



Distribution Rules Guide

PPL licenses recorded music played in public or broadcast and then distributes the licence fees to its performer and recording rightsholder members. PPL's sister company VPL licenses music videos played in public or broadcast and then distributes the licence fees to its music video rightsholder members. For more information about what uses of music PPL and VPL license please visit our website at <https://www.ppluk.com/music-licensing/>.

In general PPL and VPL apply the same processes to allocate and distribute revenue with the exception that VPL does not allocate any part of its revenue to performers. Once money has been collected from licensees in the UK and other music licensing organisations from around the world, PPL calculates how much each member has earned and after tax and running costs have been deducted, distributes the money to the relevant members as royalties. The way that PPL and VPL apportion revenue and costs between the various copyright owners and, in the case of PPL, performers, and make distributions is governed by detailed Distribution Rules.

There are three different sets of rules:

1. The PPL UK Distribution Rules
2. The VPL UK Distribution Rules
3. The PPL International Distribution Rules

This guide is intended to be explanatory only and does not create any obligations. In the case of any conflict between this guide and the Rules themselves, the Distribution Rules take precedence.

How are the Rules Adopted, Changed and Published?

The PPL UK Distribution Rules and the International Distribution Rules are agreed by the PPL Board. The VPL UK Distribution Rules are agreed by the VPL Board. For more information on who sits on the PPL Board, Performer Board and VPL Board and how they operate please visit our website at <https://www.ppluk.com/about-us/ppl-and-vpl-boards/>. The Distribution Rules will be updated from time to time as and when required and updated versions will be published on our website.

The application of the Rules is also overseen by the PPL or VPL Distribution Committee, as appropriate, the members of which are appointed by the PPL and VPL Board respectively.

Which Revenues do the Rules Apply To?

There are three different sets of rules each of which applies to a different type of revenue:

1. The PPL UK Distribution Rules apply to the distribution of monies collected by PPL in respect of the licensing of the rights controlled by PPL in the United Kingdom;
2. The VPL UK Distribution Rules apply to the distribution of monies collected by VPL in respect of the licensing of the rights controlled by VPL in the United Kingdom; and
3. The PPL International Distribution Rules apply to the distribution of monies collected by PPL from collective management organisations in respect of the exploitation of PPL members' rights outside of the United Kingdom.

Each of PPL and VPL also directly operate a small number of licenses that cover broadcasting or similar services outside of the UK. For example, some PPL licences for online services cover countries other than the UK on behalf of other collective management organisations via the workings of the IFPI reciprocal agreements. PPL sends these collective management organisations that part of the fees that relates to use of sound recordings in their territories, for distribution in accordance with the distribution policy of that collective management organisation. Some PPL and VPL licences cover countries outside of the UK on the basis of specific international grants of rights from PPL and VPL members. Distribution of revenue arising from licensing of rights outside of the UK will follow the principles of the relevant Rules where possible, but in some cases practice may vary due to different local laws and the challenges of managing data relating to the ownership of rights in multiple territories. In all cases the allocation and distribution of revenue continues to be under the oversight of representative committees of members.

Overview of the Distribution Rules

PPL UK Distribution Rules

The PPL UK Distribution Rules are organised into sixteen rules and five schedules. Rules One to Five and Rule Sixteen provide important information to help understand and interpret other rules or set out criteria used to determine whether a sound recording or a performance qualifies to receive allocations. Rules Six to Fifteen set out the process that PPL follows to allocate or pay out revenues. The sixteen rules and schedules are as follows:

Rule One - Aims: This Rule sets out the overarching purpose of the rules and the guiding principles which should be considered when interpreting all of the other rules.

Rule Two - List of Definitions: The Distribution Rules are precise and detailed. To help ensure accuracy and consistency some terms used throughout the Rules are given particular definitions. For example this Rule explains what we mean when we use the terms “Record Company”, “Performer”, “Fund” and “Profile”.

Rule Three and Schedule One - Qualification of Sound Recordings: PPL is only able to license the use of tracks that are protected by copyright and where that copyright is controlled by PPL. Rule Three and the accompanying Schedule One set out the criteria that PPL applies in more detail.

Rule Four and Schedules Two and Three - Qualifying performances: There are legal rules that determine whether a particular performance qualifies for the right to equitable remuneration (which is the legal term for the money that PPL pays to Performers). This Rule sets out the criteria that PPL applies. Schedule Two sets out the criteria to determine whether a person’s contribution is such that they should be considered a Performer in relation to a particular track. Schedule Three sets out the criteria to determine whether the performance qualifies for equitable remuneration.

Rule Five - The distribution scheme (Overview): Building on the general principles set out in the first four rules, Rule Five summarises the distribution process that PPL follows. More detail on each stage is set out in each Rule that follows.

Rule Six - Costs allocation: This Rule sets out how PPL apportions costs between different revenue streams according to how much time, effort and cost has been expended in collecting, processing and paying out that revenue.

Rule Seven – Funds: PPL tries to ensure, as far as reasonably possible, that money paid by a licensee goes to those members that own or contributed to the recordings played by that licensee. Clearly not all PPL licensees play the same kind of music and PPL therefore splits up the licence revenue into Funds, each of which represents revenue received from a particular licensee or a group of similar licensees. This allows PPL to apply appropriate information about the kind of music played by those licensees to allocate the revenue to the right tracks. Rule Seven explains how we split up the revenue into these Funds.

Rule Eight – Profiles: Once PPL has established the appropriate Funds, PPL applies appropriate music usage information (a “Profile”) to that Fund. PPL matches the tracks contained in the music usage information against tracks contained in the PPL Repertoire Database. Revenue is allocated to tracks according to the amount of usage of each track contained in the relevant Profile. Rule Eight explains how we determine the appropriate Profiles.

Rule Nine – Reserve Funds: PPL has a discretion to set aside money into a reserve fund. This discretion may only be used when it is in accordance with the overarching purposes and aims of the rules. Rule Nine explains some safeguards that apply when PPL exercises this discretion. Any such reserve fund must be used for a specified purpose and shall be paid out in accordance with that purpose. If any reserve fund contains a surplus then finally this will be added back into revenue and distributed to members.

Rule Ten - Division of Net Distributable Revenue between Record Companies and Performers: This Rule explains how PPL revenue is divided between Record Companies and Performers.

Rule Eleven and Schedule Four - Allocation of revenues between Record Companies: Following the allocation of revenue to a particular track according to the earlier Rules, Rule Eleven and Schedule Four set out how the Record Company share of that revenue is allocated to the accounts of a particular Record Company or particular Record Companies.

Rule Twelve and Schedule Five – Allocation of revenues between Performers: Following the allocation of revenue to a particular track according to the earlier Rules, Rule Twelve and Schedule Five set out how the Performer share of that revenue is allocated to the accounts of a particular Performer or particular Performers. This includes details of the proportion allocated to featured and non-featured Performers.

Rule Thirteen – Payments to Record Companies: This Rule explains to whom PPL can pay out revenue allocated to a Record Company. It also explains when PPL may hold such monies.

Rule Fourteen – Payments to Performers: This Rule explains to whom PPL can pay out revenue allocated to a Performer. It also explains when PPL may hold such monies.

Rule Fifteen – Adjustments: Previous allocations of revenue to tracks, Record Companies and Performers, whether already paid out or not, can be adjusted because additional revenues are made available for distribution or as a result of new information. This information may, for example, concern the ownership of the rights in tracks or which Performers feature on a track and whether they are entitled to equitable remuneration. Rule Fifteen describes how these adjustments may be made.

Rule Sixteen – Additional Provisions: This Rule sets out some general provisions regarding the effect and interpretation of the Rules.

VPL UK Distribution Rules

The VPL UK Distribution Rules are organised into twelve rules and two schedules. Rules One to Four and Rule Twelve provide important information to help understand and interpret other rules or set out criteria used to determine whether a music video qualifies to receive allocations. Rules Five to Eleven set out the process that VPL follows to allocate or pay out revenues. The twelve rules and schedules are as follows:

Rule One - Aims: This Rule sets out the overarching purpose of the rules and the guiding principles which should be considered when interpreting all of the other rules.

Rule Two - List of Definitions: The Distribution Rules are precise and detailed. To help ensure accuracy and consistency some terms used throughout the Rules are given particular definitions. For example this Rule explains what we mean when we use the terms “Music Video”, “Member”, “Fund” and “Profile”.

Rule Three and Schedule One - Qualification of Music Videos: VPL is only able to licence the use of music videos that are protected by copyright and where that copyright is controlled by VPL. Rule Three and the accompanying Schedule One set out the criteria that VPL applies in more detail.

Rule Four - The distribution scheme (Overview): Building on the general principles set out in the first four rules, Rule Four summarises the distribution process that VPL follows. More detail on each stage is set out in each Rule that follows.

Rule Five - Costs allocation: This Rule sets out how VPL apportions costs between different revenue streams according to how much time, effort and cost has been expended in collecting, processing and paying out that revenue.

Rule Six – Funds: VPL tries to ensure, as far as reasonably possible, that money paid by a licensee goes to those members that own or contributed to the music videos played by that licensee. Clearly not all VPL licensees play the same kind of music and VPL therefore splits up the licence revenue into Funds, each of which represents revenue received from a particular licensee or a group of similar licensees. This allows VPL to apply appropriate information about the kind of music videos played by those licensees to allocate the revenue to the right music videos. Rule Six explains how we split up the revenue into these Funds.

Rule Seven – Profiles: Once VPL has established the appropriate Funds, VPL applies appropriate music video usage information (a “Profile”) to that Fund. VPL matches the music videos contained in the music video usage information against music videos contained in the VPL Repertoire Database. Revenue is allocated to videos according to the amount of usage of each video contained in the relevant Profile. Rule Seven explains how we determine the appropriate Profiles.

Rule Eight – Reserve Funds: VPL has a discretion to set aside money into a reserve fund. This discretion may only be used when it is in accordance with the overarching purposes and aims of the rules. Rule Eight explains some safeguards that apply when VPL exercises this discretion. Any such reserve fund must be used for a specified purpose and shall be paid out in accordance with that purpose. If any reserve fund contains a surplus then finally this will be added back into revenue and distributed to members.

Rule Nine and Schedule Two - Allocation of revenues between Members: Following the allocation of revenue to a particular video according to the earlier Rules, Rule Nine and Schedule Two set out how the revenue is allocated to the accounts of a particular Member or particular Members.

Rule Ten – Payments to Members: This Rule explains to whom VPL can pay out revenue allocated to a Member. It also explains when VPL may hold such monies.

Rule Eleven – Adjustments: Previous allocations of revenue to videos and Members, whether already paid out or not, can be adjusted because additional revenues are made available for distribution or as a result of new information. This information may, for example, concern the ownership of the rights in music videos. Rule Eleven describes how these adjustments may be made.

Rule Twelve – Additional Provisions: This Rule sets out some general provisions regarding the effect and interpretation of the Rules.

PPL International Distribution Rules

The PPL International Distribution Rules are organised into twelve rules. Rules One to Four and Rule Twelve provide important information to help understand and interpret other rules or set out criteria used to determine whether a sound recording or a performance qualifies to receive allocations. Rules Five to Eleven set out the process that PPL follows to allocate or pay out revenues. The twelve rules are as follows:

Rule One - Aims: This Rule sets out the overarching purpose of the rules and the guiding principles which should be considered when interpreting all of the other rules.

Rule Two - List of Definitions: The Distribution Rules are precise and detailed. To help ensure accuracy and consistency some terms used throughout the Rules are given particular definitions. For example this Rule explains what we mean when we use the terms “Record Company”, “Performer” and “Fund”. Defined terms are also used to describe the different types of allocation data that PPL may receive from collective management organisations, including Member Allocation Data, Band / Main Artist Allocation Data, Label Allocation Data and Sound Recording Allocation Data.

Rule Three – Rights in Sound Recordings and Performances: PPL claims and collects revenue from CMOs (Collective Management Organisations) on the basis of tracks or performances, in respect of which both:

- (1) rights exist in the country in which the revenue arises; and
- (2) PPL has been appointed to collect revenues.

Rule Three set out the criteria that PPL applies in more detail. In certain cases information regarding the subsistence of rights in the relevant country may not be available to PPL and Rule Three also sets out where PPL may make assumptions in this regard.

Rule Four - The distribution scheme (Overview): Building on the general principles set out in the first three rules, Rule Four summarises the distribution process that PPL follows. More detail on each stage is set out in each Rule that follows.

Rule Five - Costs allocation and other deductions: This Rule sets out how PPL apportions costs between different revenue streams according to how much time, effort and cost has been expended in collecting, processing and paying out that revenue.

Rule Six – Allocations to Record Companies, Performers or Sound Recordings: Much of the revenue received by PPL from CMOs has been allocated by that CMO to a particular Record Company or Performer. Where this is the case PPL will distribute the revenue through to the relevant Record Company or Performer after deduction of costs. However, on some occasions CMOs will not identify particular Record Companies or Performers to whom the revenue relates. Instead they may provide a range of different types of data, including data identifying the sound recording the revenue relates to, data identifying the name of the main band or artist, or data identifying the marketing label to which the revenue relates. In some cases PPL may be sent money by a CMO with no allocation data at all. Rule Six sets out how PPL will normally prioritise and utilise data in each of these different circumstances.

Rule Seven – Allocation of Sound Recording level revenues between Record Companies: The processing of data received by PPL from the relevant CMO may or may not involve the allocation of revenue to particular sound recordings. Where this is the case, and the revenue relates to the rights of Record Companies, Rule Seven set out that revenue is allocated to the accounts of a particular Record Company or particular Record Companies.

Rule Eight – Allocation of Sound Recording level revenues between Performers: The processing of data received by PPL from the relevant CMO may or may not involve the allocation of revenue to particular sound recordings. Where this is the case, and the revenue relates to the rights of Performers, Rule Eight set out how that revenue is allocated to the accounts of a particular Performer or particular Performers. This includes details of the proportion allocated to featured and non-featured Performers.

Rule Nine – Payments to Record Companies: This Rule explains to whom PPL can pay out revenue allocated to a Record Company. It also explains when PPL may hold such monies.

Rule Ten – Payments to Performers: This Rule explains to whom PPL can pay out revenue allocated to a Performer. It also explains when PPL may hold such monies.

Rule Eleven – Adjustments: Previous allocations of revenue to tracks, Record Companies and Performers, whether already paid out or not, can be adjusted because additional revenues are made available for distribution or as a result of new information. This information may, for example, concern the ownership of the rights in tracks or which Performers feature on a track and whether they are entitled to revenue. Adjustments to the amounts allocated to a Record Company or Performer may be made by PPL on the basis of new information or may be applied by PPL following a CMO determining the adjustment and informing PPL. Rule Eleven describes how these adjustments may be made.

Rule Twelve – Additional Provisions: This Rule sets out some general provisions regarding the effect and interpretation of the Rules.