

Settlement Agreement

This Settlement Agreement is made between:

The Chief Investigator of the UEFA Club Financial Control Body

(the "Chief Investigator")

and

The Football Federation of Armenia

("FFA" or the "Licensor"),

each a "Party" and together the "Parties".

On 25 September 2019, the UEFA Administration informed FFA of the decision of the UEFA Club Financial Control Body ("CFCB") Investigatory Chamber to conduct a compliance audit on the Licensor, whose aim was to ensure that FFA as well as its affiliated clubs have fulfilled their obligations under the *UEFA Club Licensing and Financial Fair Play Regulations* ("CL&FFP"), in particular with regard to the "three-year rule" as defined in Article 12(2)(3) of the CL&FFP, and that the licences required to enter the 2019/20 UEFA club competitions were correctly awarded by FFA.

The compliance audit performed on FFA highlighted, with regard to the three clubs (FC Pyunik, FC Lori, FC Ararat-Armenia), that some material changes occurred in the last three years preceding the 2019/20 licence season which would qualify as an interruption of the "three-year rule" as defined in Article 12(3) of the CL&FFP and, as a result, would have required the submission of an exception request by FFA as per Annex I of the CL&FFP. Moreover, the CFCB Investigatory Chamber noted that these material changes impacting the legal form, legal group structure and/or identity of the above-mentioned three clubs were not properly reported by FFA to UEFA, thus breaching Article 6 (2) (d) of the CL&FFP.

The findings of the compliance audit have been provided to the Licensor.

In connection with the compliance audit and in accordance with Articles 14 (1) (b) and 15 of the *Procedural Rules governing the UEFA Club Financial Control Body* ("Procedural Rules"), the Parties have agreed to enter into this Settlement Agreement on the terms set out below.

With regard to Article 15 (1) of the Procedural Rules, the Chief Investigator, having consulted with the other members of the CFCB Investigatory Chamber, considers that the circumstances of the present case justify the conclusion of a settlement because:

- Requirements and obligations can be included in a settlement that will impose specific measures and put the Licensor under a special regime in order to ensure proper licensing processes and correct granting of licences in compliance with the CL&FFP.

- The Licensor has taken steps to bring itself into compliance with the CL&FFP and a number of corrective actions have already been implemented by the Licensor, i.e.
 - The Licensor has regularly contacted the UEFA Administration regarding changes that occurred to the legal form/legal group structure/identity of clubs in respect of the three-year rule (two exception requests were submitted to UEFA and were granted by the CFCB Investigatory Chamber);
 - The Licensor has initiated amendments to its Statutes and national club licensing regulations regarding the definitions of the "FFA membership" and the "licence applicant";
 - The Licensor's Professional Football Competitions Regulations shall be modified in order to restrict the possibility to change a club's name; and
 - Starting from the 2020/21 licence season, the Licensor will implement domestic club licensing for its second division.

Further, in light of these circumstances, the Chief Investigator considers this Settlement Agreement to be effective, equitable and dissuasive for the purposes of Article 15 (1) of the Procedural Rules because:

- The Licensor's satisfaction of the requirements and obligations voluntarily accepted by it in this Settlement Agreement will be "effective" in ensuring that, within the next licence seasons, the Licensor, as well as its affiliated clubs, fulfil their obligations as defined in the CL&FFP, thereby pursuing the objectives of the CL&FFP without referring the case to the CFCB Adjudicatory Chamber.
- Moreover, this Settlement Agreement gives the Licensor the opportunity to comply with the CL&FFP by following a structured set of specific obligations which have been individually tailored to the situation of the Licensor and which will be monitored by UEFA.
- In particular, the obligations set out in Article 3.2 of this Settlement Agreement require the Licensor to amend its relevant rules and regulations to ensure in particular that all requirements in respect of the "licence applicant" and the "three-year rule" are reflected in the applicable national regulations of the Licensor, especially in the national club licensing regulations.
- The obligations set in Article 3.3 enable the Licensor and its affiliated clubs to have more legal certainty and legal predictability regarding the application of the "three-year rule".
- Further, the obligations set in Article 3.4 require the Licensor to prepare and provide in writing clearly motivated decisions in respect of the "three-year rule".
- The obligations set out in Article 3.5 of this Settlement Agreement require the Licensor to provide UEFA with yearly status reports on the implementation of the "three-year rule", thus allowing UEFA to monitor the situation of the clubs affiliated to the Licensor.

- The obligations and requirements set out in this Settlement Agreement are “equitable” and consistent with the objectives of the CL&FFP.
- Further, this Settlement Agreement recognises that the Licensor did not comply with the CL&FFP, in contrast to the vast majority of the other licensors. In this regard, the obligation set out in Article 4 of this Settlement Agreement requires the Licensor to pay a financial contribution.
- In addition, the obligation set out in Article 5 of this Settlement Agreement, which requires the Licensor to submit progress reports and conduct self-assessment procedures, allows UEFA to regularly monitor the Licensor’s performance.
- This Settlement Agreement is “dissuasive” in that it can reasonably be expected to deter the Licensor from failing to comply with the CL&FFP in the future.

By entering into this Settlement Agreement, the Licensor acknowledges and agrees that it is providing its “consent” for the purposes of Article 14 (1) (b) of the Procedural Rules.

Therefore, the Parties agree upon the following provisions:

1. Subject and Purpose of this Settlement Agreement

- 1.1. The present Settlement Agreement sets out the specific rules that the Licensor has to implement in order to ensure proper licensing processes. The activities of the Licensor will be strictly monitored for a probationary period (“Settlement Regime”). The Settlement Regime shall cover three licence seasons, i.e. 2020/21, 2021/22 and 2022/23.
- 1.2. The overall objective of the Settlement Agreement is to ensure that the Licensor, as well as its affiliated clubs, fulfil their obligations as defined in the applicable CL&FFP, in particular in respect of the “three-year rule”, and that the licences necessary to enter the UEFA club competitions (“UEFA Licences”) are correctly granted by the Licensor.
- 1.3. Moreover, the Settlement Agreement includes specific obligations covering the areas of the UEFA Club Licensing System to be fulfilled by the Licensor as defined in Article 3.

2. The Licensor and the UEFA Club Licensing System

- 2.1. The Licensor acknowledges that it failed to adequately apply and monitor the “three-year rule” as defined in Article 12 of the CL&FFP. In particular, material changes impacting the legal form, legal group structure and/or identity of three of its affiliated clubs, which occurred in the three years preceding the 2019/20 licence season, were not properly reported to UEFA, thus breaching Article 6 (2) (d) of the CL&FFP. These material changes would qualify as an interruption of the “three-year rule” as defined in Article 12 (3) of the CL&FFP and, as a result, would have required the submission of an exception request by FFA as per Annex I of the *CL&FFP*.

- 2.2. As such, the Licensor did not properly apply the requirements of the UEFA Club Licensing System.

3. Specific obligations

- 3.1 The Licensor undertakes and agrees to implement the following activities during the whole duration of the Settlement Regime:

- 3.2 Amendments to the Licensor's rules and regulations as defined in Article 5 (3) of the CL&FFP

- i. For each licence season of the Settlement Regime, the Licensor must ensure that all applicable provisions defined in the CL&FFP are integrated into its national club licensing regulations.
- ii. Moreover, in the framework of Article 3.2 (i) above, at the latest by the end of the 2020/21 licence season, the Licensor must clearly define the "licence applicant" and the "three-year rule" in strict line with Article 12 of the CL&FFP.
- iii. The national club licensing regulations of the Licensor, duly in line with Article 3.2 (i) and (ii) above and duly approved by the competent body of the Licensor, must be submitted to UEFA by 31 December of each licence season of the Settlement Regime.
- iv. If applicable, relevant amendments must also be made to the other rules and regulations of the Licensor, in which the "licence applicant" and the "three-year rule" are defined or referred to (e.g. the Licensor's statutes, club competition regulations, etc.).

- 3.3 Licensor's assessment procedures in respect of the three-year rule as defined in Article 12 of the CL&FFP

- i. At the latest by the end of the 2020/21 licence season, the Licensor must specify, within its national club licensing regulations and/or other sets of rules and regulations, the specific elements which trigger the interruption of the licence applicant's FFA membership or the licence applicant's contractual relationship with an FFA member in case of:
 - (a) changes to the club identity of the licence applicant,
 - (b) transfer of football activities from one legal entity to another,
 - (c) transformation of legal form of the licence applicant, and
 - (d) changes of legal group structure of the licence applicant.
- ii. The specific elements mentioned in Article 3.3 (i) must be communicated to all the clubs affiliated to FFA before the start of the licensing process.

- 3.4 Licensor's assessment and decision on all applicable cases of three-year rules, including any changes regarding the legal form, legal group structure or identity of a licence applicant
- i. At the latest by the end of the 2021/22 licence season, the Licensor's competent decision-making bodies must assess and decide on the licence applicant's fulfilment of the three-year rule, including cases of changes to the club identity (including headquarters, name or colours), transfer of football activities from one entity to another, transformation of legal form of a licence applicant, and changes to the legal group structure of a licence applicant.
 - ii. For any changes mentioned in Article 3.4 (i) above, the Licensing Manager of the Licensor (or another member of the Licensor's licensing administration) must submit to the Licensor's competent decision-making bodies a complete report and provide a recommendation in respect of the decision to be taken by the competent decision-making bodies regarding the fulfilment of the three-year rule.
 - iii. Any decision by the Licensor's competent decision-making bodies must be motivated in writing.
- 3.5 Licensor's submission to UEFA of yearly status of clubs regarding the three-year rule
- i. For each licence season of the Settlement Regime, the Licensor must notify to UEFA, in the form and by the deadlines communicated by the UEFA Administration, any changes that took place in the preceding 36 months in respect of the legal form, legal group structure or identity of all clubs belonging to the FFA top division.
 - ii. When such changes interrupt the concerned licence applicant's FFA membership or the licence applicant's contractual relationship with an FFA member, an exception request on the non-applicability of the three-year rule must be submitted to the CFCB Investigatory Chamber by FFA on behalf of its concerned club within the deadline set by the UEFA Administration.

4. Financial contribution

- 4.1 The Licensor agrees to pay a financial contribution of up to € 250'000 (equal to a maximum annual incentive payment allocated to each UEFA member association for implementing and applying the CL&FFP) in the manner set out below:
- i. Fixed financial contribution of € 50'000 will be permanently withheld from the incentive payments allocated to the Licensor for the implementation and application of the CL&FFP in the following way:
 - €50'000 from payments to be made in the 2021/22 licence season.

- ii. Furthermore, in case of failure to comply with any of the specific obligations set out in Article 3, additional conditional financial contributions of up to €200'000 will also be permanently withheld from the incentive payments due for the same season in the following manner:
 - for each unfulfilled obligation defined in Articles 3.2 to 3.5 in any of the licence seasons as from 2020/21, a financial contribution of € 50'000 will be permanently withheld; and
 - the total amount of the conditional financial contribution during the Settlement Regime cannot exceed € 200'000.

5. Progress Reports

- 5.1 The Licensor commits to submit progress reports to the CFCB Investigatory Chamber (within the deadlines set by the UEFA Administration) concerning its compliance with the overall objective and all relevant obligations as defined in Articles 1.2 and 3.2-3.5.
- 5.2 In its progress reports, the Licensor undertakes to provide clear information concerning the fulfilment of its obligations pursuant to this Settlement Agreement.
- 5.3 The Licensor also commits to perform self-assessments by completing the relevant club licensing checklists with regard to its clubs qualified for the UEFA club competitions. The checklists have to be completed annually on the basis of the club licensing documentation upon termination of the licensing process.

6. Consequence of Coming into Compliance with the Settlement Agreement

- 6.1 Compliance with the Settlement Agreement will be subject to on-going monitoring in accordance with the applicable rules.
- 6.2 The Licensor will be subject to assessment visits (e.g. compliance audits) and in-depth annual reviews on an annual basis covering the three licence seasons of the Settlement Regime.
- 6.3 The Licensor shall exit the Settlement Regime by the end of the licence season 2022/23 if the overall objective is met during the whole duration of the Settlement Regime.

7. Consequences of Non-compliance with the Settlement Agreement

- 7.1 If the Licensor fails to comply with overall objective of this Settlement Agreement, the Chief Investigator shall refer the case to the CFCB Adjudicatory Chamber in accordance with Article 15 (5) of the Procedural Rules.
- 7.2 Moreover, the referral to the CFCB Adjudicatory Chamber is foreseen if the Licensor does not provide on time the necessary documentary evidence enabling the CFCB Investigatory Chamber to assess the compliance of the Licensor and its affiliated clubs with the overall objective of this Settlement Agreement.
- 7.3 The CFCB Adjudicatory Chamber may take any of the decisions and measures indicated in Article 27 of the Procedural Rules, including imposing disciplinary measures as foreseen in Article 29 (1) of the Procedural Rules.

8. Varia

- 8.1 All terms used in this Settlement Agreement shall have the same meaning as defined in the applicable UEFA rules, in particular the applicable CL&FFP.
- 8.2 This Settlement Agreement is primarily governed by the applicable UEFA Statutes, rules and regulations and, subsidiarily, Swiss law.
- 8.3 The Licensor remains subject to the club licensing requirements set out in the applicable CL&FFP throughout the Settlement Period.
- 8.4 This Settlement Agreement shall expire when the Chief Investigator confirms that the Licensor has fulfilled the overall objective of this Settlement Agreement (as per Article 6) or if the CFCB Adjudicatory Chamber specifically decides to terminate the Settlement Regime because of a breach by the Licensor of this Settlement Agreement (as per Article 7).
- 8.5 The Licensor is aware that the decision of the Chief Investigator to conclude this Settlement Agreement may be reviewed by the CFCB Adjudicatory Chamber in accordance with Article 16 of the Procedural Rules.
- 8.6 The Licensor is further aware that final decisions of the CFCB may be appealed only before the Court of Arbitration for Sport ("CAS"), in Lausanne (Switzerland), in accordance with the relevant provisions of the applicable UEFA Statutes, pursuant to Article 34 (2) of the Procedural Rules.
- 8.7 Any dispute relating to this Settlement Agreement, including to its validity, its compliance and its interpretation shall be decided by the CFCB. When all legal remedies within UEFA have been exhausted, CAS has exclusive jurisdiction to decide.
- 8.8 Publication of this Settlement Agreement is regulated in accordance with the Procedural Rules with due respect for confidentiality of information.