oldest. The national associations of each country operate league systems, normally comprising several divisions. The national associations are the supreme regulatory and disciplinary body of the sport within national boundaries. Their autonomy however is restricted to the fact that they have to abide by the rules of FIFA and the six confederations like UEFA and CONMEBOL. In some countries the football sector is organised in regional associations on a lower level. The individual clubs - according to FIFA - are the basic cell at the foundation of the pyramid.



⁹ AFC - Asian Football Confederation in Asia and Australia, CAF - Confédération Africaine de Football in Africa, CONCACAF - Confederation of North, Central American and Caribbean Association Football in North America and Central America, CONMEBOL - Confederación Sudamericana de Fútbol in South America, OFC - Oceania Football Confederation in Oceania and UEFA - Union of European Football Associations in Europe.

35. Traditionally sporting associations have defined the rules of the game, including financial rules, at an international level. FIFA was established in 1904 in response to the need for a single body to oversee the game worldwide. One of objectives of FIFA is prevention of practices that might jeopardise integrity of the sport. It is for this reason that FIFA insists it is necessary to have global football regulations that apply to everyone everywhere.

36. National governments still adhere to some degree to the policy that the specific nature of sport, its important social, educational and cultural functions, sets it apart from any other field of business activity. In Europe for example the European Council officially endorsed in the Nice declaration of 2000 the need to protect independence, autonomy, self-regulation and self-organisation of sports according to the principle that *'sports and politics don't mix'*, however also while respecting individual EU and national legislations.¹⁰ Regulatory functions for the sports sectors are performed by private organisations – sports governing bodies – rather than by governments. For historical and cultural reasons, all EU member states have, to various degrees and to a large extent, left the regulation of sport to the sports bodies. It is believed that this has helped to remove (or at least reduce) the risk of political influence being brought to bear on sports matters. The European Council believes that this principle should be preserved for the future.¹¹ Sport also has very specific economic characteristics – for example the necessarily joint-production of 'the product' (football matches, football competitions) by competitors.

Football finances

37. There are no comprehensive figures of the overall size of the football sector in the world. However, according to the Deloitte Annual Review of Football Finance (which is the leading yearly overview on the finances of football in Europe) the total size of the European football market has grown to an estimated at 13.8 billion EUR in 2007 (which is 0.1 percent of EU GDP). Behind these numbers, football sector revenue can be represented as a reversed pyramid. The big five European leagues – the premier League in England, Bundesliga in Germany, la Liga in Spain, Serie A in Italy and Ligue 1 in France - attracted more than half of these revenues (see table).

Table 2. Revenue distribution in the professional European football market, 2007

	%	billion EUR
'Big five' European leagues	52	7.2
'Big five' other leagues	16	2.2
Non 'big five' top leagues (other 48 UEFA countries)	15	2.1
Non 'big five' other leagues	3	0.4
FIFA, UEFA and National Associations	14	1.9
Total	100	13.8

Source: Deloitte 2008, chart 1.2.

38. It is in these five leagues that the richest football clubs in the world can be found. To be more specific, all but one of the Forbes' list of 25 most valuable football clubs in the world belong to these 'big

¹⁰ Point 7 of the Nice Declaration reads as follows: *"The European Council stresses its support for the independence of sports organisations and their right to organise themselves through appropriate associative structures. It recognises that, with due regard for national and Community legislation and on the basis of a democratic and transparent method of operation, it is the task of sporting organisations to organise and promote their particular sports, particularly as regards the specifically sporting rules applicable and the make-up of national teams, in the way which they think best reflects their objectives."*

¹¹ Arnaut, J.L. (2006).

five' European leagues (the exception being Celtic in Scotland). The other half of the total European football sector is divided between the other top and lower leagues in Europe and FIFA and UEFA.

39. Professional football in Western Europe relies on four main revenue sources: match day revenues (gate receipts and all-season tickets), television rights, sponsorship (brand name placing on shirts and around stadiums), and other commercial revenues (licensed merchandise, conference and catering services). As table 3 shows, the relevance of television money is especially big for top-division clubs in the big five European leagues, depending on the size of the television market (35 to over 60 percent of total revenues). Clubs in countries with less developed economies rely for the biggest part on financial support from owners and in some cases also local or national government.

Table 3. Revenue breakdown for the ten biggest European leagues , 2006-07

	Total (in million EUR)	Matchday %	Broadcast %	Sponsorship %	Other %
England*	2 273	35	39	26	-
Germany	1 379	22	35	26	17
Spain*	1 326	26	42	32	-
Italy	1 163	13	63	12	12
France	972	14	58	18	10
Netherlands	398	30	17	40	13
Scotland*	259	50	21	29	-
Portugal	239	33	19	13	35
Austria	151	13	9	60	18
Sweden	87	30	28	32	10

* Sponsorship and other commercial combined.

Source: Deloitte 2008, chart 1.3 and 1.8.

40. On the spending side, roughly more than half of the budgets of professional football organisations is spent on salaries and related costs – which means players' salaries plus net transfer payments. Other payments include salaries paid to other staff, business costs, image rights, signing-on fees and transfer fees, including fees to players' agents. In smaller countries and lower divisions, players may be part-timers with a second job, or amateurs.

41. Within the big five European leagues, over half of the revenues is spent on salaries and related costs for players – these amounts paid to a very select group of top players, agents, managers, coaches. The industry is thus characterised by a very uneven distribution of income - ranging from amateur players at the lowest level, to half professionals, full professionals, and a select group of world star players.

42. To give an idea of the recent growth of professional football in Europe, total revenues in the big five European football leagues rose from EUR 2.5 billion in 1996-97 to EUR 7.9 billion in 2007-2008. Most of this increase came from broadcasting, of which a large part was channelled to increasing wage costs as the top European leagues attract most of the world's best players. Wage costs increased to over EUR 4.2 billion, compared with 1.2 ten years ago.

43. As already mentioned, the total size of the European football market is estimated at EUR 13.8 billion EUR, of which EUR 4.2 billion is spent on salaries in the big five European leagues, comprising only 98 clubs in total. This means one third of the football money flowing into the hands of a

select group of just a few thousand star players and their managers. There are thousands and thousands of clubs – professional, semi-professional and amateur – scattered all over the world that fall outside the national and international elite of top clubs. The top clubs are able to attract young talent and best players from less wealthy clubs, including clubs in Africa and South America.

44. Considering these money flows, several important financial actors in the football industry can be identified: the clubs (basic cell of the industry), football players (most valuable assets of the industry), corporate sponsors (in most levels most important investor), media (especially powerful in top-league football), individual investors ('club patrons'), local business clubs or talent pools (investing in a club or in the acquisition of individual players), football agents (acting in the interest of the player or as an intermediary on the transfer market), (local) governments (subsidising clubs, acting as a lender of the last resort, sometimes owner of the stadium complex), tax authorities (in some cases a failing club will delay meeting its tax obligations in the hope of avoiding liquidation), real estate proprietors (stadiums are not always owned by the clubs or local government). In addition associations or leagues can act as regulators as well and sometimes operate financial clearinghouses for transfer payments. In some countries, supporters provide large amounts of cash and have an influence over club owners, the management and supplying businesses as well as, in a small number of cases being allegedly linked with organised crime. If there is fraud, corruption, tax evasion or money laundering it takes place within the complex network of relations between these actors.

CHAPTER 3: VULNERABILITIES OF THE FOOTBALL SECTOR

45. What makes the football sector specifically vulnerable to money laundering? A long list of possible vulnerabilities can be compiled based on responses to the questionnaires.¹² These vulnerabilities are not unique to football or even sport in general, and they vary depending on the specific size and structure of the football sector on an international, national or even local level. Most vulnerabilities apply to professional football; a smaller set occur also in amateur football.

46. Several factors combine to make football one of the many sectors that is attractive to criminals. Based on our analysis, three areas of vulnerabilities were identified, which relate to the structure of the sector, the sector's finance and the sector's culture.

Vulnerabilities related to the sector's structure

47. ***The market is easy to penetrate:*** This is mainly due to the low or absent entry barriers of the sector. Football fans from all areas of society meet at the football stadium. Meetings between government and corporate officials, and the legitimate and criminal world present opportunities for collusion.

48. ***Complicated networks of stakeholders:*** The sector is complex and characterised by opaque networks of stakeholders and interdependence between the different actors. With the growth in the number of international transfers and the skyrocketing sums of television and sponsorship money that is spent on sales and purchase of players, more and more people are involved in the sector such as managers, intermediaries, sponsors and companies who own players. This large number and range of stakeholders and the money flows facilitates the concealment of fraudulent activity, in particular as many of the transactions and the criminal activities are carried out abroad.

49. ***Management lacks professionalism:*** Except for the major professional leagues, which have been managed professionally for a number of decades, the management of the football sector has only recently begun moving from a style appropriate to the sport of amateurs to one of professionals. The real sports business is fairly new. It really started only twenty years ago. Even today, management can still be volunteer and inexperienced. However, in many cases there is indeed development towards levels of professional management that is more in line with the current management standards – both in amateur and in professional football.

50. ***Diversity of legal structures:*** the legal structures of football clubs vary from private limited companies to foundations. Often the stadium activities are managed through different companies. In some cases players' funds (talent pools) are separate legal entities. The lack of regulation or control over legal structures and the ownership or control of football clubs means that they are easy to acquire.

¹² Less than half of respondents answered 'yes' to the first question of the FATF questionnaire ("Do you consider the football sector in your country vulnerable to money laundering?"). Mainly smaller countries, countries without a professional league or where football is not the biggest sport answered 'no'. Football seems to be more vulnerable when the football sector is big and deeply rooted in society.

Vulnerabilities related to the sector's finance

51. **Considerable sums are involved:** The sector deals with considerable cash flows and large financial interests. Many of the transactions within the sector involve large amounts of money, for instance on the transfer market. Competition is stiff, both nationally and internationally, and the performance of a club on the field also determines its financial position. Financial circuits are multiple and global, and the international money flows that are involved risk falling outside the control of national and football organisations. Often these money flows move in and out of tax havens or involving many countries. It was not unusual for clubs that had a large proportion of their revenues from stadium entry tickets to receive nearly all their revenues in cash.

52. **Irrational character of the sums involved and unpredictability over future results:** Prices for players can appear irrational and are hard to control. As well with the discovery and subsequent training of young talent, massive but uncontrollable profits can be made. Transfers are carried out all over the world, providing ample opportunities to launder money. In addition, sport is essentially characterised by a high level of unpredictability over future results. This 'culture of unpredictability', might lead to an increased tolerance towards seemingly irrational payments. There is a wide variety of different accounting methods applied. Finally, the intangible nature of player values has led to some strange practices – for example, in some countries there was historically a practice of reciprocal over-valuation of players between two clubs in a deal where players were exchanged allowing inflation of asset values/the balance sheet.

53. **Financial needs of football clubs:** Despite the tremendous growth of the industry as a whole, many football clubs are financially in bad shape and their financial trouble could urge football clubs to accept funds from dubious parties. The financial fragility is partly the result of the nature of the game. Big clubs need large sums to have success and to be able to buy players. Sport is a typical 'winner-take-all market'.¹³ Winner-takes-all markets do not pay according to absolute performances but according to performance relative to others. Losing just one game can have massive financial consequences (decline of income from sponsors, television rights, relegation to a lower division). Financial vulnerabilities can make football clubs an easy target for dirty money. Clubs that face relegation or are in financial trouble could be in need of 'financial doping'. The inherent financial fragility could be exaggerated by the recent global financial crisis, which has made it harder to find sponsors. There is a risk that clubs that are in debt will not ask many questions when a new investor appears. Moreover, a very high proportion of the sector's cost base is composed of tax, meaning in some cases a culture of seeking to circumvent tax and closer proximity to underground activities.

¹³ In certain jobs, the market pays individuals not according to their absolute performance but according to their performance relative to others. The income of window cleaners depends upon how many windows they clean, but sportsperson's pay may depend upon their performance ranking (and window cleaners are easily substitutable unlike top sports talent) (see Rosen, S. (1981) for example). Slightly more talented window cleaners will make only a small difference to the transparency of their customers' windows, but in sports that slight edge can mean everything to their clubs' status and financial position. Rewards at the top are therefore disproportionately high, and rewards below the top are disproportionately low. People in these professions are often willing to work for very little just to have the chance to compete for the top job and the jackpot that comes with it. In a normal market, sumptuous superstar incomes would attract competition from more applicants to do the jobs that pay them. This would then bring salaries down to less exotic levels. In a winner-takes-all market, this does not happen. This sort of economics has long been prevalent in celebrity-dominated businesses such as entertainment and sport. Globalisation has expanded the market for skills, increasing the opportunities for the rich to become even richer. Source: *The Economist*, www.economist.com, research tools, economics a-z.

Vulnerabilities related to the sector's culture

54. **Social vulnerability of some players:** (This is especially the case with younger players.) If they are badly advised, players could easily be subject to shady businesses. This could make it easy to manipulate some market's key players.

55. **Societal role of football:** People are reluctant to shatter sports' illusion of innocence. Therefore, illegal activities may not often be reported. Furthermore, the image of sports is very important, particularly to the sponsors. Sponsors try to buy a good image by supporting a particular sport. A rumour about money laundering will likely result in the withdrawal of the sponsor and his funds and loss of fans and the revenue they bring. This makes it less likely that money laundering or other crimes are reported by the management of football clubs.

56. **Non-material rewards:** Football has a status with which many people would like to be associated. Criminals often seek a status outside the criminal world and football can offer the opportunity for acquiring such a patron status ('sugar daddy') thanks to supporting a club no matter where the money comes from. An investment in a football club can provide the criminal the favoured status. In most cases investments in football clubs are characterised by a high degree of uncertainty over future results. However there are strong non-material rewards for wealthy individuals who invest in football clubs or players. Football clubs are deeply rooted in (local) societies. This makes football clubs an attractive way to gain social status in the local community and get entry to the establishment. By investing in football, criminal organisations might also gain control of associated activities such as betting, real estate businesses and contracts with the local government (in some countries, many club owners have come from the construction industry). This complex set of financial and non-financial motives could make football attractive to criminals seeking legitimate social status. What is happening is that the laundered money is being 'integrated' and being used to buy celebrity and influence which have a value of their own and provide opportunities for further legal and illegal gains. The criminal is buying an entrance ticket to a social milieu. Football has indeed a long history of investments by private wealthy individuals or companies who have achieved success in other businesses. There are also instances of individuals with more dubious background investing in football – both on the highest levels of the football pyramid and on local amateur levels – and gaining legitimate status in society might be a motivator for this.

CHAPTER 4: CASES AND TYPOLOGIES

57. Based on our analysis of the use of the football sector as a vehicle for laundering the proceeds of criminal activities, a variety of money flows involving various financial transactions increase the risk of money laundering. These are related to:

- Ownership of football clubs
- The transfer market and ownership of players
- Betting activities
- Image rights, sponsorship and advertising arrangements

58. What evidence do we have about these risk areas? Over twenty cases of money laundering through the football sector, ranging from simple cases of smuggling large amounts of cash that seem to be derived from illegal transactions, to complex international money laundering cases, have been collected from the responses to the FATF questionnaire, cases presented at the 2008 FATF/MONEYVAL Typologies exercise and a literature survey. Some of the most interesting cases along with fictional typologies, constructed to highlight the vulnerabilities in the sector, are presented below. Most cases identify pure money laundering. Some cases that are presented below also focus on other predicate offences in connection to football. In these cases, money laundering appears as a potential risk or as the inevitable consequence of the predicate offence.

Ownership of clubs

59. Investments in football clubs can be used to integrate money of illegal origin into the financial system, akin to investment of proceeds crime in real estate. Football clubs are indeed seen by criminals as the perfect vehicles for money laundering.

Case 1: Funding of a non professional football club

Following the receipt of a STR made by an accountant, a European FIU investigated a case regarding the funding of an amateur football club. It appeared that the accounts of the club were regularly in deficit and were balanced at the end of the season by exceptional payments from a businessman through a number of his companies. This businessman was the president of the club; however, his investments appeared suspicious for the following reasons: (1) the funding was provided without any negotiated compensation, neither financial nor sportive, (2) the funding was provided through the companies of the businessman to their prejudice: the amounts invested in the football club were extremely disproportionate to the companies' financial possibilities.

Further investigation by the FIU revealed that the accounting information of some of the companies had not been correctly registered as required by the law. So it was not possible to verify the exact financial capacities of those companies. Finally the financial analysis revealed gaps between the accounting documents showing the breakout of the various payments for funding the club and financial flows observed on the bank accounts of the various companies of the businessman, the president of the club. By excessive withdrawal of funds from the treasury of its companies without economic justification and in a way which compromises the financial balance of those companies, the businessman was misusing company assets, which is a criminal offence. The funds derived from this offence are illegal and their use to fund the football club constituted a ML offence. The case was transmitted to the public prosecutor on the basis of a presumption of misuse of company assets and laundering of proceeds from the misuse of company assets.

Source: France.

60. Investments in football clubs are a risk area for money laundering due to a lack of transparency regarding the source of funding. Indeed, investments may be unclear and obscure, making it difficult to verify the origin of the invested funds. This situation is in fact not different from the acquisition of any private company in the industrial or commercial sector. The preventive measure foreseen in the FATF Recommendations and in the AML legislation of FATF members is indeed the customer due diligence measures that financial institutions and non-financial professions would apply in this kind of transactions. However, suspicions of the influx of dirty money into football through these “sugar daddy” investments are hard to prove. If private investments in football clubs occur from the lowest amateur levels up until the world’s top clubs, the targets are frequently clubs in financial trouble looking for “lifesaving” sponsors.

Case 2: Investing in a club in financial difficulties

The FIU of country B received a disclosure from a bank with regard to suspicious transactions concerning club A. This club, which was in financial difficulties, was looking for funds (several million EUR) in order to avoid bankruptcy. A financing proposal was put forward by a financial group established in South America. It was linked to an individual that had already invested funds in various foreign clubs. These funds were suspected to be of illegal origin. After the bank inquired into the origin of the funds the financial group withdrew from the negotiations. A second financing proposal was then put forward by Mr. COX, a European investor through his company located in a tax haven. Suspicions were aroused because this individual, unfamiliar to the world of sports, had suddenly suggested investing money of unknown origin in club A. Additional information showed that Mr. COX was known to the police and FIU for various cases of fraud. In this case the different possibilities for investing in club A can be considered to be attempts to launder money of illegal origin.

Source: Belgium.

61. Football has a long history of private persons investing in clubs, with investments often being made by individuals who have made profit in other businesses including politically exposed persons (PEPs) and individuals with a suspected or even known criminal background. As football clubs may not always be very profitable and future returns on investments are highly unpredictable, investments may not essentially be made for purely economic reasons. An investment in a football club can provide the criminal a favoured status. By investing in football, criminal organisations get entry to the local or even national establishment.

Case 3: Drug trafficking and investment in a football club

Mr Heep, a person of humble origins living in a small town in the interior of the country migrated overseas, returning 5 years later with a lot of money and ownership of various companies in the border area (businesses that require investments of large amounts of money which obviously were not in his purchasing power). Later Mr Heep acquired a football team which was at that point languishing in the third division. The team was not an attractive investment. One advantage was its location in a major city in the country; however, Mr Heep moved the team to a small town of barely 30,000 inhabitants, where it could expect lower profitability because of the smaller numbers of followers. This activity showed all the indicators of a non-profitable business; however, the salaries and infrastructure paid under this new administration were well above the average of other teams in the same category, and the sponsoring companies were known for their low financial solvency. It is presumed that the payment of high salaries, infrastructure and the alleged sponsorship were aimed at increasing the value of the franchise in order to legitimise its investors as recognised entrepreneurs and important people in sports sector. The team rose from third to second division in a year. Later, the investor was identified as the leader of a drug trafficking network.

Source: Mexico.

62. It has been observed in several countries that some owners and / or investors in football clubs are often awarded contracts for public works.

Case 4: Corruption and PEPs

A pseudo-businessman linked to local government officials acquired a profitable team in the professional football league and used this as a means to attract politicians and officials of various levels of government. Thanks to his team and football matches, he had access to local officials with decision-making power over the state's public works, and he used these contacts to ensure that major public works were assigned to him.

Source: Mexico.

63. The following are examples of the way in which a football club could become a vehicle for money laundering, through the investment in or purchase of a club¹⁴. It is not vital to the mechanism that the business at the centre of it is a sporting club, merely that the business can be bought easily and that high value transactions are part of its normal business model. Any business with a significant cash turnover would be as vulnerable to manipulation in this way.

Case 5 (fictional): Securities based money laundering

A is a well known international figure who has substantial available funds from business enterprises (Sound Co) in loosely regulated jurisdictions. A buys football club X and recapitalises the club partly by a loan to the club and partly by the sale of new share equity. The value of the club (and the share equity) rises because of the involvement of A. He retains a majority shareholding and the club repays the loan from the new share equity.

A enters into negotiations through agents on both sides to buy players from a number of other clubs. A's agent is an offshore corporate entity based in a low tax jurisdiction. The transaction involves secret pay back fees paid by the selling club to A's agent which are built into the price of the players paid by A. The commission paid to A's agent is paid onwards to a third party, which is an offshore entity controlled by A, and this commission equals A's original investment. A now owns the majority shareholding in a high value football club at no net cost to himself he has also laundered the original purchase price of the club.

In this example the sum of USD 1 million which circulates through a series of transactions may represent the proceeds of crime introduced into Sound Co. Equally it may represent the remuneration due from Sound Co to A and the transactions may simply be an effort to evade tax from foreign earnings.

Case 6 (fictional): returns from investment

A is a business man who owns a successful scrap metal business as well as a number of other business enterprises. A is involved in the purchase of stolen metal. A uses the money from his legitimate businesses to buy a lower league football club in his home town and introduces GBP 5 million of new capital. The club (controlled by A) expends GBP 4 million on improvements to its ground, new canteen facilities and new kit. Each of these are provided by companies controlled by A and are paid at an inflated price. Funds are channelled from these companies to an intermediary management company based offshore controlled by A.

A vests his shares in the club in the intermediary management company and moves that offshore. A channels cash from his criminal dealings in stolen scrap into the club through gate receipts and the canteen. This cash injection and the general revival in the clubs fortune causes a significant increase in the clubs profits which are then paid in dividends to the shareholders. The majority of the dividend payments go to the intermediary management company owned by A.

In this example A has recovered most of his original investment through the sale of services to the club, he retains a majority shareholding in a now profitable business and he has laundered the proceeds of his illegal scrap metal dealings through the club.

64. Cash received from ticket sales for football matches may be open to manipulation in order to launder funds by falsifying the books of a football club. A football club would however not be different from other cash-generating businesses outside the football area, such as restaurants, bars etc. Also in this case, the vulnerability may be higher for amateur clubs than for major league clubs. In major leagues, clubs

¹⁴ Fictional cases are constructed to highlight the vulnerabilities in the sector and to provide guidance to law enforcement agencies, FIUs and the private sector.

have been required to implement, also for safety reasons, strict controls (through machines) on the number persons entering the stadiums. In some countries, the local federations agree to supply a very large number of tickets. Even though clubs state these are all sold, the federation does not check this. In reality there can be as many as 500 spectators less than full capacity, and money is laundered by buying the remaining seats. The increased presence of large denominations in the takings for the day may be an indicator of this practice as medium value notes are commonly used by the public when purchasing tickets.

65. It is important to obtain properly documented and corroborated information as to the identity, background, business and sources of wealth and funds of each club and its owners. It is therefore vital to understand who the real beneficial owners and controllers of a club are. This requirement is needed to preserve the independence of clubs but will also assist in the fight against money laundering.¹⁵

Case 7: Ownership of a football club

Italy has experienced an attempt to launder money through the purchase of a famous Italian football team. The investigations¹⁶ to detect the case started from judicial proceedings in 2006. The *Procura della Repubblica* suspected that financial crimes were occurring, such as, money laundering, insider trading and misuse of market information..

Initially, a lot of rumours spread concerning a well-known Italian football team and intentions to purchase its shares on the capital market. Almost immediately after the purchase, the shares increased in value rapidly and strongly. At the same time, the judicial authorities started to investigate suspected threats made to the President of the concerned football team in order to convince him to sell the shares. Meanwhile, rumours around the purchase continued, including a public announcement by a European pharmaceuticals firm of a EUR 24 million investment, a purchase offer that was later denied.

Investigations uncovered evidence that the money used to buy the shares was supplied by a criminal association operating in Central Italy.

Further, a part of that money, supposedly offered to the football team as sponsorship, was then diverted to another company to purchase real estate, which was subsequently seized by Italian judicial authorities. Investigators identified that the criminal association was strongly interested in purchasing the football team with funds obtained from several offences.

As a result of these investigations, the criminal attempt to get hold of the football company failed. Proceedings for money laundering, insider trading, extortion, unfair competition and other offences are ongoing.

Source: Italy.

The transfer market and ownership of players

66. The increasing internationalisation of the market for football players has added to the vulnerability to money laundering.¹⁷ At the World Cup of 2006 for the first time in history over half of the players in the best national teams of the world were playing in foreign football clubs.¹⁸

¹⁵ Arnaut, José Luis (2006), p.82

¹⁶ These investigations involved collaboration amongst several Italian public authorities: Guardia di Finanza, Digos, Consob (National Commission over listed companies and stock market), the Italian FIU, the Procura della Repubblica and other judicial authorities.

¹⁷ Internationalisation started in the 1930s when national teams were taking on players of other nationalities in order to reinforce their squads (e.g. Italy with Argentinian players for the World Cup in 1934), a practice which continued after that. At club level, there were also several examples of foreign players in major leagues: for instance, the Real Madrid in the 1950/60s had several foreign players (Santamaría from Uruguay, Puskas from Hungary, Di Stefano and Rial from Argentina, Kopa from France), and it was not the only club in this situation (for instance, Luis Suárez moved from Spain to Internazionale Milano in the 1960s). Crujff and Neskeens (Netherlands) were playing in 1975 for Barcelona (Spain), which in the 1970s had already recruited Krankl (Austria) or Simonssen (Denmark); Real Madrid recruited the 1974 German world champions Breitner and Netzer

67. The worlds' best players, both from within and outside the EU, are contracted by the richest European leagues. On the supply side, Brazil has long been a big exporter of footballers not only to Europe but also to Asia. In the course of the last few years, Africa has emerged as a less expensive source of new talent. Talented players from the former European East Bloc also gravitate towards rich clubs elsewhere in the world.

68. The liberalisation of the TV markets and the expansion of private TV chains in Europe greatly contributed to the increase of budgets of clubs, the salaries of players and, consequently, the internationalisation of the market for football players. Tax factors played a role as well. In recent years, for a top club in the UK or Spain a foreign player (i.e. not resident in the UK or Spain at the moment of being recruited) was/still is in some cases less costly because of the different tax treatment for "temporary" residents.

69. The internationalisation of the labour market for football players was further helped by the Bosman ruling of 1995 when the European court of Justice decided on the free movement of players between member states. This revolutionised the rights of footballers and has contributed to the vast increase of salaries of top-players.

70. The transfer market is vulnerable to various forms of misuse, such as tax evasion, insider fraud and also money laundering.¹⁹ Vulnerabilities are connected with lack of transparency in relation to the funding for certain transfer transactions and the opportunity for funds to be paid offshore with limited disclosure requirements regarding beneficial ownership of destination accounts.

71. Estimating the transaction price for a player is often unfeasible, since large amounts are involved, often carried out in one transaction or transferred abroad, making it difficult to verify their final destination. The over-evaluation of a player corresponds to a money laundering technique similar to the over-invoicing of goods and services seen in trade-based money laundering. The key element of this technique is the misrepresentation of the price of the good or service in order to transfer additional value.²⁰

72. The football specificity is that the transfer of a football player (it would be more correct to say the termination of a contract with a previous employer – unless such contract has expired – and the subsequent signing up of a contract with a new employer) implies a compensation from the second employer to the

in the 1970s and later on Jensen (Denmark) and Stielike (Germany); Brazilians Leivinha and Luiz Pereira were playing for Atlético Madrid in the 1970s. British clubs started to recruit top foreign players only from 1978 onwards.

¹⁸ Compared to 11.4% of the players of the participating national teams during the world tournament of 1978, 27.1% in 1990, 33.0% in 1994, 42.6% in 1998, 48.2% in 2002 and 53.1% in 2006. *Source*: Frick, B. (2009).

¹⁹ For instance, in Spain (one of the four major leagues) the legal form of top football clubs is either an "association" (such as Barcelona or Real Madrid) or Sport limited liability company (such as Valencia or Sevilla). In both cases, profits/dividends may not be distributed by law. This means that if those controlling the club want to extract value from it, they need to do it through related-party transactions. The easiest way to divert funds for the direct benefit of directors would be through the transfer market.

²⁰ FATF (2006), p. 4.

first employer. Compensations may be high and largely increase the costs of transfers, therefore increasing the attractiveness of these transfers for illegal activities such as money laundering.²¹

Case 8: Acquisition of players

A football club with high debts in Latin American country Z signed a management contract with a collective investment fund, constituted in a tax haven, under which the investment fund pledges to allocate funds in order to cancel the society's debts and to share the results.

The club then acquired the player "Ito" from another local football club (Argentina) for USD 20 000 000. The football club based in country Z transferred the funds to an account that the selling club has in a third country. The funds never entered Argentina. Thus, little was known about the origin of the funds or the account into which they were deposited in the third country.

This typology was characterised by the following stages:

- Unknown (anonymous) investors willing to allocate funds.
- Collective Investment Funds constituted in tax heavens.
- Acquisition by collective investment funds of the management of football clubs with debts or in an irregular situation, in need of attracting investors.
- Allocation of funds for the acquisition of football players.
- Money transfers to the football club that acquires the football player, to accounts located abroad.

Warning Signs:

- Investor groups constituted in tax havens.
- Acquisition of management quotas of societies with large liabilities, compromising to cancel them and to share results.
- Football club based in developing countries that have offers of football players prized in millionaire sums.
- Football clubs receiving contributions through companies constituted in tax havens, where the real investors of such funds remain unknown.

Source: Argentina.

73. When ML occurs in the transfer market, football agents are often a focal point of these illegal transactions. In an increasingly complex legal environment, players (but also sport clubs) increasingly ask for the services of agents to negotiate and sign contracts. The international transfer market consists of over 4 000 football agents with an official FIFA registration. There are no limits to the role of agents. They manage their players but could also be managing the customer's funds (asset management consultancy), giving tax advice (tax consultant), offering an image contract or taking care of their publicity (advertising agents). Their position is crucial because they often determine whether a transfer happens or not (through their influence over a player and relationship with a club).

74. There are rules that cover this activity, yet some countries are more rigorous in applying them than others. For instance, to combat the non-transparency of the football agent sector, FIFA, as a private entity, has set strict guidelines for players' agents. According to these new regulations, which are private laws, players' agents should respect and adhere to the regulations, directives and decisions of the

²¹ The current football transfer system is the result of historical development and contractual practice. The transfer system is not a necessary condition for the organisation of high level/good quality sport competitions, as shown by examples in other countries/sectors (see for instance the system in the USA concerning professional basketball, in particular the competition organised by the NBA). Therefore, one could imagine that, alongside monitoring the transfer system for possible abuses, structural measures could be put into place to reduce the attractiveness of this type of transfer for money laundering purposes.

competent bodies of FIFA, the federations and the associations, as well as the laws governing job placement applicable in the territory of the association (see also chapter 5).²²

75. However, many agents still operate without license (players can for example also choose close relatives or lawyers as their agent) and are thus not controlled by the FIFA or any other continental or national football association. Agents (licensed and non-licensed) form a closed community, which makes it difficult to screen the transactions that are conducted by them. The stricter FIFA regulations can therefore not prevent money laundering or other irregular activities completely.²³

Case 9: Unlicensed agent and money laundering

Following the receipt of STRs from banks, a European FIU studied the financial activity of an individual X and his company A which specialised in consulting and advising sports people. The apparent activity of the company, along with the particularly high amounts of various international wire transfers crediting the bank account of company A, individual X and his wife, all confirmed that X was clearly a players' agent, at the European level. Neither X nor his company A held the FIFA license required to negotiate players transfers, however. The financial flows observed on X's account and on his wife's and company's accounts actually characterise the illegal exercise of player's agent, which is punishable by one year imprisonment and a fine of EUR 15 000 by the law in the country in question. The players and clubs who used the services of this unlicensed agent had also breached the FIFA regulation.

Further analysis revealed that many international wire transfers crediting the bank account of company A originated from company B and from an individual Y. Y was a licensed agent from an Eastern European country and was known to be closely linked to the organised crime in his country. The wire transfers he ordered in favour of company A and of X may characterise money laundering operations. The organisation and the identity of the associates of company B were vague. Information collected by the FIU revealed that X and Y were managers of company B and were using it as a vehicle for laundering proceeds of crime. Regarding the ML aspects, first the proceeds derived from the illegal exercise of a regulated profession are themselves illegal and the use of them constitutes a ML offence. Second, many international wire transfers ordered by individual X may be considered as ML transactions, as X was known in his country to be closely linked to organised crime. There were also suspicions of corruption regarding player transfer activity in another European country. As X was involved in the management of company B which was also the origin of international wire transfers, this company may have been used as a way to disguise the origin of the transferred funds. The case was transmitted to the public prosecutor on the basis of a presumption of illegal exercise of the profession of players' agent and money laundering of illegal proceeds.

Source: France.

76. Another problem is raised by the multiple financial transactions that occur during the transfer process. Besides the transfer sum which is stated in the contract, there are transfer bounties and the additional costs that are made to attract a football player (house, car, financial arrangements for the family etcetera). All of these items can be used for the benefit of players but also by clubs, managers and agents. There are no fixed rules on how these transactions should be accounted for. The overall settlement of the transfer could therefore remain non-transparent and provide opportunities for money laundering.

77. A relatively recent development is the possibility of ownership of players (or rights in players) by individuals or entities that are not football clubs. These persons fall outside the direct jurisdiction of the football organisations. The ownership structures often involve companies in offshore jurisdictions with

²² See: The Football Association 2008).

²³ Concerning the problems related to the activities of agents, an independent study on players' agents is currently being carried out on behalf of the European Commission by external contractors. The objective of this study is to analyse the situation regarding sports agents in the European Union and to identify the problems posed by their activities, as well as the solutions already provided by public and/or private stakeholders, in order to enable the European Commission to assess whether intervention is required. The study will address issues such as financial transparency and ethics in the conduit of players' agents. The results of the study should be made available by October 2009.

complex and often impenetrable ownership structures. A significant amount of money is generated as a result of player transactions that have resulted in significant sums being paid to such entities where they hold the ownership rights to certain players. Due to the limitations of the football organisations jurisdiction, the basis of the acquisition of these rights and the trading, funding and ownership position of the entities through which such transactions are managed is opaque and often impossible for the football organisations to establish.

78. Full legal ownership of players is particularly a South-American phenomenon. In Europe private investors sometimes collect funds through a closed talent pool. These talent pools are however no legal owners of a player, giving them only the right to (part of) the revenues when a player is sold to another club. Talent pools are often better options to actually get a return than through the investment in a football club as such. Talent pools could be misused for money laundering.

Case 10 (fictional): Talent pools

A club purchases a player for EUR 10 million but states in the official documents that it has purchased the player for EUR 5 million. The total amount of EUR 10 million is provided by the investors. These investors invest EUR 5 million in the talent pool and provide the club another EUR 5 million of the books which could be 'dirty' money. The player needs to improve himself and will later be sold to another club for a transfer sum of say EUR 15 million. Everyone who is involved in the deal will gain by the acquisition and sale of the player. The club can by the extra donation of EUR 5 million buy a better player. The investors can launder EUR 5 million and get a return on their investment. And the players' agent gains a good commission since his player is bought for EUR 10 million instead of EUR 5 million and is later on sold for EUR 15 million.

Betting activities

79. There is an ambiguous relationship between betting and sport. On the one hand, betting has historically been an important revenue source for sport in many countries. On the other hand, betting has also been associated with attempts to fix matches and alter the results of sporting competitions. Betting can be used both for the generation of illegal proceeds from game fixing and for pure money laundering purposes.

80. The FIFA Task Force "for the Good of the Game" has observed that "due to its particular structure, as well as the considerable need to finance the system at short notice, football offers a tempting platform for irregular betting activities. As the media and the public eye focus on fixtures in top competitions and top leagues, irregular betting activities can frequently be observed in less important fixtures (including lower divisions of domestic championships), where the environment can be manipulated more easily. Recent scandals in which betting has resulted in the manipulation of matches have brought the game into serious disrepute".

81. While problems linked to betting are not new, it appears that betting in sport has reached new levels of sophistication with various operators involved across several countries and continents and new offshore betting companies being established. Moreover, the use of the Internet for online betting further increases the risk of money laundering.

Case 11: SOGA I and II

Illegal soccer gambling is a serious problem in Asia. A recent Interpol operation, SOGA II, provides an idea of the scale of illegal soccer gambling in that region. Interpol announced that 1 300 people were arrested on the suspect of illegal soccer gambling and USD 16 million in cash were found during the operation (Interpol, 2008). 1 088 gambling dens were identified of which most were associated with organised crime. It is estimated that these dens handled bets which were worth nearly USD 1.5 billion. This is however not the first time Interpol has taken action in this area. In 2007 SOGA I resulted in 400 arrests, 272 illegal gambling dens and confiscation of USD 680 million worth of bets (Interpol, 2008). It is of course not said that the gambling sites are only used for money laundering. However, illegal soccer gambling is according to Interpol often related to money laundering.

Source: Interpol.

82. UEFA has called on the police organisation Europol to investigate possible match-fixing by Asian betting syndicates in top-flight European football. Meanwhile, Europol has recognised the danger emanating from corruption in sports. “The phenomenon of game fixing in organised sport is one of the areas that Europol has on the radar as a crime on the increase”²⁴.

83. However, illegal football gambling does not necessarily only involve Asian criminals. On the contrary, most of the Asian bookmakers are professional and well organised companies with a lot of expertise in the field. They do not deal with the gamblers directly, but only by means of a network of intermediaries. In other words, they do not know the individuals or organisations that are placing the bets. The problem is often situated elsewhere. International organisations or syndicates in Europe, for example, are trying to secure their investments in the Asian betting market by manipulating games through clubs, players or referees. Other parts of the world are also associated with match-fixing gambling scams. According to UEFA, there is an international network of organised crime behind certain European matches believed to have been fixed for betting reasons. Money traded on a single website can surpass EUR 100 000 for a third division football match. The UEFA however reports even higher stakes of EUR 1 million to EUR 2 million per match and stakes that can even increase for large tournaments.

84. Due to the fact that most countries have different gambling regulations, the gambling market is non-transparent and is a heterogeneous market with a mix of private and state companies acting both nationally and internationally. Providers are often established in countries which allow the organisation of gambling activities or in countries that do not regulate or supervise gambling. It is however not easy to take legal action against providers who offer their services online and are established abroad. This in combination with the non-transparency of the gambling market makes betting an interesting money laundering vehicle for criminals.

Case 12: Irregular betting

Several individuals regularly went to casinos in European country A to purchase chips for a substantial total amount. Analysis revealed that one of the individuals involved was a foreigner without any link to country A. The other individuals involved are either directly (players or coaches) or indirectly (relatives of players or coaches) linked to the world of football. There was no economic justification for the large amount of money used to purchase the chips. Police sources showed that the individuals were known in an investigation into rigged matches. The foreigner was suspected of bribing players before certain matches with money originating from betting activities linked to fixed matches. An online betting company established in a foreign country recorded exceptionally high bets for these matches. His aim was to invest in different clubs to control and corrupt them to play matches that were rigged beforehand. He mainly focused on clubs in financial trouble that were looking for “lifesaving” sponsors. The extraordinary scale of the betting or the unusual result of some matches (8-0) pointed to fraud. The money used to bribe players and to buy the chips could have originated from criminal activities of which the individuals were suspected.

Source: Belgium.

²⁴ World Sports Law Report (2007).

Image rights, sponsorship and advertising arrangements

85. Players with an excellent reputation and sometimes others as well get the chance of concluding so-called “image contracts” with companies that generally have their registered office abroad. These contracts take advantage of the “rights to the player’s image” and are a tool to exploit personal appearances by the player as part of broad publicity campaigns but could represent vulnerabilities in respect to tax evasion and money laundering activities, even if the research for this report was unable to turn up any examples of proven cases.

86. The money due as stipulated in the contract is transferred to the company’s account, often in a tax haven. This implies various risks: risk of fraud for the players with a very powerful image as they may be tempted to not declare part of the money received or be used as a “gatekeeper” for financial transactions in favour of a third party, and risk of money laundering for the players with an image that is not so powerful, they are used to launder money that is not related to their image. The player needs to be an accomplice in order to successfully complete these transactions.²⁵ Another scheme may be set up internally. When the club needs to “release” cash for some dubious use it will “officialise” this release under the pretext of paying for an image contract and then recover part of it.

87. Another possibility could be the use of fictitious image rights. In this scheme, payments for fictitious image rights are not remuneration for the use of the image rights of the player. In fact the payment is part of the football salary. The club pays a sum which does not make any connection with the actual value of the image rights or with the income to be earned. The players involved often have high football qualities, but a poor, even minimal exposure. Therefore afterwards, it emerges that the club has not or hardly made any commercial use of the rights. By disguising a part of the football salary as a payment for image rights the club and the player try to postpone or entirely cancel taxation in the same way as described above for the real proceeds of image rights.

88. Another risk area involves large money flows stemming from sponsorship and advertising arrangements. Part of professional football clubs’ income depends on sponsors who invest in football for marketing reasons. If no check is done on sponsors’ backgrounds, organised crime can use sponsoring as a gateway to legitimate business. By acquiring a certain dominant position within a professional sporting organisation the sponsor gains access to a corporate network.

89. Similarly issues concerning the relationship between the sports sector and sports media (television in particular) have become crucial as television rights are the primary source of income for professional sports in the large Western European countries. Conversely, sports media rights are a decisive source of content for many media operators. Sport has been a driving force behind the emergence of new media and interactive television services. There are no proven cases of dirty money going into football through media contracts however this remains an area of concern for football governing bodies.

Related illegal activities

90. Several cases show that the football sector is used as a vehicle for perpetrating criminal activities. Those criminal activities mainly refer to illicit trafficking in human beings, corruption, drugs trafficking (doping) and tax crime.

²⁵ SCPC (2003).

Illicit trafficking in human beings

91. Several cases linked to trafficking in human beings involve individuals directly or indirectly linked to the world of football. The problem of trafficking young players became apparent in many European countries at the beginning of the 1990s. Currently, population movements, mainly from African and Latin America, are becoming ever more significant and the circumstances surrounding the players' recruitment and accommodation are sometimes unclear. Dishonest agents set up networks that have led to a series of irregularities and have been involved in trafficking in human beings. Nowadays the football competition boasts many foreign players from African and Latin American countries but there are clear signs that this phenomenon is spreading to Eastern Europe and some Asian countries.

Case 13: Trafficking of players

Mr. LAN, an African citizen residing in his country of origin, had opened an account with a bank in Europe. An international transfer took place from this account. Part of the money had been transferred to an account of Mr. SMO, a European citizen. The latter immediately withdrew two thirds of the amount in cash. Mr. LAN's account also regularly received cash deposits. Analysis revealed that Mr. LAN acted as agent for international transfers of football players. Mr. LAN was not mentioned on any official list as a registered manager though. One of the individuals who held power of attorney on his account was a former football coach. Police sources showed that Mr. LAN was known to be involved in illicit trafficking of football players to which Mr. SMO was an accomplice. The transactions performed were probably linked to the commissions received for this trafficking. There was an amount of EUR 160 000 involved.

Source: Belgium.

Corruption

92. According to *Play the Game*, an organisation devoted to ethical values in sport, the rising incidence of corruption is due to the changing role of sport: its increasing commercialisation and the resultant increase in media coverage, advertising revenue and corporate sponsorship. Star athletes earn salaries comparable to top CEOs or stars in the entertainment industry, and major sport clubs deal in sums that rival many corporations. The mere presence of such money makes illicit behaviour attractive. Gambling encourages unethical conduct such as bribery of referees, officials or players to fix matches or influence league positions. The construction of sports facilities and the purchase of large amounts of equipment provide fertile fields for corruption in procurement. Where money flows, corruption often follows. Often seen are cases of match fixing to profit from betting or to affect league positions.

Case 14: Corruption and match fixing

The FIU of European country A sent information to the FIU of European country B regarding possible corruption related to football which was being investigated in country B. This information concerned Mr. PINO and Mr. FLY. Mr. PINO's assets of around EUR 1 million were divided over various accounts with a bank in this country. In a period of a few months, the account received several hundred thousand euros. Mr. FLY had also opened an account with this same bank. This account regularly received cash deposits. Analysis revealed that Mr. PINO was the chairman of a football club and was the subject of an investigation into corruption with respect to fixed matches. Mr. FLY was the lawyer of this football club. Mr. PINO and Mr. FLY held several accounts in country B and held power of attorney on accounts opened in the names of several companies. They carried out numerous cash deposits on various accounts totalling to several hundred thousand euros. Transfers between different company accounts were also performed, often involving use of transit accounts. The transactions carried out in country B and the assets abroad have been linked to offences that are currently under investigation.

Source: Belgium.

Drug trafficking – Doping

93. The issue of doping was very prominent in recent years due to several cases of doping products used by sportsmen. A broad range of products is available and, it is now extremely easy to buy forbidden

substances over the Internet. Organised crime has a clear influence on this type of trafficking. Indeed, it involves schemes akin to those used for drug trafficking.

Case 15: Doping

The company DIET, selling food supplements, had an account over which Mr. LATE held power of attorney. Following several changes to the articles of association, the activity on the company's account increased considerably. In a few months' time the credit transactions amounted to almost EUR 2 000 000. International transfers also began to take place on this account. Analysis revealed that the transactions were linked to a vet, Mr. HONY and represented invoice payments. The official activities of the company DIET did not justify why a vet was one of its customers. Mr. LATE and Mr. HONY were known to the police for trafficking of hormonal substances as part of a doping investigation in cycling and football. The transactions on the company DIET's account were linked to hormone trafficking.

Source: Belgium.

Tax evasion

94. Tax evasion and money laundering often use the same mechanisms. For example the money launderer may seek to conceal the proceeds of crime in corporate entities registered in regimes which have light financial regulation or strict banking secrecy laws. The tax evader will seek out the same secrecy jurisdictions. For a football club the channelling of money in a transfer deal through companies resident in low tax jurisdictions may be a method of laundering money, equally it may be tax evasion. And it is also likely that both offences may be present.²⁶

95. The financial investigator faced with a complex series of transactions will have at some point to distinguish between money laundering and tax evasion as the objective. It follows also that co-operation, between financial investigators and tax authorities, is an essential part of the fight against both money laundering and tax evasion. Whilst tax evasion may be the predicate offence behind money laundering it is also likely that the objective of the suspicious activity is tax evasion. In the latter case recovering the proceeds of crime may be better effected by the application of tax powers and the recovery of tax, interest and civil penalties.

Case 16: Tax evasion through football agents

A disclosure was made by a player, revealing that his signing on fee was disguised as part of a fee to a foreign agent. He confirmed that the agent then paid him GBP 300 000 abroad and did not previously disclose this to the UK tax authorities. It is likely that the club concerned was fully aware that the payment to the agent included a signing-on fee for the player and the benefit to the club in such an arrangement is that it avoided Social Security contributions of GBP 38 000.

Source: United Kingdom.

96. The use of image rights is also used increasingly as a way of disguising remuneration. Image rights agreements have been used to disguise payments to agents. The amount of the image rights payment is inflated to account for payment made by the club to the agent. Once the image rights payment has been made to the offshore company, the agent will receive his entitlement, but without declaring the income for his services.

²⁶ There may be reasons other than money laundering or tax evasion for maintaining funds in "regimes which have light financial regulation or strict banking secrecy rules". Sometimes, it may be a problem of lack of confidence in the financial system of one's country, in the thoroughness of the country's supervisory systems or in the value of the currency (e.g. capital flight).

Case 17: Tax evasion through the use of image rights

A player (non-UK national) entered into an image rights agreement with a club. The player had transferred the rights to exploit his image exclusively on a world-wide basis to a company registered in a known tax haven in return for shares of that company. Unlike all the other players at the club, he was the only individual not to have either a signing on fee or a loyalty bonus and appearance fees. The club had not exploited the player's image in any way and after 2 years had sought professional advice, only to be advised that the image had no commercially exploitable value. Nonetheless, the club renegotiated both the playing and image rights contracts after 3 years, increasing the level of payments in both. The club concerned conceded that the image rights agreement was part of the employment terms and paid over additional duties of GBP 938 688. Additional duties of GBP 404 480 were also to be paid over the future life of the image rights contract.

Source: United Kingdom.

97. In the examples above, the common feature is the payment of money outside the “home” jurisdiction, the effect being to conceal the ultimate destination of payments. Image rights are used to disguise the true character of the payments.

CHAPTER 5: OVERVIEW OF ANTI-MONEY LAUNDERING INITIATIVES

98. The fight against money laundering became one of the priorities of public policies about 20 years ago, when the States realised that the significant development of circuits reinvesting dirty money constitutes a real threat to social and economic framework of the world. More recently, various international and national actors started to express concerns on the integrity of the football sector, including money laundering.

International and national public authorities

European Union

99. The EU recently produced several documents in which economic and social values of sports in general including football are praised, connected with statements about action that has to be undertaken to combat crime including the fight against money laundering.

100. In 2006, a European independent football review launched by the UK presidency resulted in a report to the EU Commission.²⁷ The objective of this Independent Review was to consider certain concrete issues facing sport and to adopt a series of recommendations on how the EU institutions, the EU member states and the European football organisations could provide a comprehensive and robust legal framework for European sport in general and football in particular.

101. The European Parliament adopted in March 2007 a resolution on the future of professional football in Europe. In this resolution the Parliament asked the Council of the European Union to develop and adopt measures for the fight against the criminal activities that haunt professional football, including money laundering, illegal betting, doping and match fixing, and enforced prostitution on the sidelines of major football events.

102. In July 2007, the European Commission published the White Paper on Sport.²⁸ For the first time the Commission addressed sport-related issues in a comprehensive manner. Its overall objective is to give strategic orientation on the role of sport in Europe, to encourage debate on specific problems, to enhance the visibility of sport in EU policy-making and to raise public awareness of the needs and specificities of the sector. The White Paper recognises that corruption, money laundering and other forms of financial crime affect sport at the local, national and international levels. The White Paper proposes to tackle cross-border corruption problems at the European level and to monitor the implementation of the EU anti-money laundering legislation with regard to the sport sector. As part of the implementation of the Pierre de Coubertin Action Plan, a number of studies have been launched or are in preparation concerning the issues covered by this report. A study on sports agents should be completed by the end of 2009. The study will address problems posed by the activities of sports agents in Europe. Another study on internal market barriers to the financing of sport will be carried out in 2010. It will address, among other things, the issue of sports betting.

²⁷ Arnaut (2006).

²⁸ Commission of the European Communities (2007).

National public authorities

103. Some national authorities undertake their own initiatives to support greater financial transparency including the prevention of money laundering and tax evasion through football.

104. France has set up a Direction Nationale du Contrôle de Gestion (DNCG) controlling the finances of professional and amateur sporting clubs. DNCG is a voluntary body within the French federation of football consisting mainly of accountants and lawyers that warrants the “fairness in sports”. It ensures the books are balanced for the sporting season. Even though DNCG ascertains the solvency of investors, by asking for guarantees on their personal assets, it has not the mandate to check the legal origin of funds. However, its members in their quality of professionals subject to the AML/CFT regime (accountants, lawyers) do have the legal obligation to report suspicious transactions to the French FIU. In addition, according to the financial and monetary code, the French FIU has the power to obtain information from the DNCG. It is worth to note that the French code of sports provides for each sport federation with a professional league to set up a DNCG, competent for both professional and amateur sector. As a result, there is a DNCG for the rugby, basketball, handball, etc.

105. Initiatives have also been undertaken by Italy which has set up COVISOC which is a surveillance commission responsible for the financial control of professional football clubs and depends on the Italian Football Federation. In Brazil, there is a voluntary working group on football clubs involving football organisations, the central bank, FIU, the police and judiciary authorities. This working group has to assess vulnerabilities to ML, propose solutions to the problem and obtain operational results. Since the mid-1990s, the Dutch tax authority has followed the policy of dealing with sports by way of concentration and co-ordination. All professional football clubs are handled by one unit: the National Specialist Unit of Professional Sports. Club management often consult about fiscal matters with the Unit.

Sports organisations*FIFA*

106. According to FIFA, their organisation bears a special responsibility to safeguard the integrity and reputation of football worldwide. FIFA is striving to protect the image of football, and its own image, from harm as a result of immoral or unethical methods and practices. In this connection, the Code of Ethics was developed in 2004 and revised in 2006. This revision was prompted by a decision of the FIFA Congress made in Munich in June 2006, requiring the creation of a new and independent Ethics Committee to constitute FIFA's third judicial body.

107. In November 2005, FIFA established a special task force “For the Good of The Game”, aimed to investigate and combat threats to integrity of football. The task force consisted of three separate working groups, one on Competitions, one on Political Matters and one on Financial Matters. This financial working group had to “discuss and propose possible solutions to problems involving corruption, ownership of more than one football club by a single individual or organisation, betting on football, money-laundering and the flow of money during player transfers, developments in the transfer market and players’ agents”.

108. It was the first time that FIFA officially referred to money laundering. As part of its efforts to safeguard the integrity of the game of football, FIFA set up the following measures based on the proposals from the Task Force.

Player transfer matching system

109. The transfer matching system is a web based system for data exchange operated by a legal entity owned by FIFA. Applicable to international transfers of professionals, the system is firstly a contract

matching system to ensure that all parties agree on the details of the transfer, secondly a contract validation system to ensure that the terms of a transfer are correct and thirdly a payment recording (settlement) system. The advantages are twofold: it facilitates transfers and shows where the money is coming from and going to, with the aim of making transfers more transparent²⁹. The system will become the source for all international transfer certificates for professional players by September 2010³⁰, and in future it will become a clearing house (timeline to be determined).

FIFA Club Licensing Regulations

110. After UEFA had a positive experience with club licensing regulations, FIFA sought to implement a global licensing system, in collaboration with national associations and confederations. FIFA Club Licensing Regulations were thus drafted based on the *UEFA Club Licensing manual*. The principles were approved by the 57th FIFA Congress in May 2007.

111. The club licensing system has the following overall objectives: safeguarding the credibility and integrity of club competitions; improving the level of professionalism within the football family; ensuring sporting values in accordance with the principles of fair-play; ensuring safe and secure match environments and ensuring transparency in the finances, in the ownership and in the control of clubs.

Players' Agents Regulations

112. The most recent FIFA Players' Agents Regulations were approved by the FIFA Executive Committee on 30 October 2007 and came into force on 1 January 2008. The new features include licences for players' agents being renewable as opposed to having lifetime validity, with the aim of making sure that agents are up to date with the rulings that are in force. Disciplinary measures against agents with dishonest intentions have also been significantly strengthened, and players will also have to pay their agents themselves in order to increase the transparency of the various transactions. In concrete terms, agents will receive payment exclusively from the client who engages them.

Early warning system on betting activities (EWS)

113. The early warning system is an independent subsidiary of FIFA aimed at protecting football from match-fixing derived from sports betting by highlighting any irregularities which occur in betting on football at a sufficiently early stage. This preventative alert system was tested during the 2006 FIFA World Cup Germany™. It monitored all 302 events of the 2008 Olympic Games in Beijing on behalf of the IOC. The FIFA Congress decided at the end of May 2007 to institutionalise the system and will use it to monitor gambling activities related to qualifying and tournament matches for South Africa 2010.

²⁹ As part of a valid transfer, clubs will have to provide the following combination of details: counter club information; counter clubs association (ITC management); player name; type of transfer (permanent, loan); total transfer amount (plus solidarity and/or training compensation if any); transfer type (single-payments, instalments); club agent and commissions if any; player agent if any; payment details of source bank (from club) and destination bank (to club), amount and value date.

³⁰ From May 2008 to April 2009, 47 countries began the implementation of the system. Phase 1 (since May 2008): Belarus, Belgium, Brazil, Chile, China, Côte d'Ivoire, Greece, Hungary, Kenya, Mexico, the Netherlands, Norway, Paraguay, Poland, Portugal, Spain. Phase 2 (since November 2008): Argentina, Australia, Austria, Bulgaria, Cameroon, Canada, Colombia, Croatia, Czech Republic, Congo, France, Germany, Japan, Lithuania, Morocco, New Zealand, Nigeria, Peru, Puerto Rico, Romania, Russia, Slovakia, South Africa, South Korea, Switzerland, Trinidad & Tobago, Turkey, Ukraine, Uruguay and the United States.

114. The EWS has signed contracts with more than 400 bookmakers worldwide. These bookmakers report any suspicious betting behaviour to EWS. In the event of suspicious betting patterns, FIFA is immediately informed, in accordance with the established emergency plan. EWS offers its infrastructure and its know-how to FIFA member associations and is establishing a common database for all relevant information in relation to match-fixing.

Other measures

115. Concerning the protection of minors, FIFA increased training compensation for 12-15 year old players and introduced the control of academies. In addition FIFA Transfer Matching System will also have an effect on the protection of minors. Concerning the anti-doping policy, in January 2009, a new world anti-doping code and FIFA anti-doping regulations came into force. This includes individual case management, flexibility in sanctions and possible whereabouts for teams.

International Olympic Committee (IOC)

116. The IOC Ethics Commission, created in 1999, is charged with defining and updating a framework of ethical principles, including a Code of Ethics, based upon the values and principles enshrined in the Olympic Charter of which the Code forms an integral part. In addition, it investigates complaints raised in relation to the non-respect of such ethical principles, including breaches of the Code of Ethics and, if necessary, proposes sanctions to the IOC Executive Board.

117. On the question of resources, the IOC Code of Ethics provides that the use of the Olympic resources, namely the financial support given by the IOC, must be only for Olympic purposes, and that this must be clearly demonstrated in the accounts. Regarding the question of the risk to the integrity of the Olympic Games posed by irregular betting activities, the IOC decided to monitor all the betting activity on the 28 sports during the Olympic Games in Beijing. Furthermore, the IOC was in contact with Interpol during this period. Fortunately, during the Olympic Games in Beijing, no irregular activity was noticed. However, the IOC has decided to continue such monitoring of betting activities during future Olympic Games.

Union of European Football Associations (UEFA)

118. UEFA has become remarkably explicit in its concerns on money laundering through football and expressed its concerns that money laundered from various criminal activities is moving into football. In 2005 UEFA has asked the European Union to investigate the origins of some of the hundreds of millions of pounds coming into football due to growing fears that criminals may be using clubs as a vehicle for money laundering. UEFA also urged MEPs from the European parliament known as the “Friends of football” to ask the FATF to examine suspicious investments in the sport.

119. In June 2006 William Gaillard, UEFA’s director of communications, stated that “there is no doubt European and Latin American football could be a channel for dirty money to be laundered in major economies. [...] Dirty money hurts the game”.

120. In a presentation given to Transparency International’s conference in November 2006, Henri Roemer, an advisor to UEFA’s Executive Committee, explained in more detail what makes football so vulnerable to organised criminal organisations, who amongst other things, use clubs to launder their money. Roemer also outlined a number of steps that football bodies can take with partners outside sport to

combat the problems. Roemer mentioned FATF as the first most appropriate institution to collaborate with.³¹

121. Concerning the betting and match-fixing issues, UEFA stated during a UEFA disciplinary workshop in January 2009 that “an increasing challenge for football comes from betting and possible match manipulation – an area endangering football's integrity”. UEFA's determined response to the challenge posed is, among other things, the reinforcement of UEFA's disciplinary services by improving the UEFA fraud detection system, through the recruitment of additional staff, in particular with specific experience in criminal investigation and sports betting. UEFA is also co-operating with a number of specialist partners in monitoring betting on UEFA matches, and the systematic collection of live official data from UEFA matches will help the monitoring process in the future. UEFA's fraud detection policy provides for comprehensive investigation of any alleged cases, and disciplinary action will follow against offenders. An UEFA delegation met recently with the largest bookmakers in Asia to find a way of efficient reporting of irregular betting patterns related to European matches.

122. From the season 2009-2010, UEFA will run a Europe-wide Fraud Detection System including the monitoring of all European domestic top 2 division matches and national cup fixtures of all 53 national associations affiliated to UEFA. These national associations will be informed about irregular betting patterns for their matches and guided in the subsequent disciplinary proceedings.

123. A recent example of UEFA's initiative can be illustrated by the decision taken by the UEFA in April 2009 regarding a club from the former Yugoslav Republic of Macedonia. This club was banned from UEFA competitions for eight years for match-fixing. The UEFA Control and Disciplinary Body added that the club president and a player have also been banned for life as a result of the investigation. Charges were brought against the club due to reports of irregular betting patterns and statements from a number of witnesses.

Football Associations

124. In December 2007 English Football Association came up with an extensive guidance for football clubs “Money Laundering and The Proceeds of Crime Act”³². This document was prepared in response to requests from professional and semi-professional clubs for more guidance in this area. The document sought to provide clubs with an overview of the main UK legislation concerning money laundering and the proceeds of crime on legislation; to set out steps a club might take in the event of a suspicious transaction; and to summarise some preventative measures that clubs might take to protect themselves.

125. According to this guidance, there are many transactions that take place within football clubs which have the potential to involve money laundering, no matter how reputable the other party may be in the transaction. Consequently, clubs should ask themselves various questions when carrying out transactions, for example: “Do you know exactly whom you are dealing with?”, “Have you properly identified and verified the persons that you are doing business with?”, “Do you know how the purchaser/investor/trader/agent has found the funds to pay you?”

126. The guidance also highlights that the repressive anti-money laundering legislation is applicable to sporting clubs. At a preventive level, even though clubs are not directly subject to AML legislation, some of their activities fall within the scope of the law which applies to “relevant businesses” defined in the Regulations such as accountants, banks and solicitors, as well as other that carry out activities that clubs may be involved in such as accepting deposits, dealing in investments and dealing in goods of any

³¹ Roemer, H. (2006).

³² The Football Association (2008).

description (including for example player transactions) by way of business whenever a transaction involves accepting total payments of EUR 15 000 or more.

127. If a club has a “nominated officer”, any disclosure should be made to him or her in the first instance. The nominated officer should in turn report to the FIU. If there is no “nominated officer” the disclosure should be made direct by to FIU by the person who has the information or by a member of the club’s senior management (assuming that the information is passed onto them).

128. To guard against the risks associated with potential money laundering or the handling of the proceeds of crime, clubs should review their existing systems and procedures and, where appropriate, consider implementing various measures. These measures include:

- Appointing somebody within the club’s senior management to be responsible for money laundering issues.
- Making staff aware of the money laundering legislation and training staff that may be involved in transactions that could involve money laundering.
- Ensuring that there are internal controls on your business transactions so that only employees with the appropriate authority can bind the club.
- Ensuring that up to date and accurate records are kept of all business transactions, especially those that may involve money laundering.
- Ensuring that the identity is known of those that the club is dealing with and carry out appropriate enquiries before entering into transactions with them.
- Monitoring customer activity so that if it changes you can evaluate why it may have changed (for example, a customer with a history of making payment through the electronic banking system suddenly starts paying in large sums of cash); and reporting any suspicious activity.

129. The FA works closely with law enforcement authorities. Since 2007, the FA has also set in place a monitoring team which oversees and scrutinises the player transfer market and payments to football agents. One of the mechanisms that allows the FA to undertake this work is the “clearing house” function that the FA operates, whereby all monies paid by English clubs to overseas clubs in respect of player transfers and all monies paid by English clubs to agents must be processed through the FA’s dedicated bank account.

CHAPTER 6: POLICY IMPLICATIONS

130. This study of typologies aims to help identify the weaknesses or loopholes in the prevention systems currently in place and may lead to the setting up or development of measures to protect the sector from money laundering linked to criminal activities, thus avoiding its becoming an attractive destination for money obtained from criminal sources.

Key findings

131. Criminals have shown adaptability in finding new channels to launder the proceeds of their illegal activities and there are concerns that various legitimate sectors are at danger of being misused for money laundering.

132. With the growing economic importance of sports during the last two decades, including the increasing profits that can be made out of sports, money gradually started to exert a strong influence on the world of sports. The influx of big money into sports has positive effects, but there are negative consequences. There is a higher risk of fraud and corruption given the amount of money at stake. Sport also can be used as a channel to launder dirty money.

133. As the biggest, truly global, high value sport, football seems to be confronted with various forms of crime and corruption - including money laundering. Football has undergone an accentuated growth and commercialisation since the early 1990's. The influx of big money, in combination with some specific factors has made football one of the many sectors that can be attractive for criminals to launder proceeds of crime.

134. The report identifies three areas of vulnerabilities.

135. The first area relates to the structure of the sector: the market is easy to penetrate, there is a multitude of stakeholders and money flows, different types of legal entities are at stake and management of clubs often lacks professionalism.

136. The second area of vulnerabilities regards the sector's finance. Clubs have large financial needs and considerable sums are often involved, especially in the international transfer market, often with an apparently irrational character, whereas control of origins or destination of payments is weak or even absent.

137. The third area relates to the sector's culture: a certain social vulnerability of some players (in particular younger players) making them vulnerable, the societal role of football making people reluctant to shatter sports' illusion of innocence and finally the opportunity for acquiring social status in the local community and gain entry to the establishment. A complex of financial and non-financial motives could make investments in football attractive for criminals seeking legitimate social status.

138. After analysis, money laundering through the football sector is revealed to be more complex than originally understood.

139. There are cases that illustrate the use of the football sector as a vehicle for laundering the proceeds of criminal activities. A variety of money flows involving various financial transactions increase the risk of money laundering through football. These are related to the ownership of football clubs or players, the transfer market and betting activities. Other cases show that the football sector is used as a vehicle for perpetrating criminal activities, and thus creating dirty money. Those criminal activities mainly refer to illicit trafficking in human beings, corruption, drug trafficking (doping) and tax crime.

140. The money laundering techniques used vary from very basic to complex and sophisticated techniques, including the use of cash, cross border transfers, tax havens, front companies, PEP's and the misuse of non-financial professionals.

141. Connections with other well-known money laundering typologies were identified such as trade-based money laundering, the use of non-financial professionals and NPOs for money laundering purposes, money laundering through the security sector, the real estate sector and the gaming sector.

142. Concerning this last point, it appears that betting in sport has reached new levels of sophistication with various operators involved across several countries and continents and new offshore betting companies being established. The use of the Internet for online betting further also increases the risk of money laundering.

143. Various initiatives are taken by international and national actors in order to combat threats to the integrity of football, including money laundering, in particular with the aim to control the ownership of clubs; to obtain information related to player transfers; to improve the situation surrounding players' agents and to combat illicit betting activities.

Issues for consideration

144. Looking ahead, there appear to be a number of areas that could be considered to improve the capacity to cope with the money laundering risks associated to the football sector.

145. **Building a better awareness:** while criminals use creative schemes to exploit the football sector, lack of awareness of money laundering risks associated to football could contribute to the problem. Very often there is a lack of awareness amongst some key players about their responsibility in the process of fighting illicit activities. Creating an understanding of the money laundering risks associated to the football sector amongst government bodies and the private sector, including financial institutions, is critical. Awareness-raising may prove to be very useful. This would require resources for outreach, training or other cooperative activities, but may result in enhanced information exchange.

146. **Imposing good governance and improving financial transparency:** With the growth in the number of international transfers and the increase in the sums of money paid per transfer, there are more managers and more intermediaries involved, including new parties of dubious background. Promoting healthy financial management is therefore crucial. One could imagine that, alongside monitoring the transfer system for possible abuses, structural measures could be taken to reduce the attractiveness of the transfer system to money laundering.

147. **Exploring industry best practices:** Some countries mentioned reporting obligations of money laundering to the national FIUs. In most cases there are no such obligations for football clubs. The adoption by the football sector of a code of best practices, such as the British football association guidance, could be helpful.

148. **Cooperation with the private sector:** various initiatives are taken by sports organisations (FIFA, UEFA, IOC) in order to safeguard the integrity of football and achieve the greatest possible degree

of transparency. To be successful, these measures could be developed further in cooperation with the FATF.

149. **Imposing similar regulations:** Given the international character of football, it is important to impose similar regulations to avoid choosing countries with the poorest regulations. In this context, there is a need to recognise the sporting industry as a robust industry (requiring financial transparency, proper external accounts, adequate financial management, and an effective regulatory framework).

150. **International co-operation is a key factor:** Difficulties in international exchange of information and the use of tax havens are a major stumbling block in the detection and prosecution of money laundering through the football sector. International co-operation and information sharing are key factors in the fight against money laundering given the international dimension of the football sector. Countries need to work cooperatively to identify and combat the use of the football sector for money laundering purposes.

151. **Internet gambling.** There is a risk associated with internet gambling related to sports in general. This issue could be investigated in a separate FATF typology study.

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ANNEX – FATF QUESTIONNAIRE

1. Do you consider the football sector in your country to be vulnerable to money laundering? If yes, please describe the vulnerabilities?
2. Do you have cases of the misuse of football clubs and their networks to launder the proceeds of crime (such as money laundering through player transfers, investment of illegal funds in clubs, gambling on football competition, through sponsorship, talent pools, business clubs)? If yes, describe these cases in as much detail as possible and provide information on the persons or networks involved.
3. Football clubs and their networks can also serve as a vehicle for perpetrating illegal activities such as fraud, corruption, bribery, illegal gambling. Sporting clubs can therefore also be seen as a source of ‘dirty money’. Do you have any cases illustrating this kind of illegal activity? If yes, please describe the schemes used.
4. By which means money laundering cases through football clubs have been detected (*i.e.* STRs, police investigations, newspapers)? If any, please provide the number of STRs relating to football and sporting clubs.
5. Please provide an estimate of the amount of money laundering in each of the case you have described. Do you consider the cases illustrative (common) or exceptional (uncommon) for laundering the proceeds of crime through football?
6. Please give a substantiated estimate of the overall size of money laundering through football in your country (in absolute numbers or related to the overall money laundering problem or compared to other money laundering schemes)?
7. Do individual clubs, football associations, federations or public authorities take measures to prevent money laundering and other illegal activities (see question 3) through football, including on the basis of international measures? If yes, describe these measures and if possible, provide the text of these measures. What kind of measures could be useful to prevent money laundering through football?
8. Which other sporting activities are notably vulnerable to money laundering in your country? Please describe some typical money laundering schemes through sporting activities other than football. Give a substantiated estimate of the overall size of these money laundering schemes.



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