

What you need to know about the new CFA policies – Brief comment on the Notice of the Chinese Football Association on the policy adjustment of the 2020 professional league

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On 31 December 2019, the Chinese Football Association (“CFA”) issued a set of policies¹ (“Policies”) that will apply to Chinese professional leagues (i.e. Chinese Super League – “CSL”, China League One – “CL1” and China League Two – “CL2”) from the season 2020 onwards.

The present document will resume the content of the documents available at this stage and includes as well some comments from the authors.

1. Foreign quota and list of players for official competitions

The CFA has amended the rules on the so called foreign quota, which shall be applicable as from the season 2020 in China. According to the Policies, CSL clubs can register a total of seven foreign players during one season. However, a maximum of six foreign players can be registered simultaneously with a club. Then, only five of

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¹ Available in Chinese at <http://www.thecfa.cn/ltz/20191231/28445.html>

these players can be included in the list for any official match organized by the CFA² and a maximum of four foreign players can be fielded together during an official game.

With regards to second division, CL1 clubs can register a total of four foreign players during one season and the same number of foreign players can be registered simultaneously with a club. Then only three of these players can be included in the list for any official match organized by the CFA and a maximum of two foreign players can be fielded together during an official game.

Then the new Policies set new requirements for clubs for the registration of players in professional leagues in the season 2020:

- CSL clubs can register from a minimum of 18 to a maximum of 30 players. At least 3 players shall be U-21³ Chinese players⁴ and maximum 5 foreign players. Then, each club can cumulatively register a maximum of 40 players per season;
- CL1 clubs can register from a minimum of 18 to a maximum of 30 players. At least 2 players shall be U-21 Chinese players⁵ and maximum 3 foreign players. Then, each club can cumulatively register a maximum of 40 players per season;
- CL2 clubs can register from a minimum of 18 to a maximum of 27 players. At least 5 players shall be U-21 Chinese players. Then, each club can cumulatively register a maximum of 32 players per season.

Moreover, CSL, CL1 and CL2 clubs can include in the 18 player's roster of each game two U-21 players with whom they have signed professional contracts, even if those U-21 players are not formally registered for the league.

FOREIGN QUOTA CHART

DIVISION	REGISTERED PER SEASON	REGISTERED WITH THE CFA	REGISTERED FOR OFFICIAL COMPETITIONS	FIELDIED IN A MATCH
<u>CSL</u>	7	6	5	4
<u>CL1</u>	4	4	3	2

(no foreign players in CL2)

² Therefore, there is a 6th foreign player, who cannot participate in official competitions with the first team, being only able to participate with the reserve team of the club. Then, the club can amend the list of players who participate into official competitions during the transfer windows.

³ Intended as those player born after 1 January 1999.

⁴ For the purpose of fostering the training of young players within professional clubs and avoiding clubs signing young players merely to comply with this rule, it is specified that the club should have executed the right of signing the first professional contract for those U-21 players registered for official competitions.

⁵ See footnote 3 *supra*.

LIST OF PLAYERS FOR OFFICIAL COMPETITIONS CHART

DIVISION	NUMBER OF PLAYERS	U-21 CHINESE PLAYERS	FOREIGN PLAYERS	TOTAL NUMBER OF PLAYERS IN THE SEASON
<u>CSL</u>	18 min – 30 max	3	5	40
<u>CL1</u>	18 min – 30 max	2	3	40
<u>CL2</u>	18 min – 27 max	5	X	32

Naturalized players vis-à-vis Foreign quota

With the purpose of enhancing the performances of the Chinese national team, in 2019 several football players - whether they have Chinese origins or have been resident in China for more than 5 years and thus comply with the rules set by FIFA⁶ – obtained the Chinese nationality.

As rumors have spread about further naturalization of foreign players for the season 2020, the CFA decided to regulate this matter and determined that naturalized players who:

- (i) are born in Mainland China; or that
- (ii) have their biological parents or grandparents born in Mainland China;

will be deemed as domestic players in the CFA competitions. Therefore, they will not occupy any spot of the foreign quota established in their respective leagues.

Then, the Policies provide an exception only for CSL clubs, allowing those clubs to register one naturalized player out of the foreign quota, when complying with one of the following conditions:

- i) the player has acquired the Chinese nationality through the five years rule; or
- ii) the player is eligible to play for the Chinese national team.⁷

Therefore, the CFA has distinguished between naturalized players with Chinese heritage and naturalized players through the five years rule, limiting the possibility for CSL clubs to register only one of the latter category out of the foreign quota.

⁶ As explained in our previous article “*Eligibility & Change of Association - An Insight to FIFA Regulations*” available at: <https://mp.weixin.qq.com/s/7iBgPZ6GV1JMNH57f7TynA>

⁷ However, condition ii) is not alternative to the five years rule or any of the conditions mentioned above. Hence, as a matter of fact a player acquiring the Chinese nationality through the five years rule, shall not occupy a spot in the foreign quota for a CSL club.

This measure was introduced to avoid CSL clubs registering several naturalized players without Chinese heritage in addition to foreign players, thus circumventing the foreign quota rules. In addition, the registration status of these naturalized players cannot be changed during the season.

2. Salary cap

One of the main innovations of the new Policies is the introduction of salary caps for Chinese professional clubs, with different caps for domestic and foreign players.

By means of these rules, the CFA intends to tackle the excessive expenditure of Chinese professional clubs and harmonize it with the income generated by the football industry, as during the last years several Chinese clubs faced financial difficulties, with some clubs disappearing after bankruptcy proceedings or because of overdue payables, among other reasons.

i. Foreign players

As regards foreign players, the CFA set out that contracts entered between CSL/CL1 clubs and foreign players on or after 1 January 2020 shall not include remunerations exceeding 3 Million EUR net per year.

ii. Chinese players

With regards to domestic players, the CFA has established that contracts entered between CSL clubs and domestic players on or after 20 November 2019 shall not include remunerations exceeding 10 Million RMB gross (1.3 Million Euro gross approx.) per year.⁸

However, players who are called up to represent the Chinese national team in the AFC Asian Cup and/or FIFA World Cup (including qualifiers), are allowed to receive a remuneration increased by 20% per year (i.e. 12 Million RMB gross, or 1.5 Million Euro gross per year).⁹

iii. U-21 Chinese Players

In addition to the limitations mentioned above, the CFA has established a specific salary cap for domestic U-21 players, establishing that those contracts entered on or after 20 November 2019 shall not include remunerations exceeding 300,000 RMB gross per year (40,000 EUR gross approximately).

Such limitation includes also image rights fees, signing-on fees, house allowance, transportation, remuneration in kind, etc.

On the other hand, those U-21 players who fulfill the following criteria are exempted from the cap above:

⁸ CL1 and CL2 clubs are not affected by the salary cap on domestic players.

⁹ However, we understand this raise shall be applied on an annual basis and conditionally, depending whether the player at stake has been called up or not to represent the National team in such competitions during the relevant season.

- Players who cumulatively play more than 900 minutes in CSL and CFA Cup games;
- Players who cumulatively play more than 1800 minutes in CL1 and CFA Cup games;
- Players who cumulatively play more than 2700 minutes in CL2 and CFA Cup games.¹⁰

Other remunerations

It shall be clarified that such caps will also include other remuneration as image rights fees, signing-on fees, house allowance, transportation, remuneration in kind, stocks, bonds, etc.

In addition, the CFA will control all the commercial contracts entered between the players (both domestic and foreign players) and third parties, which shall be submitted to the CFA or to a third party authorized by the CFA. Moreover, the players and or clubs shall prove that (i) those commercial contracts are not entered between the player with a club's affiliated entity and that (ii) the value of the commercial contract is reasonable.

Otherwise, the value of the commercial contract would be considered as salary, thus included within the salary caps.

As a final remark, we consider that although naturalized players should be affected in theory by the salary cap imposed to domestic players – as they are actually Chinese citizens – the CFA should clarify this aspect so as to avoid any misunderstanding among the Chinese football stakeholders.

On the other hand, it is important to mention that collective bonuses established by the CFA for the period 2019-2021 for the whole team are NOT included in the salary cap:

Chinese Super League collective bonuses

- a) 3 Million RMB gross (390,000 EUR gross approx.) – match won in CSL and CFA Cup;
- b) 1 Million RMB gross (130,000 EUR gross approx.) – match draw in CSL and CFA Cup;
- c) 6 Million RMB gross (780,000 EUR gross approx.) – match won in AFC competitions;
- d) 2 Million RMB gross (260,000 EUR gross approx.) – match draw in AFC competitions.

China League One collective bonuses

- a) 1.1 Million RMB gross (141,000 EUR gross approx.) – match won in CL1 and CFA Cup;
- b) 300,000 RMB gross (38,500 EUR gross approx.) – match draw in CL1 and CFA Cup.

¹⁰ In case a U-21 player moves during the season, the number of minutes will be converted under the 1:2:3 rule proportion. More in details, if a player plays in CL1 400 minutes and moves to a CSL club in the middle of the season, it would be deemed as he had played 200 minutes in CSL. However, considering that there is no certainty about such events, in our view clubs during this season 2020 may only include in employment contract with U-21 players "bonus clauses" in case of achievement of such amount of minutes.

China League Two collective bonuses¹¹**First round**

- a) 300,000 RMB gross (38,500 EUR gross approx.) – match won in CL2 and CFA Cup;
- b) 100,000 RMB gross (12,900 EUR gross approx.) – match draw in CL2 and CFA Cup.

Final round

- a) 1 Million RMB gross (128,200 EUR gross approx.) – match won in CL2 and CFA Cup;
- b) 300,000 RMB gross (38,500 EUR gross approx.) – match draw in CL2 and CFA Cup.

SALARY CAP RESUME CHART

CATEGORY	SALARY CAP	NOTE
<u>Foreign players</u>	3,000,000 EUR net	X
<u>Chinese players</u>	10,000,000 RMB (1,100,000 EUR) gross	Possibility to increase remuneration of 20% for players called up for national team in AFC Asian Cup /FIFA World Cup (including qualifiers)
<u>U-21 Chinese players</u>	300,000 RMB (40,000 EUR) gross	No salary cap for players with a certain amount of minutes played during the season

COLLECTIVE BONUSES RESUME CHART

DIVISION	MATCH WON LEAGUE/CFA CUP	MATCH DRAW LEAGUE/CFA CUP	MATCH WON AFC/FINAL ROUND CL2	MATCH DRAW AFC/FINAL ROUND CL2
<u>CSL</u>	3,000,000 RMB	1,000,000 RMB	6,000,000 RMB	2,000,000 RMB
<u>CL1</u>	1,100,000 RMB	300,000 RMB	X	X
<u>CL2</u>	300,000 RMB	100,000 RMB	1,000,000 RMB	300,000 RMB

(Gross amounts)

3. Adjustment fee – “Luxury Tax”

In relation to the so-called “luxury tax”¹², since the introduction of this measure by the CFA in 2017, clubs had to pay a sum equal to the entire transfer fee paid¹³, in case of transfer fee higher than the following amounts:

¹¹ The CL2 in China is initially divided into two groups (North and South), which play the first round of 30 games. After that, the four clubs ranking in the first positions of each league play the final round of the competition in order to promote to CL1.

¹² For more details on the luxury tax see our articles on Football Legal – Issues 8 and 9 – “The transfer adjustment fee and its effects on the summer transfer window of 2017” and “One year of transfer adjustment fee”

¹³ Which would be destined for the China Football Development Foundation and used for specific purposes related to football development activities.

- Transfers of foreign players with a transfer fee above 45 million RMB (approximately 6 Million Euro);
- Transfers of Chinese players with a transfer fee above 20 million RMB (approximately 2.5 Million Euro).

From 1 January 2020 onwards, the new Policies clarify that the “tax” will only apply to the amount exceeding those limitations. For instance, if a club pays a transfer fee for a foreign player of 10 Million Euro, the “tax” will only apply on the exceeding 4 Million Euro. Therefore, the club would have to pay a total amount of 14 Million Euro for the transfer of the player, while according to the previous policies it would have paid 20 Million Euro (10+10).

4. U-21 and U-23 policies

In order to promote the participation of young Chinese players in professional competitions, the CFA established the following requirements for professional clubs:

- CSL/CL1 clubs shall field at least one U-23¹⁴ player during the whole duration of each game;
- CL2 clubs shall field at least one U-21 player during the whole duration of each game;¹⁵

Then, in case U-23 players are called up by any category of the Chinese national team, CSL and CL1 are released from compliance with this rule during the time the player is absent. It seems there is no exception for CL2 clubs as regards the U-21 rule.

5. Restrictions on the number of transfers

All professional Chinese clubs are subject to a limitation of 5 transfers inbound of domestic players per season, being the transfers of U-21 players excluded from this limitation.

In addition, under the condition that a Chinese player was previously registered for such club, the transfer of the following players will not be included within such limitation:

- Chinese players who return to China from a foreign association;
- Chinese players who were transferred out by the concerned club when they were U-21;
- Chinese players with whom the club had the right to sign the first professional contract.¹⁶

6. Reserve League – U-23 League

During the season 2020, the reserve league of the CSL will maintain the same structure, being all players - including those registered with the club but not in the league – entitled to participate in this league (including foreign players).

¹⁴ Intended as those player born after 1 January 1997.

¹⁵ Previously the clubs were just required to field one or some U-21 or U-23 players during the games (without any specific requirement of time). Therefore, clubs used to field those players only during the very last minutes of the games.

¹⁶ According to the CFA *Practice Opinions on the Adjustment of Transfer and Training Compensation Standard Administration of Youth Players*, amended on 15 January 2019

On the other hand, the reserve league of the CL1 has been cancelled and, instead, it has been set-up a new U-23 league, where CL1 clubs are required to participate and CLS and CL2 clubs are invited to take part.

In this new U-23 league, each club can register those U-23 players who are not registered in the first team. In addition, every club can include 3 players over 23 years old, who are registered with the first team, and a maximum of 5 players between 17 to 19 years old. Then, those U-23 players who are registered with the first team can participate at any time.¹⁷

7. Conclusions

During the last few years, Chinese professional clubs have spent high amounts for remunerating football players (mainly foreign players), without being able to rely on incomes generated by the same entity. As a consequence, many professional clubs have faced and are still facing serious financial difficulties and the new Policies intend to put a break on such critical situation.

However, as mentioned in this document, many details on the concrete application of the Policies shall be further clarified by the CFA. In addition to that, there is no reference to the sanctions that CFA shall impose on clubs for non-compliance and how strict will be the approach of the CFA towards non-compliant clubs.

If the Policies were to be interpreted and applied literally in the future, then the change in the Chinese football industry will be of huge dimensions, as Chinese clubs would not be able to attract world-class players.

In conclusion, such limitations on expenditure could open the door to a totally different scenario, which would imply a change of strategy both for Chinese clubs - to be competitive at national and Asian level – and for Chinese football in general – for the growth of local talent with a view to the Chinese dream of success of the National team.

However, we reserve our right to provide a deeper comment on the Policies and their effects on the Chinese market upon their application of the Policies in the winter transfer window 2020 and perhaps further clarification from the CFA.

¹⁷ So far the CFA has not given much details in relation to this U-23 league, without having clearly established the maximum number of players that can be registered per season in each U-23 team, or the structure it will follow.

If you would like to know more information about the subjects covered in this publication, please contact:



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