

Regulations of Financial Efficiency for Sports Clubs



وزارة الرياضة
Ministry of Sport

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Chapter I: Definitions

Article (1): Definitions:

The following terms and expressions shall wherever used herein have the meanings assigned respectively opposite thereto:

Ministry	:	Ministry of Sports
Federation	:	Sports federation for each game or activity related to sports.
League	:	Saudi Professional League
Competent Authorities	:	Ministry of Sports, Saudi Arabian Football Federation, Saudi Professional League
Club	:	A sports entity with a juristic personality and independent financial liability, or a company with a juristic personality and independent financial liability licensed by the Ministry of Sports.
Player	:	An amateur or professional player registered with any club affiliated to the Federation.
Club Staff	:	Excluding players and coaches, every person who works on a full-time or part-time basis including those working in medical, therapeutic, administrative units of the club and other units or other staff, professional managers, media officers and investment officers and their assistants.
Coach	:	The technical staff and assistant technical teams, fitness coaches, goalkeeper coaches; etc.
Regulations Committee	:	Regulations of Financial Efficiency
Financial Support	:	Committee of Financial Efficiency
Club Support Strategy	:	Support offered by the Ministry of Sports to a Saudi Sports Club according to specific standards, requirements and entitlements. A program based on a number of criteria, objectives of which include, but not limited to, development of the Club financial and administrative system, encouragement of practicing different sports at the Club, and development of its structures and increase of the audience presence.
Surplus	:	Club financial revenues are higher than expenditures during the Fiscal Year
Deficit	:	Club financial revenues are less than expenditures during the Fiscal Year

Governance	:	A set of regulations that control, direct and organize the Club works to secure transparency and further control the Club, its expenses and financial operations.
Transparency	:	Overall clarity of the actual administrative and financial circumstances of the Club through the statements, information, reports etc. published by the Club.
Disclosure	:	To present the Club's financial statements and non-financial information, periodically or where necessary, which are of interest to all stakeholders and competent parties.
Fiscal Year	:	The Fiscal Year of the Club commencing as of 1 st of July and ending on 30 th of June.
Sports Season	:	The period determined annually by the Federation for local seasonal competition prior to commencement of the competition. The sports season commences with the first official match and ends with the last official match.

Chapter II: Objectives & Functions of the Financial Efficiency

Committee

Article (2): Committee Objectives:

The Committee monitors the application of systematic rules and standards to manage the Club with the view to ensure application of optimal financial governance practices that secure the Club's stability and growth and attainment of its objectives as follows:

- 1- Take proper actions so that the Club complies with standards focusing on highly effective cost management, efficient expenditure and control of financial expenditure;
- 2- Set priorities of expenditure concerning settlement of the relevant financial obligations;
- 3- Cooperate with the Club to reduce international and local claims and related penalties;
- 4- Assess the financial performance of the Club in terms of compliance with the application of the provisions hereof;
- 5- Take proper actions to achieve financial stability for the Club; and
- 6- Encourage clubs to increase their revenues and ensure that they achieve balanced expenses.

Article (3): Committee Functions:

- 1- Propose regulations, procedures and mechanisms required for safeguarding Club compliance with and application of expenditure management standards;
- 2- Assess the grounds for expenditure on initiatives;
- 3- Exercise financial control on the aspects of expenditure with respect to financial support offered thereto;
- 4- Ensure that clubs have met their financial and contractual obligations;
- 5- Take proper actions to impose penalties on clubs that fail to adjust their material conditions and whoever violates the provisions hereof;
- 6- Reinforce the principles of governance; namely, transparency, disclosure, accountability and liability to attain their targeted objectives;

- 7- Make a monthly evaluation of clubs' financial efficiency and compliance with the provisions hereof;
- 8- Monitor the clubs' financial statements, examine and review their details;
- 9- Notify the clubs that have not complied with the provisions of these Regulations and grant them a deadline it sets at its absolute discretion to rectify their financial position; and
- 10- Issue a financial efficiency certificate to the club.

Article (4): Regulations Scope of Application:

These Regulations shall apply to each and every club participating in sports activities approved by the Club Support Strategy as the Committee may deem appropriate.

Chapter III: Club Finance

Article (5): Fiscal Year:

The club Fiscal Year shall commence on the first day of July and end on the 30th of June.

Article (6): Club Revenues:

- 1- Support offered by the Ministry;
- 2- Amounts related to membership (Golden membership and ordinary membership);
- 3- Income generated from matches and resources thereof;
- 4- Investment of properties, such as sports facilities subject to the approval of the Ministry;
- 5- Sponsorship rights and revenues generated by commercials, marketing and television broadcasting subject to the consent of the Ministry and the controls and procedures established by the Ministry and the respective federation;
- 6- Any other resources that club Board of Directors may approve provided that they do not violate the laws, regulations, resolutions and directives;
- 7- Value received for the transfer or secondment of professional players and marketing club name, logo and uniform subject to the regulations and procedures established by the Ministry and the respective federation; and
- 8- Contributions and donations approved by the Board of Directors according to the relevant rules and directives.

Article (7): Club Expenses:

- 1- Wages;
- 2- Contracts of players, coaches and workers according to the procedures regulating the same;
- 3- Water, electricity and fuels;
- 4- Mail, telephone, telegrams and other communication services;
- 5- Restoration, maintenance and lease of buildings;
- 6- Activity costs;
- 7- Office and sports equipment, material, appliances, furniture and club requisites;
- 8- Subscription fees in sports federations;
- 9- Fines and penalties imposed on the club;
- 10- Costs of insurance and players' treatment locally or overseas;
- 11- Representation allowance, transportation, travel, housing, sustenance, delegations and incentives;
- 12- Provision of transportation and spare parts; and
- 13- Miscellaneous expenses

Chapter IV: Financial Support

Article (8): Mechanism of Financial Support offered by the Ministry of Sports:

Financial Support shall be offered to the club participating in sports activities approved by the Club Support Strategy according to approved regulations. The Committee may cease or withhold the said support, in whole or in part, at any time according to the requirements of the public interest or due to club violation of the provisions of these Regulations.

Article (9): Priorities of spending the Financial Support offered by the Ministry of Sports:

Clubs shall spend Financial Support offered thereto for payment of:

- 1- Wages and salaries due and payable to all players, technical and medical staff;
- 2- Contract advance payments due and payable to all players, technical and medical staff;
- 3- Financial entitlements arising from the *res judicata* court judgments and decisions issued by the competent judicial and sports authorities within or outside the Kingdom;
- 4- Amounts payable and due to clubs due to transfer of players including, without limitation transfer allowance, joint contributions, coaching allowance; etc.;
- 5- Amounts legally payable to player brokers contracting directly with the club; and
- 6- Wages and salaries of club employees.

Based on the foregoing, the Committee may set priorities of expenditure as it may deem appropriate.

Chapter V: Club Obligations

Article (10): Club Obligations:

The club shall fully cooperate with the Committee and Competent Authorities, and provide all information, data and documents that the Committee may request at any time to perform its duties under the Club Support Strategy. The club shall, without limitation, carry out the following:

- 1- The Club shall no later than 1st July of each Fiscal Year provide the Committee with an estimated budget of its revenues and expenses.
- 2- The club's financial liabilities shall not exceed its revenues generated during the Fiscal Year subject to the annual approved performance indicators within this scope.
- 3- The club shall contract with players according to the contract forms approved by SAFF at the time of contracting with players without entering into any side agreements with players that may create financial obligations on the club.
- 4- The club shall promptly provide the Committee with a copy of every new or renewed contract signed with any player or coach. This shall include the annexes attached to the contract at the time of its execution or during its validity period.
- 5- The club shall disclose all old and new claims. The said disclosure shall include the plaintiff's name, capacity, cause of action and claimed sum.
- 6- The club shall provide the Committee with all sponsorship and investment contracts subject to the necessary regulatory consents.
- 7- The club shall disclose the total value of every contract with players or coaches including the monthly pay, the advance payment, if any, housing

- 8- allowance, transportation allowance, conditional benefits, any other allowance, transfer or secondment fees, etc.
- 9- The club shall provide the Committee with a copy of the contract signed with the external auditor.
- 10- The club shall no later than 31st of August submit the annual financial statements audited and approved by the external auditor. The said statements shall at least include:
 - a- Balance sheet;
 - b- Profit and loss statement;
 - c- Cash flow statement;
 - d- Explanatory notes containing a summary of all material accounting policies;
 - e- Other explanatory notes; and
- 11- The club shall provide the Committee Board of Directors Annual Report.
- 12- The club shall on a monthly and updated manner provide the Committee with reports on the due and payable liabilities and the status of pending claims and those decided by decisions or judgments.
- 13- The club shall comply with all laws, regulations, decisions and directives regulating the accounting principles and practices approved by the Kingdom of Saudi Arabia.
- 14- The club shall under all circumstances comply with the laws, regulations, directives and circulars issued by Competent Authorities.

Article (11): Club's Financial Efficiency Certificate:

The Committee shall, twice a year prior to player registration periods, award a financial efficiency certificate to the club that generates revenues that are balanced with its expenses during the year; and performs its contractual and financial obligations when they fall due according to these Regulations, laws, regulations and directives issued by the Competent Authorities. Where the club is not entitled to receive financial efficiency certificate; the Committee may impose one of the penalties provided for under Article (20) hereof.

Chapter VI: Liabilities & Duties

Article (12): Legal Liability of Club Board of Directors and Chief Executive Officer (CEO):

The Board of Directors shall be jointly liable for performing all financial liabilities arising from the club activities including settlement of rights and liabilities resulting from violation of the provisions hereof, decisions or directives issued by the Ministry or where the club exceeds its approved budget and relevant additional funds during the period of its management of the club without prejudice to the joint liability of the previous board of directors for the settlement of any liability or debts during their tenure in connection with the above works without prejudice to the joint liability. Every board member and the CEO shall be personally liable for the decisions or acts made thereby where the said decisions or acts may adversely affect the club's interests, funds and the like. The said acts and decisions include:

- 1- Execution of the contracts, instruments, releases or settlements the value of which exceed the annual budget of the club; and
- 2- Assignment of present or future rights of the club without obtaining the Ministry's consent.

Article (13): External Auditor:

Whilst contracting with an external auditor; the club shall comply with the following conditions:

- 1- The auditor shall not be a club member;
- 2- The auditor shall be licensed by Saudi Organization for Certified Public Accountants (SOCPA);
- 3- The auditor shall be a chartered accountant and auditor;
- 4- The auditor shall not have a direct or indirect interest that may conflict with the interests of the club; and
- 5- The auditor shall not be related by blood or marriage to the fourth degree or have any contractual relation with a club board member.

Article (14): Duties of the External Auditor:

The Auditor shall:

- 1- Review the audited financial statements according to the International Standards of Auditing approved in the Kingdom of Saudi Arabia for financial reporting;
- 2- Audit the club's annual accounts; and develop the reports stating whether the financial statements of the club clearly and fairly express the financial position of the club and its performance in terms of the material aspects;
- 3- Prepare Management Letters;
- 4- Exercise due diligence to perform his work and be liable for making good the damage that the club or third parties may suffer due to errors in his work. Where there are multiple chartered accountants who participated in the error; they shall be held jointly liable for the same;
- 5- Report to the Competent Authorities and the Committee where the Board of Directors fails to take the appropriate actions concerning the suspicious issues submitted thereby so that the Ministry can take proper actions in accordance with its powers or refer the issue to the Competent Authorities where necessary.

Article (15): Internal Auditor:

Sports clubs shall appoint an independent internal auditor to verify and audit all internal departments and divisions; inventory and report all violations (if any); monitor whether the club complies with the financial plans; analyze and assess documents and financial statements; manage risks; control all internal audits; make proposals concerning financial and administrative risks and resulting costs; and prepare a periodic report to the Audit Committee.

Article (16): Financial Efficiency Committee Structure:

- 1- The Financial Efficiency Committee consists of a chairman and at least four members representing the Ministry of Sports, Saudi Arabian Federal Association, Saudi Professional League, and a secretary. A decision concerning formation thereof shall be issued by the Minister of Sports.
- 2- The Committee shall report to the Controller General on the Club Support Strategy.
- 3- The Committee Chairman shall be specialized in accounting or law.

- 4- A Committee member shall hold at least a bachelor degree in law or equivalent thereof.
- 5- A Committee member shall hold at least a bachelor degree in accounting.
- 6- The Committee shall set the timings of its meetings, the manner it conducts its works and the assistant administrative staff.
- 7- The Committee shall meet twenty-four (24) times per Fiscal Year and where necessary, as the Committee Chairman deems appropriate, or where at least one third of members so requests. The Committee Chairman may, as he may deem appropriate, delegate any representative of the Competent Authorities to preside over meetings in his absence.
- 8- The Committee meetings shall not be deemed valid unless attended by majority of its members including the Committee Chairman or whoever he deputizes. Resolutions shall be passed upon majority votes of the present Committee members. Where there is a tie; the chairman shall have the casting vote.
- 9- The member may not abstain from voting or delegating another member to vote on his behalf. The member may record his objection and causes thereof in the Committee resolution minutes.
- 10- The Committee may agree that any or all its members attend the meeting by modern means of communication.
- 11- In emergency cases; the Committee Chairman may take the approval of the Committee members on any urgent resolution by circulation via email or other means of communication. This resolution shall be in full force and effect based upon the consent of the majority of the Committee members provided that the said resolutions are presented to the Committee at the first meeting thereof for approval.
- 12- The Minister of Sports may terminate the membership of any member in the event of absence for four consecutive meetings or six sporadic meetings in one sports season without an acceptable reason, or where the public interest so requires.

Article (17): Independence of the Financial Efficiency Committee:

- 1- The Committee shall be fully independent in its resolutions and recommendations.
- 2- The Committee members may not be employees of the club.

Article (18): Confidentiality:

Committee members may not, by any means whatsoever, disclose or divulge any information they come across during their service in the Committee.

Article (19): Conflict of Interests:

- 1- Committee Chairman and members may not take part in the Committee meetings where:
 - a- The member has a direct or indirect interest in the outcome of the subject of the meeting;
 - b- The member is a relative of the second degree with any party to the proposed issue or has a contractual relationship with him.
 - c- Any other conditions or factors arise and may affect the neutrality of the member concerning the subject presented for discussion or voting.
- 2- The member shall notify the Committee Chairman of any circumstances that may affect his neutrality.
- 3- The interested parties may object to neutrality of any member provided that the said objection is made in writing to the Committee Chairman within forty-eight (48) hours following taking notice of the grounds of objection.
- 4- The Committee Chairman shall decide on the objection within seventy-two (72) hours from the objection submission date provided that the resolution is grounded.

Chapter VII: Penalties and Conditions thereof

Article (20): Penalties:

- 1- Where the club or an employee thereof has violated the provisions hereof; failed to provide the necessary information or documents or submitted false information or documents; has not cooperated with the Committee or complied with the time limits for submission what is required therefrom; or has not obtained the financial efficiency certificate; the Committee shall, as it may deem appropriate, apply one or more of the following penalties:
 - a- Written notice;
 - b- Temporary suspension of payment subject to renewal;
 - c- Total or partial deduction from the support offered by the Ministry; and
 - d- Termination of the Financial Efficiency Certificate following issuance thereof.
- 2- The Committee member may request the documents related to violations submitted thereto to conclude the procedures according to the powers of the Committee represented thereby.
- 3- The Committee, in light of its competency, may issue corrective resolutions in cases that do not require penalties to remedy errors and direct the relevant parties concerning what to do or what to avoid to ensure good quality of service.

Article (21): Notice of Resolutions:

- 1- The Committee shall notify the competent parties with its resolutions.
- 2- The resolutions shall be effective as of service of notice thereof.
- 3- The resolutions and letters sent to the club's approved email shall be deemed to have realized its legal impact once it has been delivered.

Article (22): Requesting Review of the Resolution:

- 1- Any of the parties may request review Committee resolution within a maximum of three (3) days following date of notice thereof if facts or evidence have not been discovered or have not been accessed prior to the issuing of the resolution; provided that the said party has not remised in submitting these facts and evidence or if he could then have done so.
- 2- The Committee shall decide whether or not to accept the request for review and its decision shall be final and binding.

Article (23): Final Resolutions:

Subject to the provisions of Article (24); the Committee's resolutions shall be held final and binding and no objection may be made thereto before the Saudi Sports Arbitration Center.

Chapter VIII: General Provisions

Article (24): Actions to be taken where these Regulations are silent:

- 1- Where these Regulations are silent; the Committee may refer for guidance to the relevant regulations and directives in a manner commensurate with the nature of the cases presented to the Committee.
- 2- The Committee may consider and decide on the cases where there is no provision in the light of the laws, local or international regulations, equity or judicial precedents.

Article (25): Approved Language:

The Arabic language is the approved language for all actions and documents provided for under these Regulations. Any party wishing to submit documents executed in a foreign language shall attach therewith a certified translation thereof into Arabic.

Article (26): Regulations Approval & Validity:

- 1- These Regulations shall be issued by a decision of the Minister of Sports and Chairman of the Saudi Arabian Olympic Committee.
- 2- Upon their issuance and approval; these Regulations shall enter into force as of the date they are electronically published by any means of publication.