



## New financial monitoring & insolvency obligations – RFU

### Regulation 5

We'd like to remind clubs that a number of new regulations have been introduced, with effect from 1 August 2021, relating to the RFU's insolvency regime for rugby clubs.

(1) PRL, the CCC, NLR and CBs now have a freedom to implement their own financial monitoring system for their clubs, in order to better help identify clubs in potential financial distress. The nature of that financial monitoring system is entirely at the discretion of the relevant monitoring body: some CBs may continue to ask for financial accounts, whereas others might request different data. Clubs should wait to hear from their CB further to understand what will be required going forwards.

(2) Clubs are now required to notify their relevant monitoring body (PRL, the CCC, NLR or their CB (as appropriate)) if they experience a 'Material Change', which is any event or circumstance that results in (or might result in) a material adverse change to the financial condition, viability or sustainability of the club. For clubs at Levels 1 to 4, a Material Change must be reported within 7 days; for clubs at Levels 5 and below, the report must be made within 14 days. Clubs playing in the Women's AP15s should make their report directly to the RFU.

(3) Where a club suffers an Insolvency Event, it will automatically be relegated to the League below for the following season. This sanction replaces the previous points deduction formula, and is intended to act as the maximum deterrent to financial mismanagement/recklessness. There are certain exemptions from mandatory relegation, namely where the insolvency is caused by a *force majeure* event or where it is merely a technical consequence of a legitimate corporate group restructuring. Where an insolvent club's most senior team plays in the AP15s, there is a discretion for the RFU to impose a different sanction or sanction another team within that club.