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# Money laundering in the football sector

Prof. dr. Hans Nelen, 29-11-2017

# Financing of Professional Football

- UEFA: unequal distribution of means
- Financial Fair Play
- But no interest in the origins of the investments;
- Money laundering?

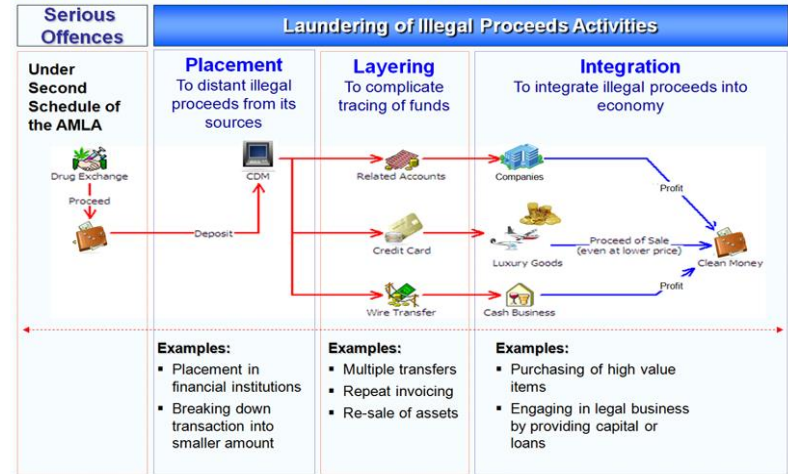
The principal objectives of UEFA's financial fair play concept are:

- to introduce more discipline and rationality in club football finances;
- to decrease pressure on salaries and transfer fees and limit inflationary effect;
- to encourage clubs to compete with(in) their revenues;
- to encourage long-term investments in the youth sector and infrastructure;
- to protect the long-term viability of European club football;
- to ensure clubs settle their liabilities on a timely basis.

# Money Laundering

- The concealment or disguise of the true nature, source, location, disposition, movement, right with respect to, or ownership of property, knowing that such property is directly- or indirectly - derived from an offence

*Giving legitimate appearance to 'dirty' money to distance from origin...*



FATF • GAFI  
 Financial Action Task Force Group of Eighty



# Vulnerabilities

- Structure
- Financing
- Culture



## HOW TO USE A FOOTBALL CLUB TO LAUNDER MONEY

Europol has dismantled a Russian criminal gang laundering money through a Portuguese football club. The techniques used were simple...

- STEP 1** Identify a European football club in financial distress
- STEP 2** Infiltrate the club, gaining trust by making short-term donations or investments
- STEP 3** Buy the club, using it as a front for a network of opaque holding companies owned by offshore shell companies
- STEP 4** Launder the money through over-valuing players on the transfer market, the purchase of TV rights and through betting activities

Sources: <https://www.europol.europa.eu/content/police-dismantle-russian-money-laundering-ring-operating-football-sector>  
<http://www.bbc.co.uk/news/world-europe-36203418>

ICT  
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# Vulnerabilities in relation to structure

- High levels of accessibility
- Diversity of legal structures
- Complicated networks



# Possibilities to hide

- Smoke curtains: separation of property rights and beneficial owner
- Use and abuse of corporate vehicles (including foreign ones)
- Off-shore corporations and trust companies;
- Lack of supervision.



# Vulnerabilities related to finance

- Considerable cash flows
- Intangible value of player values
- Financial needs of football clubs

€ mlns	ST Debt	LT Debt	Total Debt	Revenue	Debt Cover	Net Assets
Real Madrid	344	246	590	479	81%	251
Barcelona	410	168	578	451	78%	(69)
<b>Atletico Madrid</b>	<b>278</b>	<b>236</b>	<b>514</b>	<b>100</b>	<b>19%</b>	<b>31</b>
Valencia	349	33	382	120	31%	55
Villarreal *	138	129	267	59	22%	1
Espanyol	70	117	188	46	24%	13
Real Zaragoza	104	49	152	35	23%	(20)
Sevilla	82	20	101	83	82%	40
La Coruna	36	64	100	33	33%	19
Levante *	10	88	98	5	5%	(12)
Mallorca **	56	29	85	28	33%	(3)
Athletic Bilbao	59	20	79	58	73%	(4)
Racing Santander *	44	31	75	23	30%	(16)
Osasuna	30	39	69	26	38%	16
Real Sociedad *	14	45	59	18	31%	(0)
Hercules *	35	11	46	6	13%	(29)
Getafe	39	8	46	26	56%	5
Malaga **	18	19	38	23	61%	(26)
Sporting Gijon *	10	22	32	28	89%	(16)
Almeria *	29	1	30	21	70%	5
<b>Total</b>	<b>2,154</b>	<b>1,376</b>	<b>3,530</b>	<b>1,667</b>	<b>47%</b>	<b>241</b>

\* Accounts from 2009/10 season (7 clubs)

\*\* Accounts from 2008/09 season (2 clubs)

Source: Study from José Maria Gay de Liébana, University of Barcelona

# Vulnerabilities related to culture

- Societal role of football
- Non-material rewards: acquiring status and prestige
- Close-knit networks: walls of silence / states of denial





# Breeding ground for neutralisation techniques

- Metaphor of the ledger ('I've done more good than bad in my life'; 'what I did may have been illegal, but I'm not a crook');
- Claim of normality ('This is the way business is being done in this branch or country');
- Denial of responsibility ('I did not have the power to break down business habits');
- Denial of injury; the extent of harm caused is minimized or negated ('corruption is beneficial for some economic systems as it stimulates investments');
- Claim of relative acceptability ('If I don't do it, my competitors will'; 'There are others worse than me');
- Denial of victims ('I did not hurt anybody in person');
- Condemnation of the condemners ('Who are they to criticize me and put the blame on me?');
- Appeal to higher loyalties ('My actions were conducted to satisfy the club interests and to keep our football at a high level');
- Claim of entitlement ('For the sacrifices that I've made I deserve some special reward').

# Supervision and control

	<b>Public</b>	<b>Private</b>
<b>Prevention</b>	Regulation Supervision	Self-regulation Compliance Audits
<b>Repression</b>	Law Enforcement Criminal Justice	Private Policing Private justice

# Change?

- How to transform a 'market in vice' into a 'market in virtue'?
- "What is required is a cultural shift. The result must be "good governance", not merely "good-looking" governance. To put it in the simplest terms, the global football enterprise, must transform itself into a modern organization" (John Ruggi, Harvard)
- Mixture of strategies: sticks, carrots and sermons;

# New research program on the financing of clubs

- To explore and comprehend the entwinement of the financing of professional football and financial crime, money laundering in particular;
- Criminological *Verstehen*: to grasp the motivations, values and emotions of the persons who belong to the financial inner circle of professional football;
- To understand the ambivalent societal reaction towards crime within this domain;
- To evaluate the policy measures that have been taken to contain criminal activities in this sector.