



PERFORMING RIGHT SOCIETY LIMITED **DISTRIBUTION RULES**

**Distribution cycles
and concepts**



DISTRIBUTION CYCLES AND CONCEPTS

Standard distribution cycles and frequency

We pay royalties to our members and rights-holders in four main PRS distributions each year. These distributions are usually made in April, July, October and December.

By working to standard distribution cycles we can be as fair, accurate, transparent and cost effective as possible. This gives us the time we need to collect revenues, process music usage data, allocate royalties to specific musical works and pay these out in a distribution. You can think of these cycles as being like the seasons or quarters of a year.

In most cases revenues relating to performances in one quarter are paid out in royalties two quarters later. For example, revenues from performances in January, February and March would usually be paid in the July distribution.

One exception to this standard distribution frequency is for television. Revenues from television performances in July and August can be paid as soon as December in the same year. While revenues relating to performances in September, October, November and December are usually paid the following year in the April distribution.

Here are the distribution cycles for most, but not all, major revenue sources:

For television (except music TV channels)

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
July distribution			October distribution			December distribution		April distribution			

For music TV channels, radio, all public performance (except concerts)

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
July distribution			October distribution			December distribution		April distribution			

You can find distribution information for other revenue sources in the appendix section 'Standard distribution cycle'.

To ensure that distributions are cost effective, we set minimum payment thresholds for our four main distributions. These thresholds are £30 for members in the UK, £60 for members outside the UK and £100 for affiliated societies. If a member or rights-holder has a royalty total below their threshold then we hold onto the payment until they reach it.

For one distribution each year we reduce the threshold for members in the UK down to £1. Throughout the year we may also make 'mini-distributions' in between the main distributions described above. These distributions may be made for a range of reasons, for example for a specific source of royalty revenue or type of usage, and thresholds vary on an individual member or affiliated society basis.

Distribution basis

We base our distributions on the following methods, in order of preference:

Census – This is our preferred basis for all distribution sections. A census distribution involves data collection, processing and payment for every single performance, often referred to as pay-per-play, within the licence period.

Unfortunately, it is not always feasible for us to distribute on a census basis, due to the nature and volume of music usage by some licensees. Usually, this is where no cost-effective solution for collecting and processing data is available, for example music played in the background by licensed pubs.

Sample – Where census distribution is not feasible, we seek to collect a representative sample of actual performances as the basis to distribute total section revenue. This method is effective when (a) music usage is highly repetitive or there is a small breadth of total repertoire used and (b) we can collect statistically relevant sample information cost effectively.

Sampling is not an appropriate distribution basis if data collection is expensive and there is a very high volume of music usage. For example, it would not be cost effective to collect a sample of background music played in pubs that is statistically representative. Please see the 'Broadcast sampling rates' section for more information on how we determine the cut off for cost effective sample distributions for broadcast.

Analogy – An analogy-based payment is used for any distribution section where census and sample methods are not feasible. This is usually because sufficient data is not readily available. The analogy method uses a similar, or analogous, data set as the basis for revenue distribution. Analogy is most frequently used for general public performance of non-featured recorded music and is described in the 'Public performance' section under 'Distribution policy' headings later in this document.

In some instances, combinations of these approaches may be used.

Should a licensee fail to supply usage data at the correct time to enable us to make a distribution from out of the royalties received from that licensee, we will hold the royalty revenue until such time as we have obtained the relevant data. If, after having taken reasonable steps to do so, we are still unable to obtain the data from the licensee, we reserve the right to distribute the revenue over analogous data.

Distribution sections

A distribution section is a pool of revenues collected from one or more sources and distributed together because they are related in some way. For example, the live performance distribution section may cover music performed live in different sorts of venues, such as hotels, pubs or concert halls. While these venues have different licensing tariffs, the revenues are pooled together for distribution because they all relate to live music use.

A distribution may contain hundreds of individual distribution sections which are identified separately on distribution statements.

Non-licence revenue

Non-licence revenue (NLR) is the interest earned on investments and royalties awaiting distribution. We apportion this revenue between rights-holders in direct proportion to their earnings. When there is sufficient NLR available, we pay it out in a July or December distribution in a separate distribution section.

We use NLR to pay donations to PRS Foundation and Members Benevolent Fund, but this is only taken from the portion due to PRS members, not from other rights-holders.

Administration recovery rates

We recover our operating costs from the revenue we collect. Because some revenue sources cost more to operate than others, our operating costs also vary. To reflect this we apply a range of administration recovery rates ('admin rates'), which we review regularly.

Our admin rates cover data collection and processing costs for the revenue source, plus our general operating costs. These general costs include many essential activities such as maintaining a database of copyright information, negotiating with industry bodies and issuing licences so that organisations can use licensed music.

We apply our admin rates at gross licence fee level to leave a net distributable revenue, which is then used in subsequent royalty calculations. You can find a list of our current admin rates online www.prsformusic.com/royalties/your-statement/admin-rates

Donation to the PRS Foundation and Members Benevolent Fund

We make a £3m donation to the PRS Foundation, the UK's leading funder of new music and talent development across all genres, each year. We also make an annual donation of £35,000 to the *PRS for Music* Members Benevolent Fund. Both of these donations are taken from the portion of non-licence revenue due to PRS members; none is taken from the portion of NLR due to other rights-holders.

Weightings

Generally, we follow an approach to royalty distributions where all music use from a particular revenue source, for the same period, is usually paid at the same rate.

To be more specific, we do not apply a weighting within a distribution section because of the music's source, its genre, its place of origin, its purpose, its instrumentation or the way in which it is used. All individual music usages within a single distribution section for a given period have the same value.

TV and Radio performances are one notable exception. TV and Radio audiences are typically larger at certain times of the day. We apply time of day weightings on TV (since 2007) and Radio (since 2019) broadcast distributions, where usage falls into Non-Peak, Low Peak or High Peak time bands. These bands take the size of audience into account and are split out into separate distribution sections because they each have their own usage values.

Points and point values

Some organisations prefer to negotiate a blanket licence fee to cover all of their music use for a set period. This fee is a lump sum rather than a predefined value per usage.

Because a blanket licence has no predefined value per usage, we use points and point values as the basis for royalty distributions.

We do this by allocating a number of points to each usage. A point represents a different value depending on the distribution section. For example, for radio and TV broadcasts the point is a minute of time, so a broadcast lasting three minutes 30 seconds becomes 3.5 points. For public performance the value might be, for example, the number of times a work is performed in a nightclub, so a work appearing 10 times in a nightclub would have 10 points.

Within each distribution section, the total points for each work are added up. Works that have more usages therefore accumulate more points. Each point within a distribution section will have the same value. Therefore, works that have accumulated more points will receive more money.

Fixed point values

Many distribution sections are paid using fixed point values (FPVs). These represent the value of a single unit of music usage for that distribution section and mean that music can be valued equally throughout the period. In its simplest form an FPV will be calculated as follows:

Broadcast: Total annual station distributable revenue ÷ total annual station music minutes

Public performance: Total annual section distributable revenue ÷ total performances in section

The reality is usually more complicated. When an FPV is set for the first distribution in a licence period, the final year's revenue and music use is not known. Predicting final revenue and usage incorrectly at the first distribution has an inherent risk. The wrong forecast could mean that more revenue is distributed than actually collected. To minimise the risk of over-distribution, we cautiously under-forecast the annual net revenue when making this calculation. Any residual revenues left over after the last standard distribution for a licensed period are distributed via a reconciliation payment.

Reconciliation payments

Sometimes more revenue is collected from a specific revenue source than is paid out in royalty distributions for that period. Typically, in instances like these, we may distribute the residual revenue in a reconciliation payment, rather than carry it forward into the next quarterly distribution.

We aim to distribute all revenues collected in a licence year, covering performances falling within the licence period¹, in the first distribution after the final quarterly distribution. If sufficient residual revenue remains after PRS has made all distributions for the licence period covered by a specific fee per source, it will be distributed as a reconciliation payment.

This payment pro-rates the residual revenue across all members featuring in the original distributions in proportion to the value generated by their performances.

Example:

The distribution section for Licensee A, a music TV broadcaster, has net distributable revenue of £1,000, covering all 2017 music usage.

Initial distributions for the performances logged in the 2017 period are made in July 2017 for quarter one performances, October 2017 for quarter two performances, December 2017 for quarter three performances and April 2018 for quarter four performances. These initial distributions total £900, leaving residual distributable revenue of £100.

Member A initially earned £100 of the original £900, or 11%. Then, upon reconciliation, Member A will receive an additional reconciliation payment of £11, which is 11% of the £100 residual revenue. Therefore, Member A will receive £111 in total.

Where the residual revenue is insufficient to warrant reconciliation across the original usage, it is carried forward to the next year's distribution pool for that section. If we have over-distributed for a station for the year, the debt is usually resolved from available reconciliations from the same broadcast group. Small debts may be carried forward to the next year.

¹ There are two exceptions to this:

a. Commercial radio: The commercial radio licence year runs from October to September, so the final performance period in any given licence year is July to September, paid in the December distribution. Due to the time constraints associated with the December distribution, it is not possible to include the reconciliation within the final payment. This reconciliation therefore takes place in April, the next available distribution.

b. Reserved revenue in respect of missing data: The only other scenario in which revenues are not reconciled at this distribution is where substantial gaps in performance data have been identified. In this case, revenue is only reconciled when outstanding data is received.

Music consumption

For distribution purposes, music consumption is a measure of audience hours containing music. This is used predominantly in TV or radio broadcast revenue apportionment calculations. It is usually calculated at station level by multiplying total audience hours by music percentage, which is total music hours divided by total broadcast hours.

Music consumption provides a consistent and meaningful basis to compare different online services, TV and radio stations for a single licensee, and the relative importance and value of music within that licensee's usage.

Distribution section values

The exact values of some distribution sections can vary significantly from year to year. In some instances, the licence details including the licence fee are contractually confidential between us and the licensee. Because of this no revenue total values are given in this document.

Unnotified works

We usually match music usage to specific musical works and distribute royalties according to the works registration details that our members and/or affiliated societies provide. However, in some instances work details are matched to works that have not been formally registered by anyone. For example, they may have been compiled from various performance usage returns. Such works are referred to as 'Unnotified works'.

Since April 2013 we have followed a specific process for unnotified works.

Where we identify that any particular British publisher might have an interest in an unnotified work, we pay 50% to the writers and hold the other 50% - the potential publisher share - back from distribution. The held share is released once the work has been formally registered.

For non-UK works we only withhold the publisher share where we have identified a particular potential sub-publisher.

In practice this means that if we are only able to identify one interested party and that interested party is a member of an affiliated society then we will pay the money to that society. This is in line with CISAC's binding professional rule CTR13-0250R1 (pertaining to Insufficient Documentation). Note that such payments are not specifically marked with the Warsaw Rule indicator on distribution statements although they are marked as unregistered works.

At present royalties are held - and therefore claimable - for three years from the date of intended distribution. In November 2014 the Distribution Committee decided that money remaining after three years should be paid to the identified writers or their foreign affiliated society.

For online usage, no royalties are held and we pay the publishers we have identified as well as the writers.

This policy was agreed by the Distribution Committee in November 2012, reconfirmed by the committee in March 2013, and later approved by members at the 2015 AGM. This brought us into line with CRM Regulations.

How we treat usage which is unmatchable is described in each distribution section of this document.

We undertake several stages of matching. This includes using unique identifiers, titles, interested parties and production details to automate usage matching. A dedicated team also manually matches reporting which has not been automatched, subject to thresholds mentioned individually

elsewhere in this document. This is to ensure the greatest proportion of matched usage is achieved.

Exclusions

We issue music licences only for the rights we control in our members' music. This means that some rights are excluded from our licensing and, therefore, our distributions.

We can distribute royalties received in consideration of the licences we grant. If (and to the extent that) we do not control the rights in a work for a particular use - or the work itself does not form part of our licensable repertoire - no distribution can or will be made from our licence revenues to any persons interested in the rights or works concerned. The following is a non-exhaustive list of exclusions from our licensable repertoire and by extension, our normal distribution process:

Rights reserved to members generally:

- live performances and broadcasts of complete *Dramatico-Musical Works*;
- live performances and broadcasts of excerpts of *Dramatico-Musical Works* performed dramatically. Non-dramatically performed excerpts from dramatico-musical works are licensed by us provided that the duration of the excerpts does not exceed certain thresholds;
- live performances and broadcasts in whole or in part of any music composed or used for a *Ballet*, if accompanied by a visual representation of that *Ballet*;
- performances of music specially written for a dramatic work, such as incidental music to a play, when performed in, or in conjunction with that dramatic work; and
- performances of music written specially for *Son et Lumiere* productions when performed as part of those productions.

For all of the points above, there are certain circumstances where we do control these rights and distribute royalties, such as from television broadcasts and public performances of them by means of televisions and radios.

Rights excluded at the request of individual members:

We do not distribute to the individual member for any use of their work in circumstances where in respect of that work:

- We have declined to license the rights in the member's work under our Article 7(f) procedure, which might include:
 - pre-existing works used in compilation shows or theatrical productions such as plays;
 - dramatic performances of *Music Theatre* or *Cantata Musicals*;
 - specially written music accompanying silent films;
- We have assigned to the member the right to perform the work live and in public under our Article 7(g) procedure;
- The member has requested, and we have authorised, grant of a non-exclusive licence for non-commercial uses of the work under our Article 7(h) procedure; and
- The member has excluded one or more categories of their rights under Article 7(cA), in respect of that category of rights.

Rights for which we choose not to make a charge for the use in question, including:

- performances during Divine Worship in churches or other places of worship; and
- performances to patients in hospitals, nursing homes and other similar establishments;
- Rights not controlled by us (for example, because at the time of the performance ownership or control thereof has not been vested in us by the member or affiliated society).

Exclusions by law:

- performances deemed not to have taken place in public under the Copyright, Designs and Patents Act 1988, such as performances given for the purpose of instruction at schools; and
- performances of works that are in the public domain.

For further detail about these exclusions, please contact writerquery@prsformusic.com or publisherquery@prsformusic.com

Adjustments

An adjustment is a change in where the royalties for a work are paid, after the original royalty distribution has taken place.

Rule 2(i) (i) says that distributions "...shall be final and binding, save in respect of any valid claims made by the persons interested within a period of three years from the date of the distribution concerned."

The practical policy application of this rule is that if a member or other affiliated society claims to be entitled under the PRS distribution policy a distribution in respect of a performance and/or claims not to have received a distribution to which believed to have been entitled under such policy within three years of the date of the distribution, we will pay the claimant the sum concerned, usually by means of supplementary payment at the next main quarterly distribution.

Note that this does not mean that we will only make adjustments for up to three years. In some instances, it may take considerable time before an adjustment can be agreed and authorised but as long as the initial claim for the adjustment was made within three years of the date of distribution, we will then make the adjustment.

We will also make adjustments in respect of incorrect payments for so-called unnotified works if requested and the claim for adjustment is made within three years of the date of the distribution and the work had been (or could have been) notified prior to the distribution with different details.

We will only honour valid claims where the claimant would have been entitled to receive the payment claimed at the time of the original distribution. For example, we will not make adjustments because of backdated contracts, where if a work (notified or unnotified) is distributed as unpublished and subsequently a publisher acquires the work under a contract that grants control from earlier than the distribution, we will not make an adjustment because at the time it actually made the distribution the terms of the contract were not operative.

Shares

After deducting our administration expenses from the revenues we collect, we begin to work out how royalties are to be divided between the persons interested in the works exploited under our licences (Rule 2(c)).

The Allocation of Shares is how we divide the net revenue for a work between the parties interested in that work. That is between the member, the affiliated society and other rights holders as appropriate. These parties are entitled to participate in the relevant share of the net revenue attributed to the use of the work. If and where the Council is unable reasonably to determine the identity of the person interested, because the share in question is disputed by two or more persons claiming to be interested or otherwise entitled to the royalties, the net revenue will be dealt with under our rules governing Disputes and Duplicate Claims and related policies (as described below).

As and when required by us, each member must notify us of the allocation of shares and the full names of all interested parties, in sufficient detail, of each musical work in which they have an interest.

We will accept such notifications in respect of active works from affiliated societies when received from societies in the customary manner. For example, fiche international.

We will usually divide the royalties between the parties involved in the work in the proportions agreed between them, subject to the following:

The 'writer's share' in a PRS distribution is the share of monies allocated by us to the writer(s) of a work (or where the writer(s) is/are a member of an affiliated society, to that society). A member's right to an allocation of the writer's share under the Rules arises by virtue of his or her authorship of the work to which the distribution relates and regardless of whether or not the writer is entitled to retain that sum under the terms of his/or her contract (if any) with the publisher(s) and/or rightsholder(s) of the work).

Where a work has been written by one of our members or affiliates, we will not allocate more than 50% of the fee to be distributed in respect of a work to the publisher(s) of the work. However, in accordance with Rule 2 (gc) (i), if and where there is no writer member interest in the work, then we will pay the notional 'writer share' to the publisher-member).

There is no inherent publisher share; a publisher share will only be allocated to a person claiming to be a publisher provided that it is the 'publisher' of the work concerned according to PRS Rule 1(o). Unless we have evidence or claims to the contrary, we will assume that publishers do meet our official definition of being a publisher as defined in our formal rules.

In certain circumstances the share allocated to a publisher will be limited to 16.67% (see Rule 2(f)(ii) in the Rules). Unless we have evidence or claims to the contrary, we will assume that publishers do meet the requirements of Rule 2(f)(ii) and so will not automatically limit the publisher share to 16.67%.

In the absence of any registered details to the contrary, we will allocate 50% of the total to the composers of the music and 50% to the authors of the original lyrics of unpublished works. Where an unregistered work is identified as having a publisher we will assume, in the absence of registered contract information, the split is 50% to the writer and 50% to the publisher.

Arrangements

For performances of an arrangement of a copyright musical work, we will not usually allocate a share to the arranger unless otherwise agreed by all the interested parties. In the absence of any such agreement, performances of such an arrangement will be credited to the persons interested in the original copyright work. When we do allocate a share to an arranger of a copyright work that share will not be more than 16.67% (2/12th) unless the arranger is a member of one of the American societies, BMI or ASCAP, in which case the arranger share will be 12.5% (1/8th).

For performances of a copyright arrangement of an otherwise non-copyright work we will credit the arranger as if he/she was the composer of an original composition.

Samples

'Samples' are distributed as registered but are subject to the rules about writer/publisher share splits outlined above.

Translations of Lyrics and Addition of Amended or Substituted Lyrics

Where an authorised translation of copyright lyrics is made, or lyrics are changed or substituted with the authority of the copyright owner, the share allocated to the Translator/Sub-Lyricist is

16.67% (or 12.5% if the Translator/Sub-Lyricist is American). This share is deducted from the shares of the composers and original lyricists in proportion. For example:

	Original Work	Translated Work	Translated Work (American)
Composer	25%	16.67%	18.75%
Author	25%	16.67%	18.75%
Translator	-	16.67%	12.5%
Original Publisher	-	-	-
Sub Publisher	50%	50%	50%

Where the original lyrics are non-copyright, translated or Substituted lyrics are treated as if they were original copyright lyrics. For example:

	Original Work	Translated Work
Composer	50%	25%
Author	-	-
Translator	-	25%
Publisher	50%	50%

In all other cases no share is provided for the translated, substituted, parodied or otherwise changed lyrics and the original work is credited.

In line with the CISAC's recommendation known as the 'Amalfi Resolution', we will only credit sub-lyric versions where either:

- it is known that the sub-lyric version has been performed or
- there is genuine doubt about which version or
- there is an instrumental performance under the title of the sub-lyric version.

Vocal or instrumental

All performances, whether instrumental or vocal, of works originally written as vocal works are deemed to be performances of both the words and the music. However, where words have been written for a pre-existing instrumental work, the words are not deemed to have been performed for instrumental performances

Non-member shares

Where a non-member interest is controlled directly by a PRS publisher member the share due to that non-member is paid to that publisher. 'Directly' means the agreement has no intermediaries between the non-member and the PRS publisher member. Where the PRS publisher member is the original publisher, we will distribute the non-member share to the PRS publisher member.

Shares are allocated to non-member interests of works originating in certain overseas territories where the share allocated for the non-member is paid to the territory's society. This is only done in respect of those societies that in theory also operate in this way reciprocally with us.

In all other cases no share is payable in respect of non-member interests. This is achieved in one of two ways:

- For concerts, and other 'straight-lined' distribution sections no share is attributable in respect the non-member interest. For example:

Composer 1 (member)	50%
Publisher (of Composer 1)	50%
Composer 2 (non-member)	Nil
- For all other distribution sections, a share is nominally attributable in respect the non-member interest, but this is credited to a special account (known as 'the 97 account') that redistributes the share to all participants in the distribution section. For example:

Composer 1 (member)	25%
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Publisher (of Composer 1) 25%
Composer 2 (non-member) 50% (paid to 'the 97 account')

Recognition and application of publishing contracts

When making most distributions we apply officially documented contracts applicable at the mid-point of the previous quarter to generate the payable owner. For example:

Publisher gains control of works	First Distribution affected	Performance period covered by dist
July 2022	Dec 2022	Dependent on licence
Sept 2022	April 2023	Dependent on licence

Online - transactional (i.e. IMPEL) and some others do not follow this pattern. The payable owner is generated at point of invoicing, normally close after the sale period and then paid at a subsequent distribution (once the money has been received).

Infringements, disputes and counter claims

Although these are not strictly distribution policy matters it is worth noting that we have formal procedures for dealing with infringements, disputes and counter claims. These policies cover where we are entitled to hold on to distributable funds until the matters are resolved.

Disputes and Duplicate Claims

Details of our disputes and counter claims policy can be found here:

www.prsformusic.com/works/counterclaims/disputes-and-duplicate-claims

Samples

Details of our sampling disputes policy can be found here:

www.prsformusic.com/works/counterclaims/sample-disputes

Infringements

Details of our infringements policy can be found here:

www.prsformusic.com/works/counterclaims/infringements

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