Clifford Chance

BRIEFING

Investor Briefing: The New Independent Regulator for English men's Football

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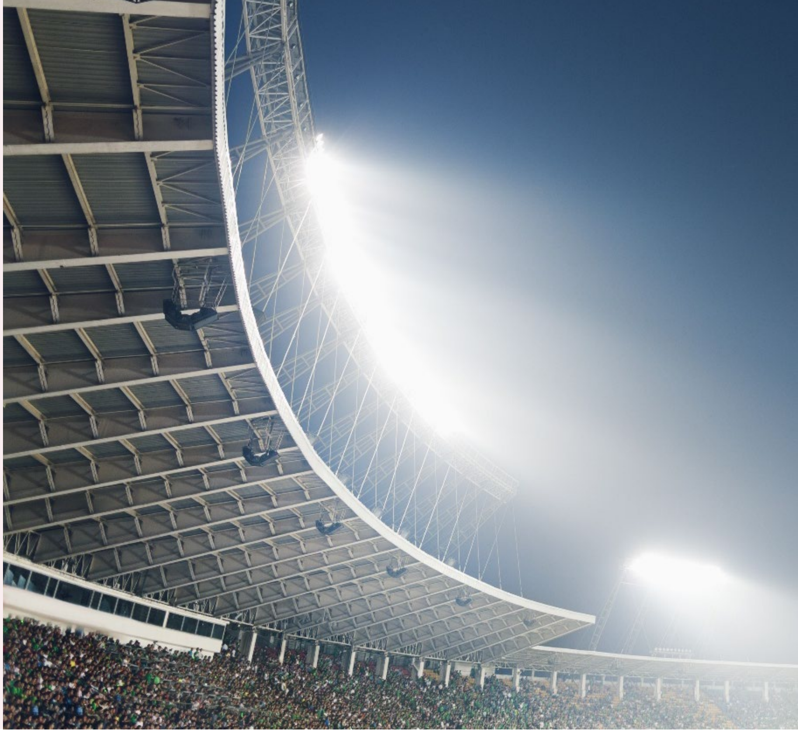

IFR's core statutory objectives are to:

1. Protect and promote the financial soundness of clubs from the top five divisions of English men's football.
2. Protect and promote the financial resilience of English football.
3. Safeguard the heritage of English football.

Whilst only formally established in July of last year, the Independent Football Regulator (IFR) has been a prominent and evolving presence in the men's English football landscape since the UK Government first committed to its creation in the 2023 White Paper, following the 2021 Fan-Led Review.

Since then, extensive consultation and engagement have focused on the implications for clubs and fans, resulting in various detailed IFR publications.[1]

There has been comparatively less discussion regarding what the IFR means for current and prospective investors – despite unprecedented investment into English clubs in recent times driven heavily by private capital.

This article sets out the key considerations for investors as the IFR transitions from design to implementation, covering governance requirements, the strengthened owner suitability test, financial distribution, breakaway leagues, broadcast revenues, club valuations, and potential disputes.

Key takeaways:

1. Strict **governance** requirements will improve operational discipline and transparency, supporting long term value creation.
2. A strengthened **Owners, Directors and Senior Executives test** will modestly narrow the investor pool, deterring the under-capitalized and those unwilling to adhere to thorough examination of their financial history and business dealings, but is unlikely to trigger a significant withdrawal from the market.
3. IFR's 'backstop' power to intervene in **revenue sharing** if the leagues fail to agree on a fair system will likely prompt a new agreed model which should see lower league clubs' revenue rise and valuations therefore increase.
4. Given the recent reformatting to the UEFA Champions League, it seems unlikely the IFR will exercise its power to block English clubs entering any future **closed-shop competitions** anytime soon.
5. The IFR has no mandate to negotiate or restrict **broadcasting deals**. Its remit is aligned with keeping the product on the pitch and the structure of competition attractive to broadcasters.
6. The comprehensive regulatory framework is a double-edged sword for **club valuations**: it mitigates downside risks but also limits speculative upside.

[1] Addressing (a) the Licensing Regime; (b) Owners, Directors and Senior Executives Regime; (c) Information Gathering and Enforcement; (d) Sanctions; and (e) the State of the Game Report due in 2027.

Timeline:

- **Apr 2021** – Fan-Led Review of Football Governance launched by UK Government
- **Apr 2022** – UK Government accepted Fan-Led Review recommendations
- **Feb 2023** – Plans made to establish an Independent Football Regulator in the UK
- **Mar 2024** – The Football Governance Bill introduced to Parliament
- **Mar 2025** – House of Lords passed the Football Governance Bill
- **Jul 2025** – The Football Governance Act 2025 officially became law
- **Sept 2025** – Various consultations launched by the Independent Football Regulator
- **Dec 2025** – The Regulator's investigatory and enforcement powers became active

The net effect on value will vary case by case, but generally we foresee blue-chip clubs retaining their premium and indeed all clubs becoming more valuable than before.

7 **Challenges** to IFR Decisions may be heard before the Competition Appeal Tribunal in hearings open to the public. Indeed, the use of the IFR's most intrusive investigatory powers (such as the use of search warrants) are likely to be challenged by clubs, owners or personnel.

1. Governance and Transparency Requirements[2]

The regulator will introduce a Football Club Corporate Governance Code covering the following principles:

- Board, Strategy & Purpose
- Risk Oversight & Controls
- Board Composition
- Equality, Diversity and Inclusion
- Stakeholder Relationships & Engagement

Compliance with the code will be mandatory and the IFR is proposing that clubs publish their own corporate governance statements explaining how they are applying the code every two years.[3] And this will come at a cost. Whilst many larger clubs already comply with these requirements (and indeed sophisticated investors will be used to aligning themselves with the similar Wates principles for large private companies[4]), for the clubs down the pyramid the regulatory burden will be felt much harder.

For investors, the governance requirements offer clear benefits. They will improve transparency, add a layer of reputational and operational discipline for clubs, and reduce the information asymmetry that often plagues club investments. Clubs will begin to operate more like modern sophisticated corporations, with accountability to stakeholders and robust internal controls. Over time, this should support long-term value creation.

Given clubs' corporate governance statements will be published, prospective investors will be able to benchmark clubs against each other. Savvy owners may see the upside in proactively meeting these standards: clubs that can market themselves as well-governed may attract better sponsorships, partnerships, and even talent (on and off the pitch), knowing they operate in stable environments.

One area to monitor is how multi-club ownerships will comply with these requirements. Each board must demonstrate it is acting solely in the interests of its respective club. Where an investor holds stakes in multiple clubs, the code will likely require disclosure of any cross-club influence, shared services, or overlapping personnel within such networks.

2. Owners, Directors and Senior Executives Regime (ODSE)[5]

The IFR has statutory powers to assess the suitability of both prospective and incumbent club owners and key officers through its ODSE regime, which is a strengthened version of the prior tests under the PL and EFL Rules.

Any prospective owner (i.e. an individual/entity with 25%+ ownership, 'significant influence' or control via a trust) or officer (i.e. director or a senior manager) must apply to the IFR for approval before taking control/occupying the position. The IFR will assess their:

[2] See section 4 of the IFR's Licensing Regime consultation paper for full details.
[3] The IFR has said that, where possible, it will try to align the corporate governance statement publication and submission deadline with The FA's existing two-year EDI reporting cycle.
[4] See The Wates Corporate Governance Principles for Large Private Companies.
[5] See Owners, Directors and Senior Executives Regime Rules and Owners, Directors and Senior Executives Regime Guidance for full details.

Timeline (*continued*):

Jan 2026	Launch of consultation on the terms of reference for the "State of the Game" report
Spring 2026	Final consultation on the Club Licensing regime
Summer 2026	Finalisation of the Club Licensing regime
Autumn 2026	Launch of pilot licensing programme ahead of full rollout.
Nov 2026	Club Licensing regime officially opens. All clubs to apply before February 2027.
Spring 2027	Publication of the first "State of the Game" report.
May 2027	All Clubs to be licensed ahead of the 2027/28 season.

- Honesty and integrity.
- Competence (only applicable to officers).
- Financial soundness.
- Financial resources and source of wealth (only applicable to owners).

Any investor lending to a club on the basis of security over shares or step in rights will need to consider whether they would satisfy the ODSE test if required to exercise those rights (as Elliott Management did in 2018 when it took control of AC Milan).

For incumbent owners and officers, the IFR will only assess their suitability if it comes to possess information that gives it grounds:

- For concern about whether someone continues to meet the fitness criteria (honesty and integrity, financial soundness and, in the case of officers only, competence).
- To suspect someone has source of wealth connected to serious criminal conduct (only applicable to owners).

The enhanced regime will involve more documentation and scrutiny. Whilst it may deter undercapitalised investors and those unwilling to adhere to thorough examination of their financial history and business dealings (who may instead look to clubs in other leagues), the test should be a manageable hurdle for legitimate, transparent and well-capitalised investors with a solid track record. Indeed, the added rigor could enhance the appeal of English clubs to institutional investors (i.e. pension funds). For the English football investor community, it means greater certainty that clubs will not fall into the hands of owners with lesser financial standing, which is good for the league's overall stability (and thus the value of all clubs).

3. Financial Distribution

To address the financial imbalance in income between the PL and lower leagues, the IFR is empowered with a 'backstop' authority to intervene in broadcast/commercial revenue sharing if the leagues fail to agree on a fair system. The consensus in the industry is that this power will force the leagues to agree to an increased distribution from the PL.

This shift could modestly impact PL clubs' financial projections and thus their valuations. For investors of tiers 2 – 5 clubs, an increase in secure funding over the long term could lead to improved finances (reducing the need for owner funding to plug holes) and therefore an increase in valuations. Undoubtedly, all current and prospective investors, and indeed the IFR, will be very keen to ensure that any new money flowing down the pyramid does not simply result in further spiralling of player wages and transfer fees.

4. New Competitions

To obtain a licence from the IFR, each club in the top five divisions of English men's football are required to comply with various freestanding duties including the duty not to operate in a competition that undermines the principles of sporting merit or the football pyramid.[6] The inclusion of this power is a direct response to the fan backlash which met the proposed European Super League in 2021.

Practically speaking, in light of the recent reformatting of the UEFA Champions League and its payment structure, it seems unlikely the IFR will be called upon to exercise this power anytime soon.

[6] The Licensing Regime consultation paper states: "The IFR will … have the power to prohibit regulated clubs from joining competitions where they are not fair and meritocratic, and would threaten the heritage and sustainability of English football."

5. Impact on Broadcast Revenues

Broadcast revenue is the primary income stream for the vast majority of English clubs and is therefore central to any investment calculus. A natural question for investors is whether the IFR could somehow put these revenues at risk either by altering how they are generated or by making English football less attractive to broadcasters.

The IFR has no mandate to negotiate or restrict broadcast contracts, or indeed regulate any commercial decisions of clubs, which will remain the responsibility of the leagues. As discussed above, it may intervene to adjust to what extent some of those revenues are distributed down the pyramid, but it will not shrink the pie. Indeed, the IFR's remit is aligned with keeping the product on the pitch and the structure of the competition attractive to broadcasters. Practically, the regulator will be cautious not to impose any regulation that could reduce broadcast value down the line.

6. Impact on Capital Values of Clubs

From an investor's standpoint, all the above factors converge into one fundamental question: how will the IFR regime affect the value of my asset (i.e. the club)?

There is a risk of <u>short-term</u> reduction in valuations:

- Compliance costs will inevitably rise as clubs may need to hire extra finance and legal staff and invest in new systems for reporting and fan engagement etc. For an individual club, this might mean a few hundred thousand pounds in added costs annually which could very slightly impact financials and affect valuations for lower league clubs.
- Given the regulatory uncertainty, some potential investors may hang back to see how the IFR operates in practice. The spectre of regulatory sanctions and the imposition of 'bespoke' conditions on clubs could lower short-term demand and soften valuations marginally.
- On the flip side, the threat of IFR action could drive some incumbent owners to sell (i.e. owners who know they might not pass the strengthened test). This could bring more clubs to market in the near term, increasing supply and potentially moderating prices.

In the <u>long term</u>, once the IFR's rules are absorbed into normal operations, valuations may rise.

- The factors discussed above should ultimately reduce risk, create a more secure and transparent investment environment, with fewer insolvent owners and a significantly reduced risk of catastrophic failure (i.e. a Bury FC scenario), and therefore enhance club valuations.
- Sophisticated, long-term investors may welcome this stability-focused oversight, whereas speculative, opaque and opportunistic players might look elsewhere for quicker returns.

When investors think about selling in the future, they will consider who the buyers will be and at what multiples. Any future buyer must also pass ODSE test. This might exclude a segment of potential bidders which could potentially temper exit pricing. That said, the remaining bidders might be stronger financially. It's somewhat speculative how this nets out.

7. Disputes

The IFR has extensive investigatory powers at its disposal.[7] These include the ability to:

[7] Parts 7 – 9 of the Football Governance Act 2025.

- Demand information from any relevant person as required for its functions.
- Appoint independent investigators to examine a club's affairs on specific issues.
- In certain circumstances enter club premises under warrant and interview individuals.

If a breach is confirmed, the IFR has a range measures available including:

- Financial penalties which may be up to 10% of annual revenues for serious violations.
- Publication of censure statements.
- Imposition of 'bespoke' conditions on a club's licence.
- Imposition of 'urgent directions' where breaches are occurring in real time.
- In cases of egregious non-compliance, suspension or revocation of a club's licences. However, both the law and the IFR’s own guidance make clear that revoking a club’s licence is a last-resort penalty, to be used only after all other options are truly exhausted.

Notably, the IFR cannot impose sporting penalties like points deductions or transfer bans – sporting sanctions remain outside its remit. These powers are retained by the leagues but the leagues must notify the IFR of any suspected club breach of competition rules and consult the IFR before imposing a sanction.

The consensus within the industry is that the use of the strongest of those investigatory powers (such as, the use of search warrants) is likely to be challenged by any clubs impacted. That said, from an investor perspective, we do not envisage masses of disputes arising.

The forum for a challenge to an IFR decision will, in most cases, initially be to an Internal Review Panel, and then to the Competition Appeal Tribunal ("**CAT**"). As to confidentiality:

- Any decision of the Internal Review Panel will be published (although subjects will be afforded the opportunity to make confidentiality representations).
- Any appeal before the CAT would be open to public so may be the first time investors experience public hearings in relation to their football assets.

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