



TAS / CAS

TRIBUNAL ARBITRAL DU SPORT
COURT OF ARBITRATION FOR SPORT
TRIBUNAL ARBITRAL DEL DEPORTE

CAS 2024/A/10627 Valmiera FC v. Latvian Football Federation

ARBITRAL AWARD

delivered by the

COURT OF ARBITRATION FOR SPORT

sitting in the following composition:

Sole Arbitrator: Mr Mark A. Hovell, Solicitor in Manchester, United Kingdom

in the arbitration between

Valmiera FC, Valmiera, Latvia

Represented by Mr Georgi Gradev and Mr Marton Kiss, Attorneys-at-Law in Sofia, Bulgaria

Appellant

and

Latvian Football Federation, Riga, Latvia

Represented by Mr Arturs Salnikovs, Attorney-at-Law in Riga, Latvia

Respondent

I. PARTIES

1. Valmiera FC (the “Appellant” or the “Club”) is a professional Latvian football club based in Valmiera, playing in the Virslīga, the highest tier of professional football in Latvia. It is affiliated to the Latvian Football Federation, which in turn is a member of the Fédération Internationale de Football Association (“FIFA”).
2. Latvian Football Federation (“LFF” or the “Respondent”) is the governing body of professional football in Latvia with its registered office in Riga, Latvia.
3. The Club and LFF shall each be referred to as a “Party” and collectively, as the “Parties”.

II. FACTUAL BACKGROUND

4. The following outline is a non-exhaustive summary of the factual background based on the Parties’ submissions and documents on file. Additional facts and allegations found in the Parties’ written submissions, pleading and evidence may be set out, where relevant, in connection with the legal discussion that follows. While the Sole Arbitrator has considered all the facts, allegations, legal arguments, and evidence submitted by the Parties in the present proceedings, he refers in the present Order only to the submissions and evidence he considers necessary to explain his reasoning.

A. The Club’s eligibility for 2024/25 UEFA club competition

5. By virtue of the LFF’s membership of the Union of European Football Associations (“UEFA”), clubs from the Virslīga are eligible to qualify for UEFA’s club competitions every season.
6. There are four places for Latvian clubs in these UEFA competitions, with the Virslīga winner qualifying for the UEFA Champions League first qualification round, and the runners-up and 3rd placed teams qualifying for the UEFA Conference League (the “UCL”) first qualification round for the next season. The fourth place goes to the winner of the Latvian Football Cup, who also qualifies for the first qualifying round of the UCL.
7. In the 2023 season:
 - i. FK RFS were Virslīga champions;
 - ii. Riga FC were Virslīga runners-up;
 - iii. FK Auda finished the Virslīga in third position; and
 - iv. The Club finished the Virslīga in fourth position.
 - v. Riga FC won the Latvian Football Cup (the “Latvian Cup”).
8. Because FC Riga were runners up in the Virslīga and won the Latvian Cup in the same season, the Club was eligible for the remaining UCL spot available to Latvian clubs for the 2024/25 season, by virtue of having finished fourth in the Virslīga.

B. The LFF club licensing process

9. On 24 November 2023, LFF commenced the club licensing process for the 2024 Virslīga season and the 2024/25 UEFA club competitions. Eligible clubs, including the Club, were invited to apply.
10. On 14 December 2023, the Club submitted a license application for both the Virslīga and UEFA competitions.
11. On 15 January 2024, the Club submitted a supplementary license application for the UEFA license.
12. On 24 January 2024, the LFF Club Licensing First Instance Body (the “FIB”) granted the Club an LFF-A license for participation in the 2024 Virslīga on a conditional basis (certain infrastructure criteria were required to be fulfilled by 1 March 2024).
13. On 8 April 2024, the LFF asked the Club to provide information, as at 31 March 2024, concerning its overdue payables to ensure compliance with Articles 63 to 66 of the 2023 LFF Club Licensing Regulations (“CLR”). This information was requested by 10 April 2024, and was for the purpose of obtaining the UEFA license.
14. On 16 April 2024, the LFF followed up with the Club in relation to its 8 April 2024 request for additional information. Specifically, the LFF noted that (a) failure to furnish this information on time was a breach of the CLR; and (b) the Club had outstanding debts to tax authorities, to a former player and possibly other players based on information available in the public domain. It therefore asked the Club to submit details of all current indebtedness by 19 April 2024, together with any explanations for these debts, addressed to the LFF Disciplinary Affairs Committee (the “LDC”).
15. On 18 April 2024, the Club responded to the LFF’s requests for information. This information demonstrated overdue payables towards employees and tax authorities (as required by Articles 63 and 65 of the CLR respectively).
16. On 19 April 2024, the Club submitted its “[e]xplanation of the reasons for the arrears” to the LDC. In summary:
 - i. The Club was entitled to a sell on fee from a Polish club in two instalments. The Polish club had failed to pay the Club the first instalment (the “Polish Payment”). The Club subsequently succeeded in a claim against the Polish club at the FIFA Football Tribunal. Non-receipt of the Polish Payment is “*at the root of [their] financial difficulties*”.
 - ii. The Club’s sponsor, IBD Group, had agreed to a payment of EUR 600,000 in instalments, with the first instalment payable in the second quarter of 2024 (instead of March 2024).
 - iii. As a result, the Club was unable to meet its tax obligations, a further consequence of which it was unable to receive funding in the amount of EUR 80,000 that it was entitled to, from Valmiera Municipality.

- iv. The Club had requested the tax authorities for a one year deferral of its tax liability.
 - v. In the meantime, the Club has taken steps to obtain funding from sponsors and supporters.
17. Also on 19 April 2024, the LDC passed a decision in respect of the Club's "*non-compliance with the LFF [CLR]*". The LDC found that the Club did not comply with the LFF CLR, and decided, to:
- “1. *Apply a ban on the registration of new players to [the Club] (Disciplinary Regulations, Article 1.6f), [CLR], Paragraph 7 d);*
 2. *[...] impose on [the Club] the sanction of 3 points suspension (conditional) in the 2024 Superleague Championship (Disciplinary Regulations, p.1.6 j), p.1.24, [CLR], par. 7 para. e);*
 3. *[...] provide that the sanction referred to in paragraph 2 of the Decision shall come into effect in the event that [the Club] fails to comply with Sections 63-66 of the Regulations by 30 April this year (inclusive).”*
- (the “First LDC Decision”)
18. On 1 May 2024, as a response to the First LDC Decision, the Club provided a further explanation of its indebtedness, together with supporting evidence.
19. On 3 May 2024, the Club informed the LFF that:
- i. the “[s]taff salaries have been paid in full and no staff are owed money at the moment,”;
 - ii. a payment of EUR 50,000 was made to the tax authorities; and
 - iii. a decision on the deferral of its outstanding taxes was expected on 8 May 2024;
20. On 4 May 2024, the LDC noted with respect to the Club, in the minutes of its meeting that day:
- “Taking into account that the [LDC] has received additional documents that need to be assessed and verified, as well as it is necessary to request and verify information from [the Club’s] creditors, the consideration of the issue “[the Club’s] compliance with the [CLR]” is postponed until the next [LDC] meeting (sic)”.*
- (the “Second LDC Decision”)
21. On 6 May 2024, LFF asked the Club “*to submit a list of club employees with employee signatures certifying that the club has made the necessary payments, and as of April 30, there are no overdue payments for club employees”.*

22. On 8 May 2024, the Club provided LFF with proof of payment to its employees and stated that the tax authorities' decision on deferral of debts had been delayed until 9 May 2024.
23. On 8 May 2024, the LDC noted in the minutes of its meeting that day, that it was satisfied that the Club had paid its employees (including players) in full, but despite having applied to tax authorities to defer tax payments, it had not complied with the First LDC Decision, and owed EUR 188,327.57 in taxes, resulting in a breach of Article 65 of the CLR. As such, the LDC decided to:
- “1. *Lift the ban on [the Club] registering new players as soon as confirmation is received from FIFA regarding the settlement of the obligations towards the player Ruan Ribeiro Rodrigues;*
 2. *[...] impose a sanction on [the Club] – 3 points deduction in the 2024 Super League Championship (Disciplinary Regulations p.1.4., p.1.6 j), [CLR] par.7.1.e) and p.3. (sic)”.*
- (the “Third LDC Decision”)
24. On 10 May 2024, the Club informed the LFF that the tax authorities had approved its tax repayment schedule, deferring its tax payments, with a part payment made immediately.
25. On 10 May 2024, the FIB issued a decision that refused to grant a UEFA license to the Club for the 2024/25 season. This was on the basis of the Club's outstanding tax liability as of 3 May 2024, its negative equity capital and overdue payables towards its employees (the “FIB Decision”).
26. The Club appealed both, the Third LDC Decision and the FIB Decision separately to the LFF's Appeals Board (the “Appeals Board”) on 17 May 2024. In the appeal against the Third LDC Decision, the Club requested a removal or in the alternative reduction of the points deduction against the Club. In the appeal against the FIB Decision, the Club requested an annulment of the FIB Decision and a new decision on its participation in 2024/25 UEFA club competitions.
27. On 22 May 2024, the Appeals Board confirmed the decision of the FIB. The Appeals Board determined to:
- “- *declare that the appealed decision of the [LFIB] of 10 May this year regarding the refusal to issue a UEFA license to [the Club] for participation in the 2024/2025 UEFA Club Competitions is lawful and uphold it.”*
- (the “Appealed Decision”)

III. THE PROCEEDINGS BEFORE THE COURT OF ARBITRATION FOR SPORT

28. On 27 May 2024, the Club challenged the Appealed Decision at the Court of Arbitration for Sport (the “CAS”), and filed a Statement of Appeal against LFF in accordance with

Article R47 of the CAS Code of Sports-related Arbitration and Mediation Rules (the “CAS Code”). In its Statement of Appeal, the Club requested, *inter alia*, that the matter be expedited in accordance with Article R52 of the CAS Code.

29. On 28 May 2024, LFF agreed to expedite the proceedings but disagreed with the specific briefing schedule.
30. On 29 May 2024, the Deputy President of the CAS Appeals Arbitration Division established an expedited schedule that enabled both Parties to make written submissions by 1 June 2024, with an Operative Arbitral Award notified by 3 June 2024. The Parties were content for the matter to be dealt with on the papers, without the need for a hearing.
31. On 30 May 2024, the CAS Court Office informed the Parties that on behalf of the Deputy Division President of the CAS Appeals Arbitration Division, Mr Mark Andrew Hovell, Solicitor in Manchester, United Kingdom, had been appointed as Sole Arbitrator.
32. On 30 May 2024, the Club filed its Appeal Brief with the CAS Court Office.
33. On 1 June 2024, LFF filed its Answer with the CAS Court Office.
34. On 3 June 2024, the Parties signed the Order of Procedure for the proceedings.
35. On the same day, the Operative Arbitral Award was communicated to the Parties.

IV. SUBMISSIONS OF THE PARTIES AND REQUESTS FOR RELIEF

36. This section of the Award does not contain an exhaustive list of the Parties’ contentions, its aim being to provide a summary of the substance of the Parties’ main arguments. In considering and deciding upon the Parties’ claims in this Award, the Sole Arbitrator has accounted for and carefully considered all of the submissions made and evidence adduced by the Parties, including allegations and arguments not mentioned in this section of the Award or in the discussion of the claims below.

A. The Club’s Position

37. The Club made the following prayers for relief in its Statement of Appeal:

“1. *Annul decision 2024/1 issued by the Appeals Board on May 22, 2024.*

2. *Issue a new decision with the following terms:*

(a) *The appeal lodged by Valmiera FC on May 17, 2024, against the decision issued on May 10, 2024, by the LFF Club Licensing Board of First Instance is upheld.*

(b) *The decision issued on May 10, 2024, by the LFF Club Licensing Board of First Instance is annulled.*

- (c) *LFF shall immediately grant a UEFA license to Valmiera FC for participation in the 2024/25 UEFA Europa Conference League;*
- (d) *LFF shall immediately inform UEFA that Valmiera FC has been granted a UEFA license to participate in the 2024/25 UEFA Europa Conference League.*
3. *Issue any other decision at the Sole Arbitrator's discretion that he deems just and fair to safeguard the Appellant's rights and legitimate interests.*
4. *Order LFF to bear all costs incurred with the present procedure.*
5. *Order LFF to pay the Appellant a contribution towards its legal and other costs in an amount to be determined at the Sole Arbitrator's discretion".*
38. The Club repeated the same requests for relief in its Appeal Brief, with the addition of the following at item no. 4:
- "4. *Order LFF to reimburse EUR 2,000 to the Appellant for the internal appeal fee.*"
39. The Club made the following submissions in support of its Appeal:
- i. The Club was not in breach of the CLR at the time of the FIB Decision**
40. The FIB Decision was issued on 10 May 2024. The Sole Arbitrator ought to consider the Club's compliance with the CLR as of this date, based on the position in CAS 2021/A/7849.
- a. Compliance with Article 62 of the CLR (Net equity rule)***
41. It should be left as moot as to whether the Club complied with the net equity rule because it is a "transitional position" which took effect from the 2024 season but is "not grounds for refusal of a license".
42. Even if the Club was not in compliance with the net equity rule, it would have been subject to the disciplinary sanctions set out in Article 7(1) of the CLR. However, for the licence season 2024/25, failure to fulfil that rule cannot lead to refusal of a license, pursuant to Article 71(5) of the CLR.
43. Therefore, LFF could not refuse to issue a UEFA license to the Appellant on this ground.
- b. Compliance with Article 64 of the CLR (Arrears due to staff)***
44. The Club does not dispute having owed a debt of EUR 302,124.11 to its employees as of 31 March 2024. However, no such debt existed as of 31 December 2023, when the Club received an LFF-A license and LFF stated that it fully complied with the financial requirements.

45. Further, this minor breach was sanctioned with a registration ban by way of the First LDC Decision of 19 April 2024, pursuant to Article 7(1) of the CLR.
46. Subsequently, in the Third LDC Decision of 8 May 2024, the LDC stated that “*all debts to Valmiera FC employees (including players) have been paid in full. Therefore, Valmiera FC is now in compliance with Article 64 of the [CLR]*” and lifted the registration ban. This part of the Third LDC Decision is final and binding. Hence, this matter is affected by *res judicata*. Therefore, LFF could not refuse to issue a UEFA license to the Club on this ground.
47. In any event, on 10 May 2024, the LFF published an announcement stating that the Club was refused a UEFA license for violations of Article 62 and 65 of the CLR, but there was no mention of Article 64 of the CLR. This implies that the LFF considered any breach of Article 64 of the CLR to be fully remedied at the time of the FIB Decision.

c. Compliance with Article 65 CLR (Arrears to social and tax authorities)

48. According to the FIB Decision and the Appealed Decision, “*as of 3 May this year the tax debt to the State Revenue Service amounted to EUR 188 327.*”
49. The LDC sanctioned the Club for this minor breach with a suspended three-point deduction, subject to the Club’s compliance with Article 65 by 30 April 2024, pursuant to Article 7(1) of the CLR. Subsequently, in the LDC decision of 8 May 2024, the LDC made the three-point deduction effective for non-compliance with Article 65 of the CLR. This part of the LDC decision has been appealed to the LFF Appeals Committee, which will be decided on 11 June 2024. As the appeal is still pending, this matter is affected by *lis pendens*. Therefore, LFF could not refuse to issue a UEFA license to the Club on this ground.
50. Further, on 10 May 2024, at 10:00 a.m., the Club informed LFF of the tax authorities’ decision to accept the repayment schedule, deferring the Club’s tax payments, so none were due at the relevant moment in time.

ii. The Club should be granted a UEFA license

51. Articles 7(2) and (3) of the CLR envisage that sanctions “*may*” be applied if the circumstances justify it, but not automatically, as in the case of administrative measures. This is particularly true with regards to the sanction “*refusal to issue a license*” set out in Article 7(1)(g) of the CLR, which, pursuant to Article 7(3) of the CLR, “*may*” be applied, but not mandatorily, if a UEFA license applicant is found to have outstanding financial obligations based on Articles 64 or 65 of the CLR above EUR 50,000. “[*M*]ay” is obviously different from “*shall*” or “*must*”. Consequently, if the CLR intended to apply such a sanction automatically, it would have employed the words “*shall*” or “*must*” and not “*may*.”
52. Furthermore, as per Article 7(2) of the CLR, the sanctions set out in Article 7(1) of the CLR fall within the material competence of the LDC. Hence, only the LDC could have sanctioned the Appellant with “*refusal to issue a license*” based on Article 7(3) of the

CLR, in conjunction with Article 7(1)(g) of the CLR for breaches of Articles 64 and 65 of the CLR (all of which fall within the “*financial criteria*”).

53. LFF could not refuse to issue a UEFA license to the Appellant for violations of Articles 64 and 65 of the CLR, as these were already dealt with by the LDC and thus affected either by *res judicata* or *lis pendens*, respectively. Further, the refusal is in breach of the principle of *ne bis in idem*, which applies here as the object, parties and the facts are the same (see CAS 2015/A/4319, para 71 and 72; CAS 2011/O/2422, para 60)
54. When imposing a sanction, sanctioning bodies must observe the Principles of Fault, Equal Treatment and Proportionality, and the Offender’s Moral Rights. The Club should have been treated similarly to clubs in similar cases such as FK Auda in 2023, FK Liepāja in 2024, BFC Daugavpils in 2024, FK Metta in 2024 and FC Noah Jurmala in 2001, all of which were granted a UEFA license.
55. Finally, the principle of proportionality is adhered to in CAS’ consistent case law, which dictates that the most extreme sanction must not be imposed before other less onerous sanctions have been exhausted. In other words, any other sanctioning measures available must be exhausted before the “*ultimate solution*” is imposed (see CAS 2011/A/2670, para. 8.23 and CAS 2010/A/2284, para. 39).
56. In the case at hand, there were a couple of minor breaches on the part of the Club that were remedied by the time the FIB Decision was rendered. It was at the LDC’s discretion to decide which sanction to impose on the Club from a range of sanctions at its disposal under Article 7(1) of the CLR. It decided to impose a registration ban (subsequently lifted after the Club complied with Article 64 of the CLR) and a three-point deduction (subsequently made effective after the Club did not comply with Article 65 of the CLR until 8 May).
57. The Club’s overdue payables arose after 31 December 2023, due to the delay of a significant payment on a transfer fee by the Polish club Górnik Zabrze, which fell due on 19 March 2024 but was not paid in a timely manner. The Club had to take the Polish club to the FIFA Football Tribunal to collect its credit, which was paid on 2 and 10 May 2024. Subsequently, the Club immediately paid its staff the outstanding amounts on 3 May 2024.
58. LFF’s refusal to grant the Club a UEFA license was premature and disproportionate. LFF was aware the Club was waiting for a deferral decision on or around 8 May 2024 and payment from Górnik Zabrze in order to pay its employees.
59. Even assuming that the FIB was entitled to refuse to issue a UEFA license to the Club for its breaches of Articles 64 and 65 of the CLR, it appears that the most severe penalty that could be imposed under Article 7(3) of the CLR in conjunction with Article 7(1)(g) of the CLR is a refusal to issue a license. There were lesser sanctions available, for example point deductions and fines.

iv. Reimbursement of the internal appeal fee

60. Article 6(2) of the LFF Regulations of the Club Licensing Bodies provides for security to be lodged with an appeal and that “[i]f the applicant’s appeal is allowed, the security lodged shall be returned to the applicant”. The Club paid the appeal fee of EUR 2,000 and claims its reimbursement on the basis that it should be granted a UEFA license.

B. LFF’s Position

61. LFF made the following prayers for relief in its Answer:

- “1. To dismiss the appeal in its entirety and to confirm the decision of LFF Club Licensing Appeals Body dated 22 May, 2024 regarding the refusal of the UEFA licence to the Appellant (Valmiera FC) regarding the participation in the 2024/2025 UEFA club competitions.
2. Order the Appellant to bear all costs incurred with the present procedure.
3. Order the Appellant to pay the contribution towards its legal fees and other costs in an amount to be determined by the Sole Arbitrator.”

62. The decision to allow the Club to play in the Virslīga, the LFF League, has no significant relevance to the club licensing process and decisions concerning the issuance or refusal of the UEFA licence. The club licensing process for a UEFA licence has different requirements, timelines, monitoring dates and deadlines.

63. There were two separate proceedings taking place during the licensing season: disciplinary proceedings in for violations of the CLR on the one hand; and proceedings relating to the club licensing/monitoring process for a licence to participate in UEFA competitions 2024/2025 on the other.

64. The fact that the LDC imposed several sanctions on the Club for violating the CLR in no way exempts the Club from complying with the mandatory provisions and deadlines within the process of obtaining the UEFA licence.

65. The registration ban was imposed based on FIFA’s instructions to enforce a decision of the FIFA Football Tribunal dated 21 February 2024 relating to the Club’s failure to pay debts towards Ruan Ribeiro Rogridues, one of the Club’s former players.

66. As of 31 March 2024, the Club had significant (not “minor”, as the Club alleges) overdue payables towards employees (Article 64 of the CLR) and tax authorities (Article 65 of the CLR).

67. According to Article 15 of the CLR, fulfilment of requirements of both these Articles are mandatory for the UEFA licence applicant to be granted the licence necessary to participate in UEFA competitions.

68. The Club applied to tax authorities regarding the possible voluntary payment of overdue tax payments and possible agreement to extend the overdue payables deadlines was on

8 April 2024, the same day that the LFF requested the overdue payables information. In order not to be deemed overdue, the agreement with the tax authorities needed to be in place before 31 March 2024.

69. Its breaches should not be classed as “*minor*” either. To put the overdue amounts based on Article 64 and 65 into perspective, as of 31 March 2024, the total overdue payables amounted to EUR 486,844.44. The Club’s budget amounted to EUR 2,499,000 i.e. the Club’s overdue payables at the time was more than 19% of the Club’s overall budget.
70. The correct assessment date for the overdue payables is 31 March, not 10 May, as alleged by the Club. This has been confirmed by the CAS in *CAS 2013/A/3233*.

V. JURISDICTION OF THE CAS

71. The jurisdiction of CAS is derived from Article R47 of the CAS Code, which provides that:

“An appeal against the decision of a federation, association or sports-related body may be filed with the CAS insofar as the statutes or regulations of the said body so provide or as the parties have concluded a specific arbitration agreement and insofar as the Appellant has exhausted the legal remedies available to him prior to the appeal, in accordance with the statutes or regulations of the said sports-related body”.

72. Further, Article 6(13) of the CLR states that:

“For the LFF-A and LFF-B licences, the final instance is the LFF Appeals Boards; for the UEFA licence, the Court of Arbitration for Sport in Lausanne”.

73. Article 57(1) of the FIFA Statutes states that:

“[a]ppeals against final decisions passed by FIFA’s legal bodies and against decisions passed by confederations, member associations or leagues shall be lodged within 21 days of receipt of the decision in question”.

74. For the purposes of a UEFA license, the Appealed Decision was in fact a final decision passed by a member association (in accordance with Article 57(1) of the FIFA Statutes).

75. The Sole Arbitrator notes that the Parties have not contested the jurisdiction of CAS which was subsequently confirmed in a duly signed Order of Procedure.

76. It follows that CAS has jurisdiction to adjudicate and decide on the present dispute.

VI. ADMISSIBILITY

77. Under Article 49 of the CAS Code, the time limit for appeal shall be “*twenty-one days from the receipt of the decision appealed against*” unless otherwise provided for in the statutes or regulations of the federation concerned.

78. The LFF Club Licensing Process Schedule, for the 2024 season, to the LFF CLR specifies that “*[i]n the event of a club being refused a UEFA licence, the licence*

applicant shall appeal to the Court of Arbitration for Sport [...] for UEFA licence” by 27 May 2024.

79. The Statement of Appeal was filed by the Club on 27 May 2024, i.e. 4 days after the Club received the Appealed Decision on 23 May 2024, hence within the deadline of 21 days and in accordance with the CLR.
80. The Club completed its appeal as per the terms of Articles R48 and R51 of the CAS Code and within the deadline set by the CAS Court Office for it to do so. The appeal complied with all of the requirements of Article R47 et seq. of the Code, including the payment of the CAS Court Office fee.
81. It follows that the appeal is admissible.

VII. APPLICABLE LAW

82. Article R58 of the CAS Code provides as follows:

“The Panel shall decide the dispute according to the applicable regulations and, subsidiarily, to the rules of law chosen by the parties or, in the absence of such a choice, according to the law of the country in which the federation, association or sports-related body which has issued the challenged decision is domiciled or according to the rules of law that the Panel deems appropriate. In the latter case, the Panel shall give reasons for its decision.”

83. The Club, as a UEFA licence applicant, is committed to complying with the LFF Regulations and issued decisions, and the UEFA and FIFA Regulations (including the CLR and the UEFA Club Licensing and Sustainability regulations (2023 edition)).
84. It is submitted by the Parties that the Sole Arbitrator shall therefore primarily apply the Regulations as set out above, and Latvian law shall be applied subsidiarily should the need arise to fill a possible gap in the LFF, UEFA and/or FIFA Regulations.
85. The Parties have not disputed this position and as such, agree that this is the applicable law, and the Sole Arbitrator is not minded to determine otherwise.

VIII. MERITS

86. The Sole Arbitrator notes that there are certain preliminary issues to consider before determining the main issues in this Appeal. These are:
 - i. *What are the roles of the LDC and FIB?*
 - ii. *Are the principles of res judicata and/or lis pendens relevant?*
 - iii. *What is the relevant date for assessment?*
87. Once these have been considered the Sole Arbitrator will address the main issues, namely:

- i. *Is the Appealed Decision legally flawed?*
- ii. *Is the Appealed Decision grossly unfair and disproportionate?*

A. Preliminary Issues

i. What are the roles of the LDC and the FIB?

88. As a starting point, it is clear from Article 1 of the CLR (*Applicability*), that it applies to both LFF and UEFA club competitions. Indeed, the CLR provide that each competition requires a different license, the grant of which is subject to different processes and standards:

“The [CLR] apply to both LFF and UEFA club competitions. The LFF grants four types of licences - LFF-A, LFF-B, LFF-SFL and UEFA. The UEFA licence has higher requirements as it allows participation in UEFA club competitions.”

89. As such, UEFA appoints the LFF to act as licensor to consider whether to grant Latvian clubs that have qualified for UEFA’s club competitions on sporting merit, a UEFA licence. The UEFA license is different from the other types of licences that the LFF grants for its domestic competitions. This is clear from Article 1 of the CLR by reference to the *“higher requirements”* associated with the UEFA licensing process.

90. Regardless of the type of licence (domestic or UEFA) the domestic decision-making bodies are the FIB and the Appeals Board, not the LDC. This is provided for by Article 6(1) – (3) and (13) of the CLR:

- “1. The LFF club licensing bodies are the [FIB] and the LFF Appeals Board, which are independent of each other.*
- 2. The [FIB] shall take decisions on the granting of licenses to applicants on the basis of the documents required for the licensing process submitted within the prescribed time limits and shall also take decision on the revocation of licenses.*
- 3. The LFF Appeals Board decides on appeals submitted to it in writing and takes the final decision on the award of the license.*

[...]

- 13. For the LFF-A and LFF-B licenses, the final instance is the LFF Appeals Board; for the UEFA license, the [CAS] in Lausanne.*

91. These bodies, inter alia, determine whether to issue licences before the competition commences. The LDC can impose a *“Catalogue of sanctions”* (CLR, Article 7) on clubs that breach the CLR *“during the licensing process and the licensing season”* (CLR, Article 7(2)).

92. It therefore follows that the decisions of the LDC relate to infringements of the CLR by the Club with respect to the domestic licensing process, and are not relevant to and distinct from the FIB/Appeals Board’s decision to refuse a UEFA licence, which is the

matter at hand here. Put simply, the LDC disciplines any clubs that breach the CLR, whereas the FIB/Appeals Board determine whether to grant licences or not.

ii. Are the principles of *res judicata* and/or *lis pendens* relevant?

93. The Club contends that its breach of Article 64 of the CLR (*Arrears due to staff*) was addressed (and sanctioned) in the final and binding Third LDC Decision. The Third LDC Decision therefore had *res judicata* effect, meaning that the FIB could not refuse a UEFA license on the same grounds that the LDC had considered to sanction the Club in the form of the Third LDC Decision.
94. The Club also contends – separately – that the doctrine of *lis pendens* is engaged in respect of the of the Club’s appeal of the Third LDC Decision to the Appeals Board, which was still pending at the time of the Sole Arbitrator’s review of the matter at hand. This appeal was based on the fact that the Club’s breach of Article 65 of the CLR (*arrears to tax authorities*) was “minor” and remedied in full following an agreed payment schedule with the Latvian tax authorities. Therefore, according to the Club, LLF “*could not refuse a UEFA license [...] on this ground*”.
95. Following the analysis at paragraphs 88-92 above, the Sole Arbitrator cannot accept the Club’s position. Whilst the parties and the facts of the Third LDC Decision and the Appealed Decision may be the same, the object is different – the LDC decisions consider the domestic sanctions for breaching the CLR during the season as a disciplinary measure, whereas the Appealed Decision considers whether the Club has satisfied the criteria to be granted a UEFA license or not.
96. It follows that the Third LDC Decision does not have *res judicata* effect, and the pending appeal against it to the Appeals Board does not engage the doctrine of *lis pendens* viz-a-viz the Appealed Decision.

iii. What is the relevant date for assessment?

97. The Club’s position – summarised at paragraph 40 above – is that the Third FIB Decision (and the Appealed Decision) ought to have based its findings on the Club’s position as of 10 May 2024 – the day on which the Third FIB Decision was issued.
98. The LFF on the other hand submits that UEFA licenses are granted based on each Club’s position as at 31 March 2024, as per the CLR.
99. Having considered the CLR, the Sole Arbitrator notes (with emphasis added) that:

Article 64(1) CLR states:

“The license applicant must prove, in accordance with the Club Licensing Process Timetable or a request from the financial criteria expert, that it has no arrears (in the case of a UEFA license, as at 31 March for commitments due by 28 February) (based on Annex 7) for staff on the basis of contracts and other commitments entered into up to 31 December of the previous year.”

And Article 65(1) CLR states:

“The license applicant must prove, in accordance with the timetable for the club licensing process or the financial criteria expert’s request, that it has no arrears to social/tax authorities (in the case of a UEFA license, as at 31 March for obligations due on 28 February) arising from contracts with employees concluded before 31 December of the previous calendar year.”

100. In both cases, the evidence required is based on the Club’s position as at 31 March. The fact that this information was considered at a later date, does not change the key date.
101. The Club refers to *CAS 2021/A/7849*, in terms of the relevance of the facts at a certain date. However, that case had completely different circumstances, was in connection with the domestic licence and did not deal with the violation of deadlines that are applied consistently across UEFA member associations and prescribed by the UEFA Club Licensing and Financial Sustainability Regulations. That case merely stated that information that was available after an FIB decision, should not be used by the Appeals Board, rather it should have put itself in the shoes of the FIB and considered the same information as the FIB had. In the case at hand, both bodies should only consider the situations as at the 31 March 2024.

B. Main Issues

i. Is the Appealed Decision legally flawed?

a. Is Article 62 of the CLR engaged?

102. Whilst it does not appear to be in dispute that the Club would have failed the net equity test prescribed by Article 62 of the CLR, it is also undisputed that this in itself cannot lead to the refusal of a UEFA license in that relevant season.
103. The Sole Arbitrator notes that the Appeals Board did not solely rely upon Article 62 in its findings in the Appealed Decision, it was, rather an observation of the Appeals Board in the Appealed Decision.
104. As such, and as invited by the Club, the Sole Arbitrator agrees that this issue is rendered moot.

b. Was there a breach of Article 64 of the CLR?

105. The LFF’s assessment of the Club’s compliance with Article 64 of the CLR concluded that on 31 March 2024, the Club had total overdue payables towards its employees in the amount of EUR 302,124.11 (three hundred and two thousand one hundred and twenty four Euros and eleven cents). This was broken down into:
- i. EUR 134,841.56 (one hundred and thirty four thousand, eight hundred and forty one Euros and fifty six cents) for January 2024 salaries;

- ii. EUR 78,842.75 (seventy eight thousand, eight hundred and forty two Euros and seventy five cents) for February 2024 salaries; and
 - iii. EUR 88,438.80 (eighty eight thousand, four hundred and thirty eight Euros and eighty cents) for March 2024 salaries.
106. In its Appeal Brief, the Club does not deny that it had the aforementioned overdue payables on 31 March 2024 – the assessment date as established above (see paragraphs 97-101).
107. The Club submitted that this was a minor breach. However, the Sole Arbitrator notes the wording of Articles 15(1) and (2) of the CLR (*General Provisions – UEFA license*):
- “1. *In order to obtain a UEFA license [...] the Club must fulfil all the conditions set out in Paragraphs 16-67, except those in Paragraph 2 of [CLR Article 15]. [...].*
 - 2. *Failure to comply with the requirements set out in Articles 16.5, 17.2, 19.2, 19.3, 20-26, 29, 36, 38-40, 46 and 48-52 cannot be grounds for UEFA not to grant a licence, but may result in sanctions being imposed on the license applicant (Article 7).”*
108. It follows that the remaining articles listed in Article 15(1), but not explicitly carved out by Article 15(2) are mandatory and cannot lead to the refusal of the UEFA licence. These include Articles 64 and 65 of the CLR.
109. Further, the Club seeks to attribute its Article 64 arrears to the Polish Payment, which was due on and outstanding since 19 March 2024.
110. The Sole Arbitrator notes that the reason for the overdue payables under Article 64 of the CLR is not relevant. In any event, it is noted that the overdue Polish Payment is lower than the overall arrears to the Club’s staff as at 31 March 2024. This demonstrates that the Club would not have been able to clear all its arrears even if the Polish Payment was received on time.
111. The Sole Arbitrator therefore finds the Club in breach of Article 64 of the CLR.
- c. Was there a breach of Article 65 of the CLR?*
112. The LFF’s assessment of the Club’s compliance with Article 65 of the CLR concluded that on 31 March 2024, the Club had overdue payables towards the Latvian tax authorities amounting to EUR 184,720.33 (One hundred and eighty four thousand, seven hundred and twenty Euros and thirty three cents). The Club consider that this ought to be mitigated by the fact that it had subsequently agreed to a payment schedule with the tax authorities on 10 May 2024.
113. The Sole Arbitrator is directed to Annex 6 of the LFF CLR in respect of the Club’s Article 65 compliance, which provides the following:

- “1. *Payments are considered late if they are not made within the pre-agreed deadlines.*
2. *Payments shall not be deemed to be in arrears for the purposes of these Conditions if the license applicant (as debtor) is able to prove that it [...] as at 31 March [...];*

[...]

b) has reached a written agreement with the creditor to extend the payment terms (cases where the creditor does not request payment cannot be considered an extension)

[...]

114. Similarly, Annex H of the UEFA CLR provides that:

“H.1.1 Payables are considered as overdue if they are not paid according to the contractual or legal terms.

H.1.2 Payables are not considered as overdue [...] if the license applicant/licensee (i.e. debtor) is able to prove by [...] 31 March in respect of [overdue payables to tax authorities] [...] that:

b. the deadline for payment of the relevant amount has been deferred (referred to as “amounts deferred” in these regulations), i.e. an agreement has been concluded in writing with the creditor to extend the deadline for payment (a creditor not requesting payment of an amount does not constitute an extension of the deadline); or

[...]

d. the settlement of the relevant amount is pending [...], meaning:

i. the debtor has requested a competent authority in writing and in accordance with the applicable law, to extend the deadline for payment of payables to social/tax authorities [...], and the competent authority has confirmed in writing that this request has been deemed admissible and still pending by 31 March (in respect of [overdue payables to social/tax authorities])

[...]”

115. In the case at hand, the Club reached an agreement with the tax authorities on 10 May 2024 and the Sole Arbitrator notes that the Club has not suggested whether in its submissions or by way of evidence that it engaged with the tax authorities in the manner required by H.1.2.d.i of the UEFA CLR i.e. by 31 March 2024.

116. Accordingly, the Sole Arbitrator finds the Club in breach of Article 65 of the CLR.

ii. Is the Appealed Decision grossly unfair and disproportionate?

117. The objective behind the financial criteria in the form of Articles 64 and 65 of the CLR are clear. These are set out in the UEFA CLR, and mirrored by the CLR, namely to protecting the clubs' employees, players and other members of the football ecosystem, as well as to confirm the financial stability of the clubs and their ability to fulfil their obligations towards other participants of the championship.

118. The Appealed Decision is not a disciplinary sanction empowering the Appeal Board to impose an alternative sanction. It is simply a decision on whether the applicant club, in this case, the Club, has satisfied the UEFA criteria or not. If not, then no UEFA license is to be granted.

119. Proportionality is not relevant in the matter at hand.

120. Further, the Club suggests that any sanction against it must conform with the principle of equal treatment. The Sole Arbitrator does not disagree with this, and notes that any club having arrears in the manner that the Club had in this case, would need to be treated similarly – i.e. the grant of the UEFA license being denied. The Sole Arbitrator finds nothing to suggest that the Club had not been treated equally. Therefore, the Club's argument of equal treatment in these circumstances also fails.

C. Conclusion

121. Based on the Sole Arbitrator's assessment of the merits above, he concludes that the Club's Appeal is dismissed, and the Appealed Decision is confirmed. In these circumstances, the Club's request for reimbursement of its EUR 2,000 appeal fee (see paragraph 60 above) is also dismissed.

122. All other prayers for relief are dismissed.

IX. COSTS

(...).

ON THESE GROUNDS

The Court of Arbitration for Sport rules that:

1. The appeal filed on 27 May 2024 by Valmiera FC against the decision rendered by the LFF Club Licensing Appeals Board on 22 May 2024, is dismissed.
2. The decision rendered by the LFF Club Licensing Appeals Board on 22 May 2024, is confirmed.
3. (...).
4. (...).
5. All other and further motions or prayers for relief are dismissed.

Seat of the arbitration: Lausanne, Switzerland
Operative part of the award rendered on 3 June 2024.
Date: 3 March 2025

THE COURT OF ARBITRATION FOR SPORT

Mark A. Hovell
Sole Arbitrator