



# LEC Sporting Financial Regulations Rulebook

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## 1. *Summary and Purpose of the LEC SFR Rulebook*

The primary goals of the LEC Sporting Financial Regulations (“**SFR**”) are to (i) improve the long term economic and financial sustainability of the League and Teams in the LEC, and (ii) promote better competitive balance of the Teams in the LEC.

In order to achieve these goals, the League will assign a spending **Threshold** for the LEC that will apply to the SFR Spend (see below) of each Team (“**SFR Threshold**”) for the given Season. The League will use data from different areas – such as Player salaries, League revenue, Team revenue – to determine the SFR Threshold number.

If the total expenditure of a Team on its actual top five (5) highest compensated Players in the respective Season (the “**SFR Spend**”) is above this SFR Threshold, the Team will be in violation of the LEC SFR Rulebook and required to pay a fee (“**SFR Fee**”) that is based upon their spend in relation to the SFR Threshold.

The SFR Fee collected by the League will be shared evenly - 50/50 - between the League and the Teams. A Team is eligible to receive a share of the SFR Fee only if the Team has both (a) satisfied the LEC SFR Rulebook, and (b) met or exceeded the lower spend Threshold (“**SFR Floor**”) in the given season. The League’s share of the SFR Fee will be used to assist funding talent development within the tier 2 ecosystem – the EMEA Regional Leagues and EMEA Masters.

The effective date of the beginning of implementation of LEC SFR is the official start of the Global Contract Window in 2023 (November 21, 2023), and it will be applied from the Calculation Period of 2024 Season.

Capitalised terms not defined in this LEC SFR Rulebook will have the meaning established in the LEC Rulebook or the applicable Team Participation Agreement.

## 2. *SFR Threshold*

The League will operate a **SFR Threshold** as well as a **Baseline Threshold**. The SFR Threshold can equal and exceed the Baseline Threshold, but it cannot be set lower than the Baseline.

### 2.1. **Baseline Threshold**

The League may alter the **Baseline Threshold** - increase or decrease - by providing notice to the Teams or by public announcement (including changes to LEC SFR Rulebook) at least 3 seasons in advance, unless there has been a material market event that requires a quicker change.

Example: if the League communicates that the Baseline will change for the 2028 Season (i.e. for the season starting in November 2027), then this change would need to be communicated no later than September 30, 2024.

- 2.1.1. Material market event - in the event that there is a material market change that could have a potentially major negative impact on the League and/or the goals of SFR with the then set Baseline Threshold, then the League may, in its sole discretion, alter the Baseline Threshold by providing a 2 month advance notice to the Teams or public announcement (including changes to LEC SFR Rulebook) (i.e. for a change for 2025 Season, the League to notify by September 30, 2024). A non-exhaustive list of material market events can include a significant unexpected change in the Minimum Commitment and/or League Revenue Pool, whichever is higher; or an insolvency event occurring. Should a Baseline Threshold decrease be decided due to a material market event, the League would look to introduce measures to reduce the SFR related impact with existing contracts.
- 2.2. **SFR Threshold**  
The SFR Threshold will be communicated by the end of September of the preceding season (i.e. the 2025 SFR Threshold will be determined by the end of September 2024). The SFR Threshold cannot be lower than the Baseline Threshold but it can exceed it, and also be lower than a previously established SFR Threshold.
- 2.2.1. For example: with a EUR 2 million Baseline Threshold, the 2025 SFR Threshold could be EUR 2.2 million and then decrease to EUR 2 million for the 2026 Season. It could not, however, fall below the Baseline Threshold without a change in the Baseline Threshold itself.
- 2.3. **Current SFR Baseline Threshold amount**  
Starting for the 2024 Season, the SFR Baseline Threshold is set at EUR 2,000,000 (two million euros).
- 2.4. **Current season SFR Threshold amount**  
The SFR Threshold for 2024 Season is set at EUR 2,000,000 (two million euros). The 2024 SFR Threshold comes into effect from the official start of the Global Contract Window in 2023 to the official Contract End Date in 2024. For the season over season Threshold, see Table 1.
- 2.5. **SFR Threshold determination**  
The SFR Threshold will be decided at the League's discretion, using at least the following data sources:
- 2.5.1. Preceding three year Player spend overview (i.e., for the 2025 Season, data concerning the 2022-2024 Seasons would be used)
- 2.5.2. Anticipated Player spend for the year of the Threshold (i.e., already existing Player contracts that extend into the next season);
- 2.5.3. The forecasted League Revenue Pool or Minimum Commitment, whichever is greater;
- 2.5.4. LEC Team Revenue of the preceding three years according to the Team Reports;

- 2.5.5. LEC Team Expenses of the preceding three years according to the Team Reports.

### 3. *Expenditure*

#### 3.1. **SFR Spend**

If the sum of the **Expenditure** (see 3.2) by the Team to the **Subjected Player** (defined as being one of the Team's highest five (5) compensated Players in the season in question) during the season exceeds SFR Threshold, the Team must pay a proportional **SFR Fee** (see section 4), and the Team is excluded from the **Distribution Eligible Team** list (see 4.3).

- 3.1.1. For the purposes of calculating the Expenditure, the day on which the Team should have paid the Player is prioritised over the actual payment date. For example, if a payment was supposed to be made on April 30th but there was no payment made, April 30th will be considered as the payment date. In addition, any outstanding payment after the termination of a Player contract (the SFR amounts include both monetary and non-monetary amounts) is considered to have been fully paid on the end date of the Player contract.

- 3.1.2. Expenditure is the gross amount due to the Player, before any deductions such as taxation, insurance, pension and other related withholdings. As an example, for a Player's base salary expenditure calculation, if the Player has a contractual base salary of EUR 100,000 for the entire Season and the Player remains and earns the entire payment during the Season then the EUR 100,000 is considered as the expenditure for the base salary (note that any other expenditure earned by the Player during a season - achieved bonuses etc. - would be calculated in the same way, as a gross amount, provided that the bonus itself was achieved and earned).

#### 3.2. **Expenditure Calculation Standard**

- 3.2.1. For the purposes of calculating the Expenditure, subtract the non-aggregated items in accordance with the Table 2 below (**hereinafter referred to as "Expenditure Calculation Standard"**), and also deduct the amount as specified in Section 5 (**hereinafter referred to as "Special Reduction"**) from each actual payment to the Subjected Player. Any payment amounts not explicitly defined in the Expenditure Calculation Standard will be considered part of the Expenditure, but can be subjected to alternative determination based on League Officials' discretion under special circumstances. See Table 2 for the Expenditure Calculation Standard overview table.

### 3.2.2. **Items Paid by the Team**

The calculation of **Expenditure** follows 3.2.1 and Table 2 unless otherwise specified as a non-aggregated item within the **“Expenditure Calculation Standard”** or as a **“Special Reduction”**.

#### 3.2.2.1. **Signing Bonus**

In the case of a Player contract with a contract period exceeding one year, the total Signing Bonus is evenly divided annually and added to the Expenditure for each year. Should the Player contract terminate prematurely, the remaining amount will be fully accounted for in the last full year of actual employment, or closest to a full year.

#### 3.2.2.2. **Performance Bonus**

Bonuses paid for performance at international events will be considered at a reduced rate - 50% - up to a total of 50% of the total Expenditure for that Player in that Season.

#### 3.2.2.3. **Cashable Assets and Real Estate**

In the case of a Player contract with a contract period exceeding one year, the total value of cash assets and real estate is evenly divided annually and added to the Expenditure within each year's Calculation Period. The value of each asset is evaluated based on the contract conclusion date when the payment was agreed (in the case of stocks, it is judged based on the closing price on the date which the stock payment contract was signed). In this process, the League Officials can request supporting documents such as appraisal reports, and the Team is responsible for submitting these documents. The League Officials can request the Team to modify the Expenditure if there are any abnormalities found when reviewing the submitted supporting documents.

### 3.2.3. **Item(s) Paid by Third Parties**

3.2.3.1. Amounts received by the Player from a third party other than their Team, shall not be added when calculating the Expenditure. For the purposes of this provision, a “third party” may not be a company with a business relationship with the Team, an equity relationship with the Team, a parent company, a subsidiary, or each employee of such company, an employee of the Team, or a third party who has agreed to pay on behalf of the Team.

3.2.3.2. If the amount paid by a third party is simply passed through the Team and paid to the Player, it is not added when calculating the Expenditure. The Team bears the burden of proof and the final decision will be made by League Officials upon reviewing the supporting documents submitted by the Team. If the Team cannot provide sufficient proof as to the nature of the payment and its

relationship with such a third party, the amount will be considered as an item paid by the Team.

#### 3.2.4. Others

Prize money paid in tournaments and leagues hosted by Riot Games such as LEC, Worlds, MSI, or any other tournaments separately recognized by the League Officials are not added when calculating the Expenditure.

3.3. All payments must be reported in euros. For payments made in non-euro currency, these must be booked at the daily closing price on the day of payment with support provided to the League with the SFR Reporting package.

3.4. The Expenditure will be calculated following the SFR Reporting Mechanism, and Teams will be informed as to their performance following the conclusion of this process in accordance with the SFR Timeline as per the LEC Regulations.

### 4. SFR Fee

#### 4.1. SFR Fee Calculation

The SFR fee will be calculated as follows:

4.1.1. If the sum of the Expenditure (see 3.2) by the Team to the Subjected Player during the season exceeds SFR Threshold by up to 150% of the SFR Threshold, the Team has to pay 50% of that excess to the League as SFR Fee.

Example: If the SFR Threshold were to be set at EUR 2 million and the sum of a Team's Subjected Players Expenditure were to amount to EUR 2.3 million, the excess would amount to EUR 300,000. The SFR Fee in this case would be EUR 150,000 (50% of the excess amount).

4.1.2. If the sum exceeds 150% of the SFR Threshold, the Team has to pay 100% of the excess to the League as SFR Fee.

Example: If the SFR Threshold were to be set at EUR 2 million and the sum of a Team's Subjected Players Expenditure were to amount to EUR 3.5 million, the excess would amount to EUR 1.5 million. EUR 500,000 of this excess amount exceeds 150% of the SFR Threshold (EUR 3 million) which means that a 100% extra fee is applied to this amount (EUR 500,000). The remaining EUR 1 million of the excess amount would incur a 50% fee, since they remain below the 150% SFR Threshold. Accordingly, the total payable SFR Fee would amount to EUR 1,000,000.

4.1.3. If a Team exceeds the SFR Threshold by 5% or less, this will be considered a breach of the SFR Threshold but no SFR Fee will be due. However, if this occurs repeatedly - two times in four seasons - then a flat SFR Fee will be due, and this amount will be calculated as follows: SFR Threshold in the most recent year x 5% = SFR Fee.

#### 4.2. **SFR Floor**

SFR Floor is set as 50% of the SFR Threshold and it is calculated by considering the Expenditure of the Team to their entire Global Contract Database listed Team Members over the course of that season.

#### 4.3. **SFR Fee Allotment and Distribution Eligible Teams**

The League Officials allots all of the SFR Fee received in that year evenly with half being used by the League itself to support tier 2 talent development initiatives such as ERLs and EMEA Masters, and the other half evenly to Teams whose Expenditure within the Calculation Period is less than or equal to the SFR Threshold, and whose Expenditure is greater than or equal to the SFR Floor (“**Distribution Eligible Teams**”). Accordingly, Teams whose Expenditure within the Calculation Period exceeds the SFR Threshold, or whose Minimum Expenditure Amount is less than the SFR Floor, are excluded from the Distribution Eligible Teams for that year. The Distribution only considers the actual amount of the SFR Fee received by the League Officials.

- 4.3.1. If all Teams in a given year do not qualify as **Distribution Eligible Teams**, the **Distribution** for that year is retained by the League.
- 4.3.2. Teams must pay the SFR Fee within the timeline set by the League
- 4.3.3. If a Team misses the deadline for paying the SFR Fee, the League Officials can impose a separate penalty.
- 4.3.4. The League Officials will separately notify the Distribution Eligible Team of the distribution method and timing for the relevant year according to the SFR Timeline.

### 5. *Special Reductions*

- 5.1. When calculating the SFR Spend for each Team, the total sum may be reduced in the following cases:

#### 5.1.1. **Existing Players**

- 5.1.1.1. Expenditure from Players who have already entered into contract with the Team during or before September 11, 2023 shall be reduced to one fifth of the SFR Threshold (i.e., EUR 400,000 for 2024) OR the actual Expenditure amount, whichever is lower. This reduction is only applicable should an Existing Player be one of the Subjected Players for that season on the Team.
- 5.1.1.2. In cases where an Existing Player signs an extension or an amended contract during the period of time that they are qualifying as an Existing Player then the contract will be reduced to one fifth of the SFR Threshold (i.e., EUR 400,000 for 2024) OR the actual Expenditure amount, whichever is lower, up to the end contract date of the initial pre-September 11, 2023 contract.

Example: As of September 11, 2023, Player A has a contract expiring in November 2024. If Player A signs an extension or



an amended contract with their current Team which now runs until November 2025, Player A still qualifies as an Existing Player until November 2024.

5.1.1.3. This Special Reduction only applies to SFR Spend and not to consideration for the SFR Floor.

5.2. The League may add further Special Reductions that help achieve the goals of the LEC SFR Rulebook at a later date.

## 6. *Reporting Mechanism*

### 6.1. **SFR Reporting package**

Teams are required to provide the SFR Reporting package to the League by the deadlines established by the League. SFR Reporting items include, but are not limited to, the following:

6.1.1. Team Report & other financial reports and templates;

6.1.2. Minutes, in a prescribed form, of the meeting of the board of directors of the Team Entity at which the declaration was formally approved;

6.1.3. A declaration, in a specified form, signed on behalf of the Team by its Chairman, CEO and Financial Director certifying what those individuals, having made full and proper enquiries, of what the Team is expecting as Expenditure during a season.

### 6.2. **Other factors to be considered by the League:**

6.2.1. The League may take into account extraordinary events or circumstances beyond the control of the Team which are considered as a case of force majeure.

Annex 1 - Tables

**Table 1: SFR Threshold Season Over Season**

<b>Season</b>	<b>SFR Threshold</b>	<b>SFR Baseline</b>	<b>SFR Floor</b>
2024 Season: Nov. 21, 2023 - Nov 18, 2024	EUR 2,000,000	EUR 2,000,000	EUR 1,000,000
2025 Season: Nov. 19, 2024 - Nov. 17, 2025	Announced by Sept. 30, 2024	EUR 2,000,000	Announced by Sept. 30, 2024
2026 Season: Nov. 18, 2025 - Nov. 16, 2026	Announced by Sept. 30, 2025	EUR 2,000,000	Announced by Sept. 30, 2025
2027 Season: Nov. 17, 2026 - Nov. 15, 2027	Announced by Sept. 30, 2026	Announced by Sept. 30, 2024	Announced by Sept. 30, 2026

**Table 2: Expenditure Calculation Standard**

Items Paid by the Team					
Classification		Subclassification	Definition	Whether to aggregate Expenditure	Application Method
Monetary	Base Salary	Annual Salary	Base salary paid in instalments within the contract period	Aggregated	Full aggregation based on the agreed payment date
	Additional Salary	Signing Bonus	The amount paid at once according to the Player's contract	Aggregated	Refer to 3.2.2.1
		Ordinary Bonus	The amount conditionally paid based on competing within the starting roster (e.g. active roster bonuses, per game played bonuses, and other similar clauses)	Aggregated	Full aggregation based on the agreed payment date
		Performance Bonus	The amount conditionally paid to the Player based on the Team and/or Player's achievements (e.g., regular league MVP, Player of the Game, etc.) in LEC or international competitions recognized by the League Officials (MSI, Worlds, etc.)	Partially Aggregated	Refer to 3.2.2.2
		Other Additional Amounts	Other amounts paid by the Team to the Player (appearance fee, participation fee, Team streaming fee, Team profit distribution, etc.)	Aggregated	Full aggregation based on the agreed payment date
Non-monetary	Cashable Assets and Real Estate	Assets such as real estate (including but not limited to pre-sale rights), vehicles, stocks, etc., that have been given ownership in the name of the Player	Aggregated	Refer to 3.2.2.3	
	Benefits	Fitness trainer, Physiotherapist,	Non-aggregated	N/A	

		accommodation rental, Food expenses, Transportation fee, etc.		
<b>Item(s) Paid outside of the affiliated Team</b>				
<b>Monetary and Non-monetary</b>	<b>Payment Amount outside of the Team</b>	Amounts paid outside of the affiliated Team, such as personal sponsorships, personal streaming contracts, etc.	<b>Non-aggregated</b>	N/A
<b>Other(s)</b>				
<b>Etc.</b>	<b>Prize Money</b>	Prize money paid to the Team by Riot according to the results of the game and/or competition	<b>Non-aggregated</b>	N/A