



The Dark Side Of The Ancient Game

MONEY LAUNDERING IN THE FOOTBALL INDUSTRY

Table of Content:

Money Laundering in the Football Industry

» Introduction

» What Is the Global Impact of Money Laundering in the Football Industry?

» How Does Football Attract Money Launderers?

» What Laws Are in Place To Combat Football Corruption?

» Are Proposed Regulations Sufficient?

- UEFA Financial Fair Play
- FIFA Club Licensing Regulations
- Player Transfer and Agent Regulations

» How Did Roman Abramovich Disappoint His Chelsea F.C. Fans?

- Which Accusations Did He Face?
- Ties Exposed among Abramovich & Putin
- What Can You Learn from the Case of Roman Abramovich?
- Key Takeaways from Roman Abramovich Case

» What's the Way Forward?



Introduction

The sports industry is vulnerable to criminal acts such as allowing the illicit flow of dirty money. Football, the world's greatest-known sport, serves as one of the avenues where illegal money could be found, based on the UNODC declaring that it allows the laundering of approximately USD 140 billion¹ every year. Financial scandals, particularly those concerning money laundering, have had a continuous impact on sports around the world. This issue is more prominent during major events such as the Olympics and the FIFA World Cup. Significant financial gains, combined with the complex and global nature of economic transactions associated with these events, have been principally attributed to this. The well-known 2015 scandal² that shook FIFA, the organization that controls international football, is one of the most prominent incidents of money laundering in global sports.

This famous institution had several high ranking officials implicated in numerous scandals involving corruption, bribery, and money laundering allegations. These leaders were accused of abusing their positions for private gain and orchestrating a complicated network of unlawful financial transactions that harmed the credibility of organization and tarnished its perception of football.



¹United Nations Office on Drugs and Crime (UNODC). 'Laundering of Approximately USD 140 Billion Annually through the Football Sector.' EJ-Sport. Accessed May 29, 2024. <https://www.ej-sport.org/index.php/sport/article/view/86>.

²Several Top FIFA Officials Arrested." The Guardian, May 27, 2015. Accessed May 29, 2024. <https://www.theguardian.com/football/2015/may/27/several-top-fifa-officials-arrested>

Introduction

The then-president of FIFA, Sepp Blatter³, was at the center of many controversies. He was accused of making a "disloyal payment" of \$2 million to Michel Platini, head of European football body UEFA, which led to his suspension and eventual resignation.



Similarly, the former FIFA vice president and president of the Confederation of North, Central America, and Caribbean Association Football (CONCACAF), Jack Warner⁴ was charged with accepting bribes totaling millions of dollars. He faced multiple indictments related to corruption and money laundering.

Such financial scandals also shadowed the 2014 Winter Olympics in Sochi, Russia, where several individuals were found to be involved in widespread fraud and looting of massive amounts of money meant for infrastructure and development.

³FIFA Officials Charged with Corruption." BBC Sport, May 27, 2015. Accessed May 21, 2024. <https://www.bbc.com/sport/football/32926080>.

⁴Michael S. Schmidt and Matt Apuzzo. "FIFA Officials Face Corruption Charges in U.S." The New York Times, May 27, 2015. Accessed May 21, 2024. <https://www.nytimes.com/2015/05/28/sports/soccer/fifa-officials-face-corruption-charges-in-us.html>.

What Is the Global Impact of Money Laundering in the Football Industry?

There are concerns regarding probable money laundering tactics that arose as a result of the examination of surrounding financial activities. Despite numerous financial scandals, it is critical to acknowledge the proactive measures that international athletic organizations and governments take to address these challenges. These organizations have introduced additional constraints and controls as a result of comprehending the long-term damage that such scandals can cause to their image.



Sports organizations are encouraged to prioritize transparency in their business operations by offering free access to their financial documents and operations. These methods are intended to ensure that money is spent appropriately and that any anomalies are identified as soon as possible. Further, these groups strive to develop a culture of principles and values.

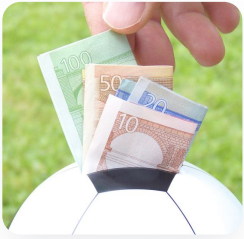
They are putting a strong emphasis on the value of morality and honesty among their leaders, forbidding any kind of corrupt action. To provide authorities with understanding regarding moral decision-making and the possible repercussions of wrongdoing, intensive training and seminars should be held. It is believed that these approaches would help lessen financial corruption in international sports in the future. Nevertheless, it is obvious that this is a perpetual conflict that requires continuing awareness, flexibility, and dedication to upholding the integrity of sports on a worldwide scale⁵.

⁵FATF. 2009. "Money Laundering through the Football Sector." fatf-gafi.org. <https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/ML%20through%20the%20Football%20Sector.pdf.coredownload.pdf>.

How Does Football Attract Money Launderers?



Money laundering has drawn increased attention from around the world, particularly in formerly unregulated industries like sports. The sentimental stance taken by the sports industry on behalf of the general public exacerbates this problem.



The sports industry, which is still completely unregulated and can involve massive amounts of money, would attract fraudsters wanting to hide their illegal riches. Over the past few years, many scandals have made headlines, showing the vulnerability of football.

In 2012, former financier and sports sponsor Allen Stanford was convicted of serious financial misconduct in cricket in the United States, raising alarm bells for money laundering and financial fraud risks in the sport. The sports industry, which is still completely unregulated and can involve massive amounts of money, would attract fraudsters wanting to hide their illegal riches. Football assets are open to subjective evaluation on the transfer market. For example, the value of these teams can vary a lot based on people's opinions when players are bought and sold.

These football players are frequently represented by agents whose financial behavior is not routinely scrutinized but who wield enormous power over the relationships that these players may or may not form with an interested club and the people associated with it, thereby creating opportunities for illegal activities. Sports transactions are currently not identified as requiring any additional scrutiny beyond the regular money-laundering procedures, as opposed to high-value real estate purchases.

Football players are usually represented by their agents. The financial conduct of these agents cannot be guaranteed; nonetheless, they exert tremendous influence over the relationships that these players may or may not establish with an interested club and the people connected to it, creating opportunities for illicit activities.



What Laws Are in Place To Combat Football Corruption?



The Convention against Corruption is the only internationally recognized anti-corruption instrument that has legal authority to charge legal repercussions.. The Convention does not explicitly address competitive manipulation. The United Nations Convention against Corruption's Conference of the States Parties nevertheless makes mention of the issue in two resolutions: Resolution 8/4 on safeguarding sport from corruption, adopted by the Conference at its eighth session, held in Abu Dhabi from December 16 to 20, 2019; and Resolution 7/8 against sports corruption, approved by the Conference at its seventh session, held in Vienna from November 6 to 10, 2017.



While many of the Convention's provisions apply to competition manipulation, the United Nations Office on Drugs and Crime (UNODC) and the International Olympic Committee (IOC) ordered a global mapping of country-to-country legislation on the subject in 2021. The resultant mapping revealed the following regulations regarding convicted cases involving competition manipulation

Are Proposed Regulations Sufficient?

To fight money laundering in the football industry, different frameworks are put in place by football organizations to ensure transparency, and a few of these are as follows:

UEFA Financial Fair Play

- Financial Fair Play (FFP) was introduced by the Union of European Football Associations (UEFA) to ensure that football clubs did not spend more than they earned, preventing them from falling into financial difficulties that could jeopardize their long-term survival and, in their words, "improve the overall financial health of European football."

- FFP laws were also implemented to prevent clubs from overspending across multiple seasons within a predetermined budgetary framework. The break-even criterion is central to FFP laws, which compel teams to spend no more than their income and to balance their accounts over a three-year period.

- The FFP legislation offers eight punishments for clubs breaking regulations, ranked in severity: reprimand, fines, points deduction, revenue withholding, player registration prohibition, player registration restrictions, competition disqualification, and future exclusion.



Regulatory Framework and Challenges

FIFA Club Licensing Regulations

- Club licensing is an important component in cultivating the professionalization of football around the world. The framework employs principle-based criteria and establishes certain minimum requirements that clubs must meet in order to be licensed and thereby participate in a particular competition
- FIFA has implemented Club Licensing Regulations to properly control the club licensing system and how it can be applied by member clubs. It also oversees infrastructure development and sets the stadium standards and training facilities.

Player Transfer and Agent Regulations

Governing bodies regulate player transfers and the activities of agents to maintain fair play and financial integrity:

- FIFA Regulations on the Status and Transfer of Players (RSTP): Rules on player transfers, contract periods, and the protection of minors. After the adoption of the RSTP in 2001 following fruitful cooperation with the European Commission, FIFA published the first edition of the Commentary in 2007, followed by another edition in 2021 as part of FIFA's engagement to modernise football's regulatory framework.
- These financial laws aim to protect the credibility and integrity of football clubs and competitions worldwide. By imposing financial discipline, fostering transparency, and combating corruption, these regulations contribute to the sport's competitiveness and fairness.

How Did Roman Abramovich Disappoint His Chelsea F.C. Fans?

Roman Abramovich and Money Laundering in Football

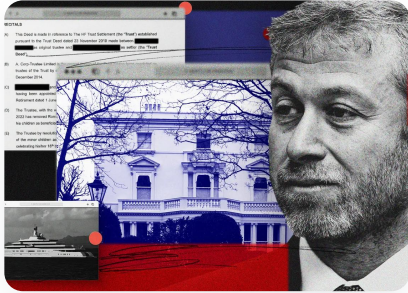


Roman Abramovich, the Russian billionaire and owner of Chelsea Football Club, has been a prominent figure in terms of money laundering within the football sector. His case provides valuable insights into how vast wealth and football club ownership can intersect with financial crime risks.

Abramovich acquired Chelsea FC in 2003, transforming it into a powerhouse in British and European football through substantial financial investment. However, his financial activities and the sources of his wealth have often been scrutinized, leading to allegations and investigations related to money laundering.



Case Study



Allegations and Investigations

Sources of Abramovich's wealth largely stems from his activities in the oil industry during the chaotic post-Soviet privatization period in Russia. His rapid accumulation of wealth has been questioned, with suspicions that it involved extensive corrupt practices⁶.



Sanctions Imposed by the US & U.K

In 2022, the UK government sanctioned Abramovich due to his close ties with Russian President Vladimir Putin amidst the geopolitical tensions arising from Russia's actions in Ukraine. The sanctions included freezing assets and imposing travel bans, highlighting concerns over his financial dealings. The United States has also investigated⁷ Abramovich for potential money laundering and corruption. These investigations focused on his financial transactions and the legitimacy of his business practices.

Impact on Football and Money Laundering

The ownership of football clubs by wealthy individuals like Abramovich can serve as a means to launder ill-gotten gains. Large sums invested in player transfers, stadium renovations, and other club-related expenses can obscure the origins of illicit funds. Football clubs, especially those owned by private individuals, often lack transparency in their financial operations. This opacity can facilitate the laundering of money by making it difficult to trace financial flows. Regulatory bodies face significant challenges in monitoring and controlling financial activities within the football industry. The global nature of the sport and the complexity of financial transactions complicate efforts to enforce anti-money laundering (AML) measures effectively.

⁶BBC News. "Roman Abramovich: Russian Billionaire's Wealth and the Chelsea FC Transformation." BBC News. Accessed May 29, 2024. <https://www.bbc.com/news/world-57709852>.

⁷Yakowicz, Will. "U.S. Investigates Billionaire Roman Abramovich for Money Laundering." Forbes, March 2, 2022. Accessed May 29, 2024. <https://www.forbes.com/sites/willyakowicz/2022/03/02/us-investigates-billionaire-roman-abramovich-for-money-laundering>

Case Study

Key Takeaways from Roman Abramovich Case

The case of Roman Abramovich is a prime example of how the football sector is vulnerable to financial crimes like corruption and money laundering. Robust oversight mechanisms and promoting transparency by implementing anti-money laundering regulations are the only approaches to preventing the misuse of football club ownership for illicit financial activities.

By examining Abramovich's case, stakeholders can better understand the intersection of wealth, power, and financial crime in football, ultimately working towards more effective prevention and enforcement strategies.



What's the Way Forward?

Finally, sports governing organizations, clubs, and financial institutions must adhere to strong due diligence procedures, ensure that all transactions are transparent, and collaborate with law enforcement and regulatory agencies to address these concerns. Furthermore, nations must establish stricter regulations and legislation regarding professional sports money laundering.