The IFR's Draft Licensing Guidance

Response by Economic Insight

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Summary of the IFR's proposed financial regulations

In March 2026, the Independent Football Regulator (IFR) opened its second consultation on the proposed licensing regime for football clubs competing in the top five divisions of English football. The regime is intended to promote "*clubs' financial soundness and the systemic resilience of English football, and safeguard… the cultural heritage of the game*."[1] Central to the regime is the requirement for all clubs to hold a full IFR licence in order to compete. Draft guidance on the requirements that clubs must satisfy to obtain a full IFR licence was published alongside the consultation.

The guidance further sets out certain financial regulations clubs must comply with. This incorporates a mandatory licensing condition on the reporting of financial plans, and a threshold requirement that clubs maintain '*appropriate financial resources*'. In determining whether a club has said resources in practice, the IFR will adopt a proportionate, risk-based approach that reflects clubs' individual circumstances and risks, rather than imposing a one-size-fits-all assessment. That is to say, the IFR will exercise a degree of judgement for each individual club as to both: (i) '*what*' is measured (i.e., the choice of metrics used to measure financial resources); and (ii) '*how much*' resource is appropriate (i.e., having determined appropriate metrics for a club, the IFR will similarly consider what the threshold should be for each, also on a club-specific basis).

The IFR will make its appropriateness assessment using a two limbed approach.

- **Limb one:** assesses whether a club's financial resources can meet its anticipated financial commitments, and manage key financial risks, under normal operating conditions. Clubs must consider all factors material to their overall financial position, and all risk factors including (but not limited to) their: business model; liquidity/cash flow; solvency and debt; and governance.

- **Limb two:** assesses whether a club's financial resources are such that it would remain *"financially resilient"* and *"operationally viable"* in stressed scenarios. Clubs are required to consider three core (mandatory) scenarios: (i) 10% reduction in annual income; (ii) relegation; and (iii) removal of a club's main source of external funding. Additionally, clubs may choose (or be required by the IFR) to develop and undertake bespoke stress tests to consider additional risks. The IFR has some flexibility in how it interprets the results of any scenario, in part due to it choosing not to impose strict definitions of *financially resilient* or *operationally viable.*

We recognise the opportunities (but also risks) raised by the introduction of a regulatory framework for football. Given our experience of advising extensively on regulatory incentives in other industries, we are pleased to offer this short submission by way of a response to the IFR's latest consultation. This note addresses consultation question 1(b), which asks for "*comments on the IFR's proposed Licensing Guidance, in relation to… Chapter 2 (Financial Regulation).*" In turn, we set out our:

(i) key reflections on the IFR's proposed approach to financial regulation; and

(ii) thoughts on potential refinements to the guidance that might help better secure the intended aims.

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[1] *'IFR Guidance Licensing – Draft'. IFR (March 2026); page 2.*

Our key reflections on the IFR's proposed approach to financial regulation

We support the IFR's overarching proposed approach to financial regulation (a supervisory, principles-led approach that is sufficiently flexible as to reflect clubs' individual circumstances). However, at present, we consider that the specific proposals for risk assessment are somewhat at-odds with the IFR's broader framework, in that the risk analyses may not, in-fact, properly capture variation in risk factors across clubs. In turn, this could result in an inconsistent understanding and measurement of risk across clubs, meaning that the IFR and clubs do not get the quality of information they ideally need. Specifically:

- **The currently proposed core stress tests hold clubs to inconsistent standards of risk measurement and management.** This is because the core stress tests are based around certain pre-defined events that are commonly applied to each club, even though the probability (and impact) of that risk occurring likely varies greatly club-to-club. For instance, the income shock stress test applies a uniform reduction in a club's annual income (10%) to all clubs, regardless of the extent to which their income is relatively diversified or non-diversified, secure or unsecure. This, in effect, holds clubs with more diversified, less volatile, income to a higher standard of risk management, requiring them to remain financially resilient and operationally viable under relatively lower probability (and more extreme) downside shocks. For example, a 10% reduction in *total* income would, for a more diversified, large Premier League club, likely require an extreme, low probability event, such as a prolonged stadium closure (or for multiple adverse financial risk factors to crystalise concurrently). By contrast, for smaller, less diversified clubs (with a high reliance on matchday revenues), a 10% reduction in total revenue might easily arise due to natural variation in attendances, travel disruption, and so on. Additional stress test scenarios would not resolve this issue, as they merely add overlays over and above risks captured under the core scenarios (and so would not correct the implicit variation in risk measurement and management that will arise under the current proposals).

- **Ambiguity in the current guidance on the financial position that must be maintained under the scenarios risks clubs being held to inconsistent standards.** The guidance sets out that clubs must remain *"financially resilient"* and "*operationally viable*" in stressed scenarios, but does not specify what is meant by either of these terms in detail. This lack of clarity makes it challenging for clubs to understand the standard they are expected to achieve when running scenarios. Clubs may therefore apply differing interpretations: some clubs may take a more cautious approach than intended by the IFR, and so hold themselves to higher standards than would be optimal, whereas the reverse may be true for other clubs. This concern is separable from the IFR's flexible approach to determining the measures of (and thresholds for) appropriate financial resources, where we agree with the IFR's flexible club-specific approach. Rather, the point is that, even if the 'right' choice of financial metrics and thresholds for assessing financial resources should vary by club, one should nonetheless be able to define the *concepts* of resilience and viability somewhat more precisely. Without this, there is a risk of inconsistent risk management standards being adopted/enforced across clubs (for reasons unrelated to genuine variations in club business models and risks). Indeed, in other regulatory contexts, questions as to *what* is meant by 'financeability' and any 'financing duty' (and what these require) have historically been contentious matters, leading to regulatory appeals.[2]

Our main reflection on the above is that ensuring the financial regulations align with the IFR's regulatory principle of "*tailored but consistent*"[3] is important, as holding clubs to inconsistent

[2] *For example, in Wales & West Utilities v CMA [2026] EWHC 99 (Admin), Ground 2, where the Administrative Court held that the relevant energy legislation required Ofgem to consider the financing needs of each individual company rather than companies on a collective basis by reference to a 'notional' (hypothetical) company.*

[3] *'Fact sheet - the Independent Football Regulator'. Department for Culture Media and Sport (March 2024).*

standards could risk distorting competition between clubs. Therefore, the key is to find a way to achieve this consistency, whilst (rightly) having a tailored approach that reflects both differences in club business models, but also in their capacity to engage with the new layer of regulation.

Our thoughts on potential refinements to the guidance

Changes to the proposed core stress tests

We think it may be beneficial for the IFR to refine its approach to the core stress test scenarios, and (in order to achieve a consistent approach that recognises variations in club risk factors) adopt a more probabilistic framework. The main benefit of this is that it will hold clubs to a more coherent and consistent standard of risk measurement and management. This could be achieved by:

- **Defining a common downside risk threshold based on probability (rather than event-based scenarios).** The IFR could define a consistent risk threshold that sets out the likelihood of a downside shock that clubs must be able to withstand, while remaining financially resilient and operationally viable. For example, if this threshold were set at a one percent annual probability, clubs would need to be resilient to any event/scenario that has more than a one-in-100-year chance of occurring, based on their individual circumstances. This would have the benefit of encouraging clubs to carefully consider what specific risks (events) are most relevant to them, in the context of plausible downside financial shocks. The threshold should be set at a level which balances the need to promote sustainable club management, while not impeding legitimate business models, inhibiting the international competitiveness of English clubs.

- **Modelling clubs' individual risk profiles.** Clubs could be encouraged to assess their own individual risk profiles as part of demonstrating they would remain financially resilient and operationally viable to any downside shock (with a probability greater than the common risk threshold, as above). For instance, with a one percent risk threshold, clubs could be required to provide *evidence* that resilience and viability would be achieved for all events with a greater than one-in-100-year chance of occurring. Best practice approaches could be encouraged and shared, to ensure any analysis reflects how clubs act in the real world. This could include recognising that risks are not simply '*on*' or '*off,*' but can vary in their severity (e.g., sponsorship revenue could decrease by different amounts), and that risks are often interconnected (e.g., a fall in sponsorship revenue may often occur alongside a fall in broadcasting revenue).

The above refinements could, in our view, help ensure clubs are held to a more consistent standard of risk measurement and management; ensuring their individual circumstances are accurately reflected. Further, by encouraging clubs to adopt best-practice, both the clubs and the IFR will have better information as to the 'true' risks they face and the consequences of them occurring. This would be an improvement, relative to relying on generic stress test scenarios that may not align with clubs' operating realities. Taken in the round, these refinements would support more effective risk mitigation and strengthen financial resilience across the industry over time, to the benefit of all.

Changes to increase the clarity of aspects of the draft guidance

While we recognise and support the IFR's approach of avoiding a one-size-fits-all method for measuring (and setting thresholds for) financial resources, it would be beneficial for the IFR to provide some further detail as to what it means (conceptually) for a club to be *financially resilient* and *operationally viable*. This is because, as noted above, without more clarity clubs may apply differing interpretations, meaning that the minimum level of financial performance/resource they deem to be consistent with these terms varies.

The IFR could mitigate this problem by offering its definition of these terms, in a way that remains entirely consistent with the measures (and appropriate levels) of financial resources, varying across clubs. For example, to give a sense of the increased clarity we think the IFR could consider providing, one could frame the terms along the following lines:

- **Financial resilience:** the ability of a club to withstand and recover financially from adverse shocks. That is, a club would generally be deemed to be financially resilient if, under the stressed scenarios, it is able to: (i) meet its ongoing obligations (cover operational costs, make debt repayments, etc) over a predefined time horizon; and (ii) retain access to debt and equity capital, such that it can recover its financial position over the long-term.

- **Operational viability:** the ability of a club to keep operating in practice. This could be defined as meaning the ability of a club to continue to carry out the activities that would be reasonably expected of it (e.g., fielding a team in competitions; providing suitable facilities to host games etc…) whilst in stressed scenarios.

The IFR could also consider the merits of developing *'best practice guidance'* as to what good evidence looks like in terms of how clubs can demonstrate that the above conditions are met in practice. Collectively, we think these refinements could help reduce the inconsistency risk, but without infringing on the flexibility of the regime to reflect clubs' individual circumstances.

In closing, we hope this submission is helpful and appreciate the opportunity to offer our thoughts on the IFR's current proposals for consultation.

With thanks to Norton Rose Fulbright LLP for their review of, and input into, this submission.

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