

Legal memo

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Fan Tokens, the new revenue stream for sports clubs

Last June, Atlas FC became the first Mexican club to launch its Fan Token, thus joining major world soccer clubs with the same initiative. Although Fan Tokens are a benefit focused on fans, so that they can be more connected and feel part of their favorite team, it is also true that they represent a profitable business for professional clubs, allowing them to reach places or countries where they would not normally have a presence, and even bring them all together in a common space: the Metaverse.

Before entering the world of Fan Tokens and analyzing their concept, their possible legal regulation, as well as the innovative and transcendent aspect that they bring to the sports world from a technological point of view, it is important to highlight the virtual reality in which they operate: the **Metaverse**.

Understood as a parallel and digital reality, the Metaverse represents a virtual environment in which people can communicate, interact, play, work, and even enjoy their favorite sports. It is a sort of "second level on the Internet" that allows people from all over the world, who may be physically located several thousand kilometers away, to meet in a common place and interact as if they were in the same physical space.

What are Fan Tokens?

Virtual assets play a fundamental role within the Metaverse, since, through the *blockchain* technology they use, they facilitate and allow their users to take advantage of the functionalities that the Metaverse offers them, both to carry out transactions or payment operations within it, through the use of cryptocurrencies, as well as for the exchange of goods and services represented in the Metaverse, through the **non-fungible tokens (NFTs)** and the sports fans tokens known in the media as **Fan Tokens (FTs)**.

FTs are usually fungible tokens (exchangeable or redeemable), used in the sports world; their main objective is to offer fans or supporters of a certain sports team or club the possibility of becoming actively and directly involved in the internal field, operation, and performance of the sports teams. In other words, to empower and involve the fan by creating a stronger bond between the team and its fans.

An important aspect to consider is that Fan Tokens are not backed by any legal tender or any other virtual asset (cryptocurrency); their value is fixed or established by the number of people interested in it, by the demand it generates.



FTs also allow their holders to have certain privileges related to their favorite team. For example, they can have decision-making capacity in several areas, such as participating and voting on the color or design of the team's official jersey, asking questions during press conferences of the players or coaching staff, receiving or being entitled to discounts on official club merchandise, exclusive access to VIP or preferential areas during the team's games, among many other benefits. There are even those who equate these virtual assets with a kind of traditional membership usually offered by sports clubs.

In other words, **FTs are a kind of digital token that allows fans, through technological platforms, to have access to certain "privileges"**. In general, FTs are acquired through cryptocurrencies, which are virtual assets that serve as means of payment, as detailed below.

In the world of soccer, there are already professional teams that have Fan Tokens for their fans, including world-class teams such as **Atletico Madrid, Barcelona, Inter Milan, Juventus, Roma, Arsenal, Paris Saint Germain, Milan, Valencia, Manchester City, and most recently, Real Sociedad**, among others. These FTs allow, for example, Arsenal fans to vote on which shirt their team should wear in a particular Premier League match, or to leave a message for their favorite player in the dressing room tunnel. In the case of Valencia, their fans have the possibility of choosing the phrase that the team captain's sash should display during a Copa del Rey final in Spain; or in the case of Atlético de Madrid, their fans are allowed to play a game at the Wanda Metropolitano Stadium alongside emblematic members of the team.

Where and how can I obtain the Fan Tokens of the teams?

In general, through access to technological platforms used by the teams. These platforms, in order to purchase FTs, first request the user to create a profile, download the corresponding App, and to be able, by means of a wallet, to buy cryptocurrencies which in turn allow him/her to purchase the FTs. It is important to note that the FTs are paid only once, so it is not necessary to renew them as if they were a subscription.

FTs are offered to the fan public through what are known as FTOs (Fan Token Offers). Through such offers, a limited number of tokens are sold, subject to a price initially determined by the team or club, but which may be modified according to demand.

How are they regulated and what advantages do they represent?

Since FTs are not a type of virtual asset that serves as a means of payment, as cryptocurrencies are, there are solid grounds to argue that **the Law to Regulate Financial Technology Institutions (Fintech Law) is not applicable to them**. Article 30 of this law states that a virtual asset is considered a representation of value registered electronically and used by the public as a means of payment for all types of legal acts and whose transfer can only be carried out through electronic means, establishing in turn that only Financial Technology Institutions may operate with virtual assets, in accordance with the determinations indicated by the Bank of Mexico.

Although FTs represent an advantage, benefit or privilege that is made available to fans so that they can be more connected to their favorite team or club and feel truly part of it, it is also true **that FTs allow professional clubs and teams to increase their profits considerably, especially considering that the price of these virtual chips** will depend on the demand for them, which in turn is related to the good results obtained by the team: *if it wins leagues and championships, if it beats its fierce rival, if it manages to advance in the standings, if it makes good player signings, among others.*



Likewise, **FTs will allow the sports team to reach places or countries where it normally had no presence, and even bring them all together in a common space: the Metaverse**, where it will also be able to offer its fans all kinds of goods, services and benefits related to the club. Since FTs are a profitable business for sports clubs, they allow them to remain competitive and take advantage of the technological advances and innovations that this type of virtual assets and platforms offer them.

Therefore, **the apparent sports trend is that, in order to stay at the forefront, teams must be part of the Metaverse, create their own FTs and become familiar with the various digital platforms and thus be able to keep up with the times of unstoppable technological innovation**. Teams that do not join this "digital revolution" could run the risk of being left behind and, in a last scenario, be forgotten and unable to compete with the teams that are already joining this parallel and virtual world that connects all the fans in the world.

ECIJA Mexico's TMT Area

socios.mexico@ecija.com