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# PERFORMING RIGHT SOCIETY LIMITED **DISTRIBUTION RULES**

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**Online revenue**



## ONLINE REVENUE

### Key concepts

- Most online revenues come from joint licences, which we collect on behalf of both PRS and MCPS members and rights-holders. This document details the share related to the PRS distribution.
- Blanket UK revenues received for online music services are, as of March 2017, split between PRS and MCPS based on service type, in accordance with this matrix:

| Service type                            | PRS    | MCPS   |
|---|--------|--------|
| <b>Download</b>                         | 25%    | 75%    |
| <b>Streaming*</b>                       | 50%    | 50%    |
| <b>Mixed**</b>                          | 50%    | 50%    |
| <b>Webcast</b>                          | 75%    | 25%    |
| <b>Karaoke – Download***</b>            | 17.4%  | 82.6%  |
| <b>Karaoke – On-demand streaming***</b> | 34.8%  | 65.2%  |
| <b>Ringtones ****</b>                   | 33.33% | 66.67% |
| <b>Cloud locker services</b>            | 25%    | 75%    |

\* The split for YouTube is calculated at work level, see YouTube section below.

\*\* If it is not possible to break service down into the component parts, this split is used.

\*\*\* Some karaoke services have a split that takes into account UGC content – see 'Online Karaoke Services' for more details

\*\*\*\* Not all Ringtones services are split this way, some have bespoke splits, e.g. Vodaphone 48/52 in favour of MCPS

- We apportion transactional-invoiced revenue for online music services using the same principles as blanket revenues. In this instance, however, we apply the apportionment at an individual transaction level and not to the overall fee. This allows for the fact that control of the repertoire and the rights being licensed by MCPS and PRS vary at work level.
- UK-focused services are licensed on a blanket basis and revenues are distributed by data-matching music usage reports against repertoire. For low-value services, such as LOML licensees with a royalty value of less than £12,500 per annum, revenues are distributed using analogous data. LOML+ services are distributed by data matching usage against repertoire quarterly.
- ICE Services operate licensing for multi-territory online services and process the usage data, which they pass to us for distribution to our members.
- For multi-territory services, including those operating in the UK under multi-territorial licensing agreements, ICE Services processes usage reports from each service to identify relevant repertoire. In respect of the UK, the processing excludes those repertoires specifically excluded from ICE Services mandate and licenses the remainder, providing a 'residual blanket' licence. Outside of the UK, ICE Services licenses those specific works that it is mandated to license for those territories at the time of invoicing.
- Online music usages are matched and invoiced following the territory of destination's copyright policy and performing and mechanical rights splits.

- Full reporting is sought from all but the smallest of online licensees (such as LOML licensees). The quality of the data usually enables the systems to automatch usage for a very high proportion of the revenue. Manual matching also takes place for high value works.
- Ringtones and ringbacks are licensed and distributed in the same way as other online usages.

## **Unmatchables and carry forwards**

Carry forwards for the General Entertainment Online Licence (GEOL) operate using the same method as used for broadcast.

For transactional and blanket online sections, we do not adopt a carry forward approach. This is due to the nature of the revenue received and the cost of implementing back claim capability on systems.

For multi-territory transactional online usage, we collect revenue relating to usage of works that could not be identified (Unmatchables), or for shares of matched works where the owner cannot be identified (Copyright Control).

For most online services, we collect revenue relating to UK usage and for only the repertoire we administer directly. This is distributed at the earliest opportunity after the initial distributions of matched repertoire royalties. We distribute it pro rata over all identified repertoire for the relevant service and usage period.

For some smaller services, we collect revenue relating to UK usage for all repertoire, including repertoire from owners whose multi-territory online rights PRS does not otherwise administer directly. For this, a different approach is followed to help facilitate and administer royalty payments to those repertoire owners. This money is distributed as follows:

- Unmatchables:
  - 75% of the money for unmatched usage is distributed pro rata over the identified repertoire on an annual basis for the relevant service and period. Such distributions will be made across all matched data for all rights-holders, including direct licensors.
  - The remaining money is held for three years to fund claims and disputes, after which it is distributed pro rata over all identified repertoire for the relevant service and usage period.
- Copyright Control:
  - All money for unidentified shares is held for the three years before being distributed pro rata. This allows us to attempt to make adjustments for unidentified shares which are subsequently registered.

'Pro rata': in this context, this means money is distributed using the identified (matched) repertoire. Therefore, to all those who participated in the original distribution, we will distribute an equivalent share of the unmatchable and copyright control revenue.

This policy has been reviewed by the Distribution Committee in June 2014, July 2015, November 2016, March 2017 and October 2022.

# Apple Music and Apple iTunes

## Introduction

Apple holds significant market share in the online music market. ICE Services operate licensing for this service and process the usage data, which they pass to us for distribution to our members.

## Royalty source

Apple revenue is invoiced monthly based upon processed usage under the terms of Apple's licence with ICE Services.

## Distribution policy

### Revenue apportionment/performance value calculation

For streaming via Apple Music each usage has a 50% to PRS and 50% to MCPS split applied, in line with splits established for streaming services.

For downloads via Apple iTunes, each usage has a 25% to PRS and 75% to MCPS split applied, in line with splits established for download services.

Revenues are invoiced based on what falls within our mandated repertoire and paid on net of administration costs.

### Distribution basis

Revenue is distributed on a census basis where work registrations have been in place at the time of invoicing (subject to a minimum value requirement). The volume of data in the reporting is high and the quality is generally good as so much of the reported data is automatched. Where a match cannot be established automatically, ICE Services will seek to manually match high value usages.

### Distribution cycle

We aim to distribute revenue quarterly, six months after the end of the quarterly performance period.

## Processing policy

### Data provider and format

Data provided by the licensee in electronic format.

### Processing thresholds and rules

All reported usage is loaded and passed through the automatch process. Works with insufficient streams to generate at least €0.01 are not loaded into ICE Services systems and do not, therefore become distributable.

# YouTube

## Introduction

A significant proportion of YouTube streams are accounted for by music videos, both in the form of official videos uploaded by record companies and within user generated content. ICE Services operate licensing for this service and process the usage data, which they pass to us for distribution to our members.

## Royalty source

YouTube pays a blanket licence fee to ICE Services for the rights we administer via ICE Services throughout the term of the licence.

## Distribution policy

### Revenue apportionment/performance value calculation

YouTube revenue apportionment between MCPS and PRS works on a points basis. This reflects the individual usages between MCPS and PRS, and the different set of rights (performing and mechanical rights) that we administer.

Each stream of a society-controlled work generates a single point. Controlled content varies between PRS and MCPS, so these points are weighted to take account of the established 50/50 streaming split between the two. The MCPS side is further upweighted by 3:13 to compensate for the synchronisation rights in a YouTube video.

This creates a weighting of 5:8 (that is  $5/13:8/13$ ) in favour of MCPS for each controlled stream.

Each performing right point generated is worth one while each mechanical point generated is worth 1.6.

This ratio does not represent the apportionment of the total licence fee. We control a broader spectrum of performing right repertoire used on YouTube, which is paid in the PRS distribution, than we do for mechanical right repertoire, which is paid in the MCPS distribution. At the level of split between PRS and MCPS, this dilutes the impact of the higher weighting given to mechanical usages.

We also apply a weighting based on the territory in which the streaming takes place. This accounts for the varying value of the same music, which we control, in different countries. Based on market forces, the same amount of music used in different territories generates different values.

These weightings are maintained by ICE Services as the administrator for our licence deal with YouTube.

Revenue is apportioned to individual works on the basis of the number of streams each work accumulates within the streamed content made available on YouTube.

### Distribution basis

YouTube is paid on a census basis, subject to a minimum stream threshold requirement. Only videos that have accumulated sufficient streams to generate a payment of at least €0.01 are loaded into ICE Services systems and run through an automatch process.

**Distribution cycle**

We aim to distribute revenue quarterly, six months after the end of the quarterly performance period.

**Processing policy****Data provider and format**

Data is provided by the licensee in an electronic format. YouTube also uses music recognition technology to provide ICE Services with accurate and comprehensive data.

**Processing thresholds and rules**

All reported YouTube videos exceeding the minimum stream threshold are loaded and passed through the automatch process. Videos with insufficient streams to generate at least €0.01 are not loaded into ICE Services systems and do not, therefore become distributable.

**Other notes**

This policy was confirmed by the Distribution Committee in April 2014. An amendment was made in November 2015 related to territory weightings.

# Spotify

## Introduction

Spotify holds significant market share in the online music market in the UK and across other territories. ICE Services operate licensing for this service and process the usage data, which they pass to us for distribution to our members. ICE Services charges for and distributes Spotify's use of the repertoire we control across each territory, for each service type separately, using different criteria.

## Royalty source

There are different fees or licence fee calculations for each of the service types, which use a mixture of different criteria and minimum payment thresholds.

## Distribution policy

### Revenue apportionment/performance value calculation

Spotify revenue is apportioned 50% to PRS and 50% to MCPS in accordance with established splits for streaming services.

The blanket fees and criteria established in the Spotify licence mean that an amount of revenue is directly attributable to each service type and period. Within service types and periods, revenue is apportioned to individual tracks on the basis of share in total streams.

### Distribution basis

Spotify is distributed on a near census basis. It would be prohibitively expensive for ICE Services to load and process all reported data - the lesser streamed tracks would not generate sufficient streams to trigger a payment, so thresholds are used.

### Distribution cycle

We aim to distribute revenue quarterly, six months after the end of the quarterly performance period.

## Processing policy

### Data provider and format

Data is provided by Spotify in electronic format.

### Processing thresholds and rules

Some load thresholds are employed to reduce file size and avoid unnecessary cost.

## GEOL within broadcast blanket

### Introduction

Many major TV broadcasters offer their audiovisual content for consumption online, often after the content has been broadcast on TV. In most instances, the licence fee for this online service is negotiated within the blanket licence fee paid by the broadcaster.

This section covers General Entertainment Online Licence (GEOL) fees included within the broadcast blanket licences of BBC, Channel 4, Five, and ITV amongst others.

### Royalty source

The fees are set on either an individual basis for the online service or as part of the broadcaster's blanket licence and they take into account factors such as viewer hours consumed, music hours consumed, and level of music use.

### Distribution policy

#### Revenue apportionment/performance value calculation

Revenue for these services is split depending on the type of exploitation involved and is in accordance with the splits detailed in the '[Key Concepts](#)' of this 'Online Revenue' section. Examples of the major GEOL services licensed within a blanket broadcast licence are All4, BBC iPlayer, BBC Sounds, ITV Hub and My5.

Annual fees are established within the negotiated broadcast blanket licence. Revenue is apportioned to productions by pro-rating the total amount available for the service over all points generated within the period. One point represents a stream containing one minute of music, for example a production accumulating 10,000 streams and containing 25 minutes of music would generate 250,000 points.

Revenue is apportioned to usage from the total portion of the blanket licence fee that is allocated to TV (or Radio in the case of BBC Sounds). The allocation of royalties is benchmarked against the value per viewer hour achieved by blanket GEOL standalone licences, reviewed annually. All4 and My5 have a minimum allocation based on a fixed allocation derived from historical licence negotiation but are allocated more if so determined by the value per music hour calculation.

#### Distribution basis

Distributions are made on a census basis.

#### Distribution cycle

We distribute these revenues quarterly, one quarter after the end of the quarterly performance period.

### Processing policy

#### Data provider and format

Data is provided by the licensee in electronic format.



### **Processing thresholds and rules**

All usage goes through both an automatch and, where necessary, manual match process.

|                    |
|--------------------|
| <b>Other notes</b> |
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This policy was reviewed by the Distribution Committee in February 2021 with a change made for revenue allocation to be based on viewer hours.

Previously reviews took place in November 2017 and January 2017.

## Blanket GEOL standalone licences

### Introduction

The Blanket GEOL standalone licence is issued to online audiovisual content providers that are not covered by a broadcast blanket licence. Examples of major services covered by this licence include Apple iTunes, Amazon Prime, BT TV, Disney+, Microsoft Xbox and Netflix.

### Distribution policy

#### Revenue apportionment/performance value calculation

GEOL revenue is split between MCPS and PRS based upon the type of service offered. All productions generate performing right and mechanical royalties.

We apportion revenue between MCPS and PRS in line with the mechanical and performing right splits detailed in the 'Key Concepts' section for 'Online Revenue' depending on the type of GEOL service.

Revenue is pro-rated across all productions within the fixed performance term, based on the duration of music in each production streamed or downloaded. Because the total amount of music consumed within each performance period can vary, the value of one minute of music can vary from one period to another. For calculation purposes we use a points-based system where one point represents one minute of music in a production. For example, a production containing 25 minutes of music that is streamed/downloaded 10,000 times would generate 250,000 points. This ensures a consistent valuation for music featured in productions streamed or downloaded within a given time period.

#### Distribution basis

All reported usage run through an automatic matching process. High value usages that the system is unable to match are matched manually.

#### Distribution cycle

We distribute these revenues quarterly, two quarters after the end of the quarterly performance period.

### Processing policy

#### Data provider and format

Data is provided by the licensee in electronic format.

#### Processing thresholds and rules

All usage goes through an automatch and/or manual match process.

### Other notes

This policy was reviewed in January 2017. Previously, we made adjustments regarding the extent of controlled usage for PRS and MCPS. As of January 2017, we no longer make these adjustments.

# BBC iPlayer

## Introduction

BBC iPlayer is a significant online audiovisual content provider in the UK. Access is free to its on-demand or live online simulcast services via a range of devices including PCs, mobile devices, and tablet computers.

## Royalty source

We cover the BBC iPlayer service in the UK under the terms of our broadcast blanket licence agreement with the BBC, on behalf of both MCPS and PRS.

## Distribution policy

### Revenue apportionment/performance value calculation

Revenue is apportioned to usage from an overall allocation that is benchmarked against the value per hour streamed on blanket standalone GEOL licences, reviewed annually.

### Distribution basis

BBC iPlayer is paid on a census basis.

### Distribution cycle

BBC iPlayer revenue is distributed quarterly, one quarter after the end of the quarterly performance period.

## Processing policy

### Data provider and format

Data is provided by the BBC in electronic format.

### Processing thresholds and rules

All reported data is passed through an automatch process, with manual matching where it is deemed cost efficient to do so. Currently, a production value of approximately £5 is deemed cost effective, and we continue to review the appropriate threshold levels to ensure an optimal balance between cost and accuracy.

## Other notes

There is a separate licence for the BBC Studios Global iPlayer. This is apportioned and distributed as a standard UK streaming service. The basis of revenue allocation was reviewed in November 2017 by the Distribution Committee.

## Multi-territory online licences

### Introduction

We represent some rightsholders' interests for transactional online services across multiple territories, on behalf of PRS and MCPS. ICE Services operate licensing and process the usage data for multi-territory online licences, which they pass to us for distribution to our members.

### Royalty source

Revenues collected for distribution under this section are collected per transaction, line by line.

### Distribution policy

#### Revenue apportionment/performance value calculation

Revenues are invoiced on a transactional basis to value individual usages. No other apportionments are made and items are distributed as invoiced, net of administration charge.

#### Distribution basis

Distributions are made in accordance with the invoice on a census basis.

#### Distribution cycle

We aim to distribute on a quarterly basis, one quarter after the end of a quarterly performance period if invoices are settled in time for this distribution to take place.

### Processing policy

#### Data provider and format

Data is provided by the licensee in electronic format.

#### Processing thresholds and rules

All usage goes through an automatch and, where necessary, manual match process so that ICE Services can invoice for as much of its mandated repertoire as possible.

## Cloud locker services

### Introduction

Cloud Locker Services have 'scan and match' functionality which scans an end user's device and attempts to identify tracks which are already stored by the service. Where a match is found, the server copy is made available, by streaming or download, to a variety of the end user's devices rather than the user's copy being uploaded.

ICE Services operate licensing for this service and process the usage data, which they pass to us for distribution to our members.

### Royalty source

Cloud Locker Services are charged on a per subscriber basis.

### Distribution policy

#### Revenue apportionment/performance value calculation

Revenue for cloud locker services is split 25% to PRS and 75% to MCPS on the basis that the end user experience of the service is essentially one of 'ownership' rather than just 'streaming'.

#### Distribution basis

All reported usage above the threshold is run through an automatic matching process. High value usages that the system is unable to match are matched manually.

#### Distribution cycle

We distribute these revenues quarterly, six months after the end of the quarterly performance period.

### Processing policy

#### Data provider and format

Data is provided by the licensee in electronic format.

#### Processing thresholds and rules

Cloud locker services produce vast amounts of data for relatively small licence fees making it completely uneconomical to process everything. For this reason a threshold sampling mechanism is used whereby the highest value (most used) works are processed and distributed and the remainder are considered non-distributable. The actual value of the threshold varies but for each service is pitched to give a 3% cost to revenue ratio.

### Other notes

This policy was agreed by the Distribution Committee in May 2013 and reconfirmed by them in June 2014.

# Limited Online Music Licence

## Introduction

There are two types of Limited Online Music Licence – LOML and LOML+<sup>1</sup>

LOML is applicable to online services generating less than £12,500 gross revenue per annum. Licence cost depends upon the type of service, whether this is streaming or download or general entertainment, and the extent of usage, based on number of streams, downloads, and music hours consumed.

LOML+ scheme deals with online services which generate between £12,500 and £200,000 gross revenue per annum. The same considerations as LOML are used to determine the licence fee.

The difference between LOML and LOML+ is that only LOML+ licensees are required to provide reporting of the music they used. This is because it is not cost effective to obtain and process all the uses from small services that generate less than £12,500 of their own gross revenue per annum.

## Royalty source

Licence fees are collected from licensees whose service generates less than £200,000 per annum, either through the LOML or LOML+ scheme.

## Distribution policy

### Revenue apportionment/performance value calculation

LOML licensees are not required to supply reporting to go with their licence fees, so no calculations are performed.

LOML+ licensees need to supply music reporting. We apportion revenue between MCPS and PRS in line with the mechanical and performing right splits as detailed in the '[Key Concepts](#)' section for 'Online Revenue' depending on the type of service.

### Distribution basis

It is not cost effective to obtain music reporting from LOML licensees, and this can deter very small DSPs from using our music or licensing music with us. The revenue is aggregated and distributed over representative data from the 'Small & Community Radio Station' analogy, built from a large range of stations.

LOML+ licensees do provide reporting. In this instance, all reported usage above the threshold is run through an automatic matching process. High value usages that the system is unable to match are matched manually.

### Distribution cycle

We aim to distribute LOML revenue annually in July. We seek to distribute LOML+ revenue on a quarterly basis, one quarter after the end of a quarterly performance period, if invoices have been settled in time for distributions to take place.

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<sup>1</sup> View a matrix detailing the structure here:

[www.prsformusic.com/licences/using-music-online/limited-online-music-licence](http://www.prsformusic.com/licences/using-music-online/limited-online-music-licence)

[www.prsformusic.com/licences/using-music-online/limited-online-music-licence-plus](http://www.prsformusic.com/licences/using-music-online/limited-online-music-licence-plus)

## **Processing policy**

### **Data provider and format**

LOML licensees do not provide actual data.

LOML+ licensees provide data in electronic format.

### **Processing thresholds and rules**

Where applicable, all usage goes through an automatch and, where necessary, manual match process so that we can invoice for as much of our mandated repertoire as possible.

## Online karaoke services

### Introduction

We issue joint licences to a number of online karaoke services, for streaming and permanent downloading.

These licences cover the performing and mechanical rights in the musical work, and also the right to present the lyrics in graphic form in conjunction with the sound recording of the musical work.

### Royalty source

The majority of licence fees are calculated as a flat rate fee, ranging from £142 to £18,042 as of January 2019, for different units of usage:

|                    |                   |
|--------------------|-------------------|
| 1,450 - 125,000    | karaoke downloads |
| 30,000 - 3,813,559 | karaoke streams.  |

If a service generates more than £200k the licence fee is calculated as the greater of a percentage of revenue or a minima per track.

### Distribution policy

#### Revenue apportionment/performance value calculation

The standard splits between MCPS and PRS are adjusted to reflect the graphic use of lyrics resulting in the following apportionment:

- Streaming: 34.8% to PRS, 65.2% to MCPS
- Permanent downloads: 17.4% to PRS, 82.6% to MCPS

Where synchronisation rights are included in online karaoke licences the adjustment is increased further to:

- Streaming: 28.8% to PRS, 71.2% to MCPS
- Permanent downloads: 14.4% to PRS, 85.6% to MCPS

#### Distribution basis

All reported usage data is processed for distribution.

#### Distribution cycle

As with other online services, we aim to distribute on a quarterly basis, one quarter after the end of a quarterly performance period, if invoices are settled in time for this distribution to take place.

### Processing policy

#### Data provider and format

Data is provided by the licensee in electronic format.

#### Processing thresholds and rules

All identifiable data will be processed for distribution. All usages that automatch are distributed. All usages that require manual matching and are worth at least £5 are



distributed. Items worth less than £5 and that requiring manual matching do not feature in the distribution. Money for works not included in the distribution is pro-rated across works that are included.

|                    |
|--------------------|
| <b>Other notes</b> |
|--------------------|

This policy was agreed by the Distribution Committee in February 2014.

## **Business to business music suppliers (MSB2B)**

### **Introduction**

Suppliers of background music systems to businesses are increasingly moving to online content delivery methods to their customers. This method of supply requires a joint licence from us, on behalf of both MCPS and PRS. A licensing scheme has been recently introduced which requires many of these companies to supply us with actual usage data.

### **Royalty source**

The licence fee is calculated as the greater of a percentage of revenue or a minimum per site/per month.

### **Distribution policy**

#### **Revenue apportionment/performance value calculation**

Where licensees supply usage data each licensee's revenue is distributed directly over the usage data they report. Where no data is obtainable the money is distributed pro-rata over a suitable alternative data source.

#### **Distribution basis**

Distributions are made on a census basis where usage data is supplied or an analogy basis where no data is supplied.

#### **Distribution cycle**

We aim to distribute on a quarterly basis, one quarter after the end of a quarterly performance period, if invoices are settled in time for this distribution to take place.

### **Processing policy**

#### **Data provider and format**

Data is provided by the licensee in electronic format.

#### **Processing thresholds and rules**

All reported data is processed for distribution.

### **Other notes**

This policy was agreed by the Distribution Committee in November 2012.

This revenue source should not be confused with the money we collect for the public performance end use of music supplied to businesses under the terms of this licence. For details of this see the '[Background Music Suppliers](#)' section.

## Performing right online

### Introduction

The 'performing right online' licence is issued for online music usage where the relevant rightsholder has licensed the mechanical right directly, usually for online advertising. The licence cost depends upon the type of service - streaming or general entertainment - and the extent of usage, based on number of streams and music hours consumed.

### Royalty source

Flat rate fees, currently £67 plus VAT as of 2019, for different units of usage, are collected from licensees. See [www.prsformusic.com/PRSONline](http://www.prsformusic.com/PRSONline)

### Distribution policy

#### Revenue apportionment/performance value calculation

Each licensee's revenue is distributed directly over the performance data they report.

#### Distribution basis

Distributions are made on a census basis.

#### Distribution cycle

Distributions are made annually in July for the prior year's usage.

### Processing policy

#### Data provider and format

Data is provided by the licensee in electronic format.

#### Processing thresholds and rules

This licence is usually issued for usage of a very low number of tracks. All reported data is processed for distribution.

Performing Right Society Limited  
1st Floor, Goldings House  
2 Hays Lane  
London SE1 2HB

Registered in England No: 134396

T: +44 (0)20 7580 5544

**[prsformusic.com](http://prsformusic.com)**

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