

## Commentary

# Building Financial Resilience: How UEFA and Domestic Leagues Are Shaping a More Sustainable Future for Football

### Morningstar DBRS

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#### Key Highlights

- Germany's newly approved squad cost rule brings it in line with other major European leagues, mirroring recent financial sustainability measures introduced by UEFA.
- UEFA's Financial Sustainability Regulations continue encourage adoption of domestic league financial sustainability measures driving lower wage-to-revenue ratios.
- Stronger financial control frameworks are expected to enhance clubs credit profiles, easing wage and transfer costs and enabling greater long-term investment.

Miguel Picón

Analyst

European Corporate Ratings, Asset Finance

+34 673 609 119

miguel.picon@morningstar.com

Manuel Gutiérrez

Vice President

European Corporate Ratings, Asset Finance

+34 (91) 903 6526

manuel.gutierrez@morningstar.com

Inês Fernandes

Assistant Vice President

European Corporate Ratings, Asset Finance

+34 (91) 934 3023

ines.fernandes@morningstar.com

Alberto Faraco

Senior Vice President, Sector Lead

Corporate Ratings

+34 (91) 702 2593

alberto.faraco@morningstar.com

Thomas Yarwood

Analyst

European Corporate Ratings, Asset Finance

On 3 March 2026, the Deutsche Fussball Liga (DFL) approved a new squad cost rule, aiming to improve financial sustainability of football clubs by imposing a limit on player costs related to the level of revenues. All Bundesliga and Bundesliga 2 clubs unanimously voted in favour, following a trend towards increasing financial supervision in European football, initiated years ago by the Union of European Football Associations (UEFA). The approval of the rule further strengthens financial governance standards across European football, improving the credit profile of the industry and ultimately strengthening clubs' ability to attract investors.

This is the latest of a series of similar actions by other leading European leagues including the English Premier League (EPL) and the Italian Serie A, both of which implemented new rules over the last two years, also influenced by UEFA's Financial Sustainability Regulations (FSR).

That said, there are still some challenges to overcome, especially around improving consistency between leagues and putting in place clearer, more effective sanctions to ensure success in the squad cost rules' implementation. We expect to see continued progress that will help strengthen the financial stability and resilience of European football, while ensuring the competition remains attractive and engaging.

#### Background: First Steps by UEFA

In the 2010–11 season, UEFA introduced the Financial Fair Play (FFP) regulation with the objective of promoting financial discipline in those clubs aiming to participate in its lucrative competitions. This decision was taken at a time when European clubs had been collectively recording annual losses of approximately EUR 1.5 billion in prior years. In a first step, UEFA introduced the break-even rule, whereby clubs had to show that their main football-related expenses did not exceed their core football-related revenues over a defined monitoring period (usually three consecutive financial years), together with a more severe control on overdue payables. These initiatives helped improve clubs' financial discipline and reduced losses.

However, the severe disruptions on football revenues and the operating environment during the COVID-19 pandemic exposed the limitations of the FFP model and accelerated the move toward a new framework emphasizing solvency, stability, and cost control. In April 2022, UEFA approved a major regulatory reform, the Financial Sustainability Regulations (FSR). This regulatory framework is based on three main pillars: (1) stricter controls on overdue payables, (2) football earnings rule, and (3) squad cost rules. These rules were introduced in June 2022 with phased implementation over the following three seasons.

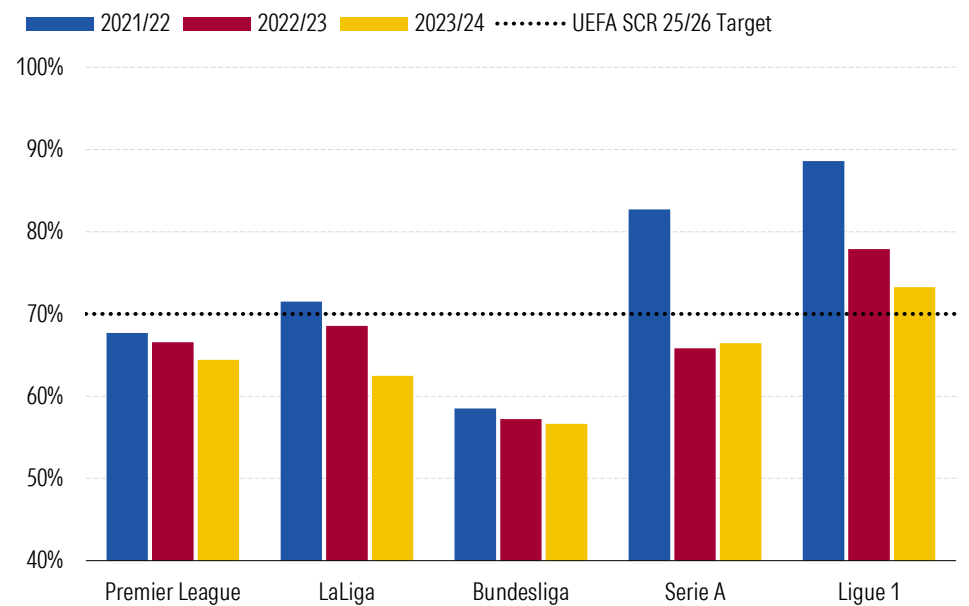
**Squad Cost Ratio: The Implementation**

In the 2023–24 season, UEFA enforced the Squad Cost Ratio (SCR) for the first time in an attempt to limit overspending on European clubs. The SCR imposes a cap on the ratio of costs (including wages, amortization, and other squad-related costs) relative to football-related revenue (including the operating revenues and net transfer profits of clubs). Like the FFP, the SCR is inherently backward-looking, based on previous seasons' financial results, and has been progressively implemented from 90% in the 2023–24 season to 70% in the current 2025–26 season.

While UEFA's influence over the financial sustainability of clubs is limited to those participating in or aiming to participate in its competitions, its initiatives have been triggering a cascade of actions by different domestic leagues towards promoting financial sustainability across European football. While each domestic league has a different approach with different levels of restrictions, these regulations are having a real impact on teams' financial performance. Improvements can already be observed in the domestic league wage ratios of participating clubs.

The wage-to-revenue ratio, a proxy for UEFA's SCR (without amortizations of players), has had a meaningful reduction across topflight domestic leagues over the last three seasons, from an average of 74% to 67%.

**Exhibit 1** Wage-to-Revenue Ratio Across Europe Domestic Leagues



Source: UEFA European Club Finance and Investment Landscape Report 2025, 2026.

**The Spanish Model: Proactive Control and Stability**

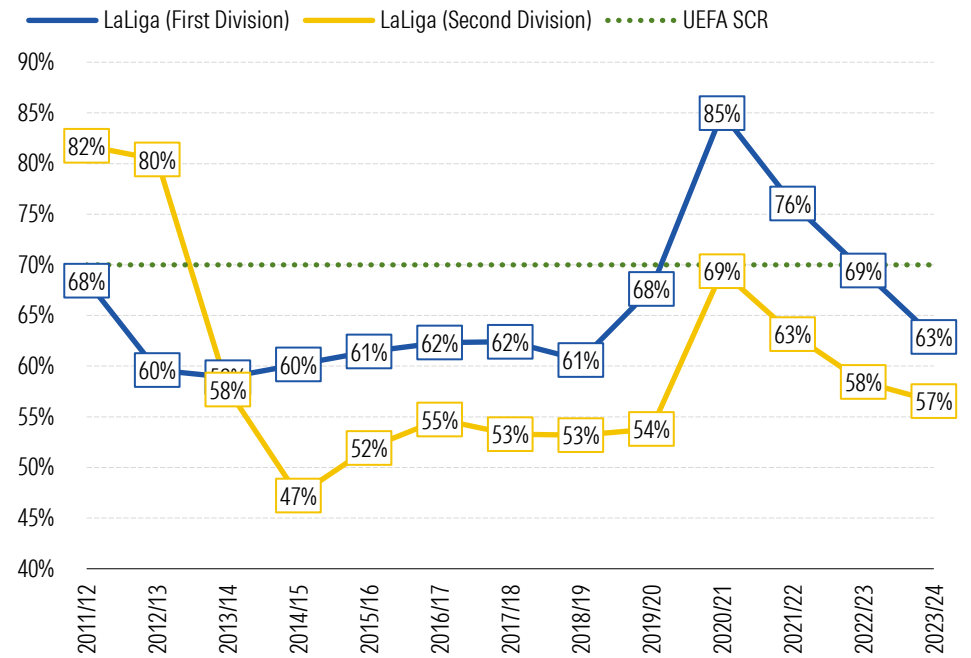
LaLiga offers a compelling example of the positive impact of economic control regulation. LaLiga calculates the squad cost limit to be spent for the upcoming campaign before the start of each season (ex-ante). This limit is based on projected revenues, expected nonsporting costs, debt service obligations, and prior-year accumulated losses.

We view this ex-ante approach as more efficient and forward-looking compared with other frameworks only based on actual historical performance (ex-post) as it helps to prevent financial distress. This ensures clubs operate within sustainable limits and reduces the risk of losses materializing as well as the subsequent need to correct them retroactively.

Squad cost limits have encouraged more responsible cost structures and promoted long-term solvency across Spanish clubs. Excluding the COVID-19 pandemic season, first- and second-division clubs have seen widespread improvements in the SCR. Moreover, the salary spending restrictions allow clubs to allocate more resources to stadium renovations and infrastructure investments, boosted by the LaLiga Impulso deal, in which CVC Capital Partners (CVC) injected around EUR 2.0 billion in exchange for minority ownership in a new LaLiga commercial company as well as a share (8.2%) of future media rights revenues. 70% of CVC funds are designated for infrastructure, technology, and branding.

LaLiga's regulation framework evolves over time adapting to different situations and particular cases, but so far this has been proven to be a successful model that allowed clubs to improve financially speaking, while optimizing the revenue base and, consequently, increasing their spending limits and competitiveness.

**Exhibit 2** LaLiga SCR\*



Source: Morningstar DBRS proxy calculation from LaLiga Financial Reports 2012–24.  
 \*Calculated as (Sports wage cost + Player depreciation) / (Operating Income + Net Transfer).

### **The English Dichotomy: Between the Lucrative English Premier League and the Distressed Championship**

English football financial regulations offer a contrasting perspective. Premier League clubs have been operating under Profit and Sustainability Rules (PSR) since the 2013–14 season, which has had a largely positive competitive impact, yet its financial effects have been mixed, with many clubs continuing to record recurrent losses. However, this has not deterred strong equity backing, as investors remain confident in the league's underlying commercial strength.

However, we note that in the second division, the Championship, the Profit & Sustainability (P&S) rules have not produced equivalent effects, and the financial sustainability outlook remains challenging. Parachute payments granted to clubs relegated from the EPL provide a strong competitive advantage relative to other clubs already in the second division, further incentivizing those clubs seeking promotion to overspend. These dynamics fuel a vicious cycle of substantial recurring losses, mostly covered with shareholder contributions from owners' intent on gaining access to the first division. According to Deloitte analysis during the 2023–24 season, 11 of the 24 Championship clubs recorded a wage-to-revenue ratio above 100%, and the league averaged a ratio near that level<sup>1</sup>.

In light of regulatory discontinuity and financial distress across some English domestic leagues, among other reasons, the UK government established the Independent Football Regulator (IFR) in the summer of 2025 with the aim to "introduce new financial regulation to improve financial resilience across the football pyramid". In lockstep with the new regulatory body, in late 2025 the English Premier League independently voted to approve a SCR of 85% in the 2026–27 season, effectively replacing the PSR measures. The new regulatory body brings the English Football league in line with other major domestic European leagues, with a centralized agency across various divisions. We see the initiative as a positive for credit profiles among English leagues.

### **Bundesliga Financial Edge: Building on a Strong Foundation**

The recently announced squad cost rule will be implemented in the 2026–27 season and fully operational from the 2028–29 season, including acceptable deviations (not disclosed), depending on whether these are covered by equity or not. Therefore, clubs not participating in UEFA competitions but with a healthy financial position will be temporarily allowed to spend more on player costs in the interest of greater competitiveness. Failure to comply will likely lead to sanctions that could range from financial fines to point deductions and registration bans.

We view the recent move to reinforce economic oversight as credit positive, although we note German clubs already enjoy a structurally stable financial position relative to their European peers. According to the recently released European Club Finance and Investment Landscape Report by UEFA, the wage-to-revenue ratio for Bundesliga in the 2023–24 season was 57%, notably below its peers. Furthermore, Bundesliga (first division) achieved the highest aggregate profit in its history during the 2024–25 season (EUR 242.1 million), with 13 clubs reporting a net profit (out of 18), up from nine in the previous year. All 18 clubs also posted positive EBITDA after transfers results, and the league's aggregate EBITDA rose to an all-time high of EUR 1.07 billion. These figures evidence

<sup>1</sup> Deloitte Annual Review of Football Finance 2025, June 2025

the already robust financial base underlying German football, which positions the German leagues particularly well to benefit from the enhanced regulatory framework.

### **The Italian Reset: From Cash Controls to Cost-Capped Squads**

This increasing trend in domestic leagues focusing on aligning domestic financial regulations with UEFA's can also be observed in Serie A's announcement of a new squad cost rule. The rule was introduced by the Italian Football Federation (FIGC) back in March 2024 and implemented from the 2025–26 season, replacing the previous liquidity index. The allowed ratio will be 80% in the 2025–26 season and 70% thereafter and will affect clubs participating in lower divisions as well. We see these changes as credit positive, especially for smaller clubs, which have historically experienced severe losses and difficulties in managing costs adequately.

### **Ligue 1's Strain: Short-Term Focus, Rising Distress**

Ligue 1 still lags other European leagues by continuing to focus on short-term liquidity rather than long-term financial sustainability. With limited intervention, aggregated clubs' losses across the league have mounted season after season. French Professional Football reports published by Direction Nationale du Contrôle de Gestion (DNCG) show that despite being net exporters with positive net-transfer profits, French clubs have posted aggregated net losses for over eight years, with half recording net losses for the 2023–24 season. Current regulation from DNCG, Ligue 1's watchdog, assesses clubs' financial conditions based on whether clubs can meet obligations for the upcoming season, rather than prioritizing long term financial sustainability. As a result, clubs are heavily reliant on capital injections to maintain liquidity, putting the French league in greater financial distress compared to other domestic leagues across Europe.

### **Conclusions and Impact from a Credit Perspective**

The effective implementation of these financial sustainability measures is expected to continue enhancing the credit profiles of both European leagues and their constituent clubs by reinforcing disciplined cost management and promoting long-term financial resilience.

Additionally, strengthened financial oversight may help ease inflationary pressures in player salaries, transfer fees, and other operating costs, thereby enabling football clubs to invest in enhancing their revenue base, which is particularly important given the recent flattening of broadcasting revenue growth. This is mostly expected to be achieved through investments in stadium redevelopments. See our commentary [European Stadium Redevelopments: Football Clubs Hoping to Turn New Stadiums into Goldmines](#) for additional research.

The main challenge going forward will be the alignment of European domestic leagues into an increasingly homogeneous financial sustainability framework to protect and ensure a fair competitive environment. This is crucial for smaller clubs not playing UEFA competitions, as well as lower divisions, which are still far away from the level of financial discipline and certainty that big players are showing. Additionally, we believe the success of these initiatives will also depend on providing adequate incentives to clubs to remain compliant with these frameworks, which may require the reinforcement of a clear and effective sanctions system to noncompliant clubs.

Supported by a resilient fan base and long-standing cultural ties, European football can realize its full potential through stronger financial sustainability.

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