



Football Australia Circular

Circular No. 22-05

13 May 2022

TO THE STATE BODY MEMBERS OF FOOTBALL AUSTRALIA

Domestic Training Compensation

The purpose of this Circular is to consult with and seek feedback from the Member Federations on proposed reform to the Domestic Training Compensation mechanism (**DTC**).

Following the release of the Domestic Transfer System Transformation White Paper and the associated stakeholder consultation process, Football Australia, in collaboration with relevant stakeholders has been continuing the process to establish a modern and progressive Domestic Transfer System (**DTS**). As you are aware, this project is ongoing, with the National Registration, Status and Transfer Regulations (**NRSTRs**) being amended to establish two aligned transfer windows across the game, as well as the recent removal of the cap on the value of eligible domestic transfer fees for all eligible transfers except between A-Leagues Clubs. A separate Football Australia Circular in relation to the removal of this transfer fee cap, including the background, basis for, and objectives of the removal, was released on 21 April.

Based on stakeholder feedback, the next DTS transformation initiative is a focus on reforming the DTC mechanism, which is another key component of a transfer system. Initial consultation with Member Federation CEOs on this topic took place on 20 April, with an overview of DTC and initial models presented. This Circular will provide further background on DTC and propose reforms to it for stakeholder consideration and feedback.

1. Background to Training Compensation

The FIFA Regulations on the Status and Transfer of Players (**RSTP**) provides the regulatory basis for, and outlines the obligations in relation to, training compensation and solidarity contributions applicable to the *international* movement of players.

The RSTP provides that each FIFA Member Association must implement regulations governing the *domestic* movement of players between clubs within that Member Association, including a system to safeguard and compensate clubs that invest in the training and education of young players. In Australia, this is known as the DTC system.

The current DTC model was implemented in 2013. The DTC framework forms part of the NRSTRs primarily in article 13, particularly articles 13.2 to 13.5.

Generally, the obligation for a player's new club to pay training compensation to the clubs that have contributed to the player's training from the age of 12 to 21 (**Training Clubs**) arises, domestically and internationally, when a player prior to the conclusion of the season of his 23rd birthday:

- (a) is registered as a professional for the first time; or
- (b) is a professional player and is transferred between two (2) different clubs and signs a subsequent professional contract.

In accordance with the NRSTRs, DTC is due when a player satisfies either clauses (a) or (b) above by registering with an Australian club, and their immediately preceding registration was also with an Australian club.

The amount of training compensation that is payable by a player's new club to the player's Training Clubs is specified for DTC in the NRSTRs and is derived from the category of the club the player was previously registered to and the category of the player's new club.

Please refer to [Football Australia's Guide to Training Compensation and the Solidarity Mechanism](#) for further background information and examples.

2. Proposed Revised Domestic Training Compensation Model

As part of the transformation of the DTS, a review of the current DTC model indicates that the desired objectives are not being achieved, based on the lack of incentives for Australian clubs in training players, as well as the underperformance of Australia in the global transfer market based on aggregate transfer revenue in (i.e. transfer fees + training compensation). It should also be noted that the current DTC model has not been developed or enhanced in nearly a decade. A revised DTC financial model is therefore being proposed to better incentivise clubs to invest in youth development, encourage clubs to retain players for longer periods and reward the clubs who assisted in the training and education of young players who become professionals before the age of 23.

The current DTC financial model is a one-off lump sum payment made from the player's new club to the player's training club(s). The amount of the lump sum payment is solely dependent upon the category of club the player was last registered with and the category of the player's new club – the lump sum payment amount does not vary based on the age of the player or the amount of time the player has spent at his previous club(s).

To ensure that the DTC model is updated to reflect the modern Australian football ecosystem and designed to achieve our desired objectives more effectively, Football Australia proposes to transition from a one-off lump sum payment (under the current model) to an annual payment, as well as to consider the amount of these annual payments.

This revised model is consistent with FIFA's position and the operation of the RSTP. In the case of a player signing his first professional contract, the total value of the DTC would therefore be calculated based on the time spent at a Training Club from the age of 12 to the time of signing his first professional contract.

For example, if a player, who is 22 and has never signed a professional contract, transferred from an NPL club to an A-League Men Club and signed his first professional contract at this point, DTC would be triggered, and the total DTC payable would be 10 x TP (with TP being the total amount of the DTC payable per calendar year).

We note that there are a range of other further considerations and strategic opportunities that may be addressed by DTC, including the eligibility criteria to receive training compensation.

Enclosed with this Circular are:

- (a) presentation slides setting out additional information regarding the training compensation system, as well as the proposed models with specific annual payment amounts for consideration and the related data;

- (b) an amended draft of the NRSTRs, with mark-up, to outline the proposed changes and potential models; and
- (c) updated examples from the FA Guide to Training Compensation and Solidarity that incorporate the proposed models.

3. Next Steps

Football Australia now provides Member Federations with the opportunity to provide written feedback on the proposed DTC models. Such written feedback should be sent via email to legal@footballaustralia.com.au by no later than Wednesday, 25 May.

If you have any queries in relation to this Circular, please contact legal@footballaustralia.com.au.

Yours sincerely



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