



Royalty Distribution Policy

Version 1.5

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1 General principles

1.1 Aim

The aim of the Musicians' Union distribution policy is to ensure that:

- a. All payments are promptly and efficiently collected by the Musicians' Union under the rights assigned in the Musicians' Union Rules & Royalty Collection Mandate (*see Appendix III*);
- b. All payments after the deduction of costs, wherever possible, are distributed to Musicians promptly, accurately and efficiently; and
- c. The collection and distribution of payments is carried out in accordance with the overall aims and objectives of the Musicians' Union on behalf of its Members and other Musicians.

1.2 Governance

The content of this policy, and any change hereto, is subject to the review and approval of the Musicians' Union Executive Committee, under advice from the Musicians' Union Royalties sub-Committee (*see Appendix I: "Constitution of the Musicians' Union Royalties sub-Committee"*)

1.3 Treatment of Royalty Payees

For the purposes of this policy all Royalty Payees will be treated equally, regardless of MU membership, unless otherwise stated.

1.4 Musicians' Fees

The Musicians' Union will collect Musicians' Fees from Music Users for the further and secondary use of recordings made under its various Collective Licensing Agreements.

1.5 Administration Fee

In addition to Musicians' Fees, the Musicians' Union will, where possible, collect an Administration Fee from the Music User for each music use, to cover the cost of collection and distribution of the Musicians' Fees, as per Table 1 in Appendix II: "*Administration Fees*".

Where possible, the Musicians' Union will set the Administration Fee at the highest percentage of the range in Table 1. Any subsequent negotiation will not permit the Administration Fee to be reduced below the lowest percentage of the range in Table 1.

1.6 Allocations to musicians

The Musicians' Union will allocate an equal share of the Musicians' Fees received for the use of a recording to each Musician who performed on that recording, unless compelled to do otherwise by the Agreement under which the Musicians' Fees were received, in which case the allocation method set out in the applicable Agreement will take precedence.

Any income remaining unallocated to musicians after allocation of received income is deemed to be complete (i.e. income unallocated due to rounding) will be transferred to the MU Main Fund.

1.7 Costs

If the Musicians' Union has been unable to obtain an Administration Fee from the Music User, wherever possible, the cost of collection and distribution will be deducted from the Musicians Fees.

The Cost deduction will be allocated between all Musicians receiving a share of Musicians' Fees in proportion to their share of the total Musicians' Fees. Whenever this is the case, the Cost Deduction Percentage will be clearly published on each Musician's Royalty Statement.

The costs deducted will never exceed the genuine calculated cost of collecting and distributing the specific applicable income.

1.8 Payments to musicians

For all Musicians' Fees received, the Musicians' Union will use its reasonable endeavours to distribute payment to all Royalty Payees within 60 days of receipt, provided the current payable balance on their royalty account exceeds the minimum threshold relevant to their required payment method published in section 2.7 Payment Methods.

If it has not been possible to make payment within 60 days of receipt, the Musicians' Union will make payment as soon as possible thereafter.

1.9 Royalty statements

For all payments made, the Musicians' Union will provide the Royalty Payee with a Royalty Statement containing:

- a. The name of the Music User for each Music Use generating an allocation
- b. The Registered Country of each Music User for each Music Use generating an allocation
- c. A description of each Music Use generating an allocation
- d. The value of each allocation generated per Music Use
- e. The VAT Rate and VAT Amount applicable to each allocation
- f. The total payment value

All Royalty Statements for Royalty Payees who are not current MU members will contain the wording of the MU's Royalty Collection Mandate (*see Appendix III*)

1.10 Adjustments

Wherever possible the Musicians' Union will endeavour to allocate the correct value of Musicians' Fees from a Music Use to Royalty Payees prior to any payment being made.

Where information is received subsequent to a payment being made, meaning an adjustment is required to the musician allocations from a Music Use, the Musicians' Union will endeavour to make the necessary adjustment as soon as possible following receipt of the information.

Any Royalty Payees receiving a new or increased allocation as a result of the adjustment will receive payment of the new or additional income due in accordance with Section 1.8 "*Payments to Musicians*"

Any Royalty Payees who should receive a reduced allocation as a result of the adjustment will not have their allocation reduced accordingly if they have already received the corresponding payment. The Musicians' Union will fund any overpayment as a result of this practice from the MU Main Fund. If payment has not been made, the allocation will be reduced as per the adjustment calculation.

1.11 Reserve

A reserve fund has been established from undistributed royalty income transferred to the MU Main Fund.

The fund will be used to make payments, at the discretion of the Musicians' Union, to musicians who have not received a payment they are eligible to receive under the distribution rules.

If the reserve fund falls into a negative balance, the Musicians' Union main fund will indemnify the reserve and top it up accordingly.

The value of the reserve fund will be reviewed annually by the Royalties sub-Committee and the Executive Committee.

1.12 Advances

Unless otherwise stated in this policy, the Musicians' Union will not pay any advances to its members or any other musicians based on payments believed to be due.

1.13 Data protection

The Musicians' Union will, at all times, use its reasonable endeavours to comply with the relevant data protection legislation when dealing with its members' personal information.

2 Financial procedures

2.1 Credit control procedure

Payment of all invoices is expected in a single instalment for the full amount, within 28 days of the invoice date.

If payment is not received within the expected timeframe, the Musicians' Union will, follow up the original invoice, by either telephone or email, periodically until either payment is received or it is decided that the invoice can be cancelled.

2.2 Part Payment / Underpayment

Where payment is received for less than the value of the invoice raised, the Music User will be contacted in the first instance in order to establish the reason for the underpayment.

If it is established that the new payment accurately reflects the fee payable for the music use, the original invoice will be cancelled and a new invoice raised to match the payment received.

If it is established that a further payment is due in order to make up the balance invoiced, there are two options available:

- Cancel the original invoice and raise a new invoice for the amount received, raising an additional invoice for the remaining balance due (adjusting the due date accordingly)
- Allocate the payment received to the original invoice and then separately allocate the balance to the same invoice when it is received.

The first of the two options is encouraged as this allows Musicians' Fees to be distributed at the earliest possible time in adherence with the timescales set out in Section 1.8: *"Payments to Musicians"*.

The second option means that no income can be distributed to Royalty Payees until the full balance of the original invoice is received. This option should only be taken if it is believed that the balance is due to be received imminently.

2.3 Incomplete recording information

Once an invoice is paid in full, in order for the Musicians' Union to accurately allocate income to Musicians' Accounts, the following information is required:

- The recording(s) to which the income relates
- The total number of musicians payable on each recording
- The identity of all musicians payable on each recording

The Musicians' Union will use its reasonable endeavours to obtain all of the above information including, but not limited to, the following activities:

- Check all historic MU Royalty systems to for previous licensing of the same recordings
- Check all held fixer diaries and booking sheets for the recordings
- Contact musicians and fixers known to have had a link to the recordings
- Check availability of information with other relevant organisations (e.g. PPL)
- Advertise the details on the Musicians' Union website for one year
- Advertise that details are available on Musicians' Union website in the Musicians' Union magazine.

Where information is available to accurately distribute some, but not all, of the income received, the Musicians' Union will endeavour to distribute the part of the income that it can, as soon as possible subject to the other clauses of this policy.

Once the Musicians' Union has completed its reasonable endeavours to obtain all of the above information, any income remaining unallocated to Musicians' Accounts will be transferred to the MU Main Fund.

If other uses of the same recording(s) are invoiced in the future, the income should be allocated as per the previous receipt, with the same proportions being transferred to the known musicians and the MU Main Fund, without the need to re-employ the above Reasonable Endeavours.

2.4 "Best Fit" line-ups

The Musicians' Union may not be able to obtain the above required information for the actual recording, but may be able to obtain it for a comparable or similar recording. For example:

Payment may be received for a performance by the Top of the Pops Orchestra from 05/07/1975, but we only have a contract on file relating to a performance on 12/07/1975.

Under these circumstances the Musicians' Union will, at its discretion, use the best fit line-up to distribute the income received, instead of completing the Reasonable Endeavours described in Section 2.3: *"Incomplete Recording Information"*.

A "Best Fit" line-up will only be used where it can be considered a genuinely reasonable substitution for the actual line-up and it is considered that Reasonable Endeavours will not generate more accurate information upon which to distribute.

If the actual line-up subsequently becomes available after allocation and payment has taken place, based on a "Best Fit" line-up, the Musicians' Union will follow the "Adjustments" process set out in Section 1.10: *"Adjustments"*.

2.5 Musicians' Royalty Account Details

A Musician's Royalty Account holds the following details:

Royalties Address – this is the address to which all royalty statements and other royalties-related correspondence is sent

Telephone & Email – these may also be used for royalties-related correspondence and as security information

VAT Registration Details – these will determine if VAT (where applicable) is added to royalty payments

Payment Method – BACS or International Transfer

Withholding Tax Details – these will determine if WHT is deducted from royalty payments

Bank Details – BACS details or International Transfer details

The above details can only be updated following the receipt of written instructions from an authorised party:

- By email from the email address registered on the account
- By letter from the postal address registered on the account

Authorised parties can be as follows:

- The Musician whose performances have earned the Royalty Payments
- An Agent appointed by the Musician whose performances have earned the Royalty Payments
- The Executor or Beneficiary of the estate of the deceased Musician whose performances have earned the Royalty Payments

In order for the Musicians' Union to grant an Agent the authority to update a Musician's account details, they must provide one of the following examples of evidence that the Musician has appointed them as their representative:

- A valid letter of authority signed by the Musician
- A signed Contract between the Agent and Musician appointing them as their representative
- An email from the Musician, via the registered email address on the account, authorising the Agent to act on their behalf.

In order for the Musicians' Union to grant an Executor or Beneficiary the authority to update a Musician's account details, they must provide one of the following examples of evidence that they are the legal representative of the deceased musician's estate:

- A Grant of probate for the estate naming them as the estate Executor
- A combination of Last Will & Testament & Death Certificate naming them as either the Executor or the beneficiary of the relevant part of the estate.

All authority documentation will be scanned and retained on file for future reference.

2.6 Missing Royalty Payee Details

In order to make payments to a Royalty Payee, the following minimum level of information is required:

- The Royalty Payees' residential / postal address
- The Royalty Payees' electronic payment details
- Authority / Representation / Probate documentation (If the Royalty Payee is not the Musician' (i.e. they are an Agent or Beneficiary))

Where the contact or payment details of a Royalty Payee are unknown, allocations will still be made to the corresponding Musician's Royalty Account and, based on the overall unpaid balance on the Musician's Royalty Account, the Musicians' Union will use reasonable endeavours to obtain the missing information, as follows:

- Use the internet and other musicians to find the musician or their representative and obtain the necessary information
- Advertise the details on the Musicians' Union website for one year (subject to Data Protection guidelines)
- Advertise that details are available on Musicians' Union website in the Musicians' Union magazine.

Once the Musicians' Union has completed its reasonable endeavours to obtain all of the above information, any income remaining unpaid on the relevant Musician's Accounts will be transferred to the MU Main Fund.

If the missing details are obtained in the future the Musicians' Union will, at its discretion, make a payment to the musician, or their representative, equal to the amount paid into the MU Main Fund, from the Reserve.

2.7 Payment methods

A payment run will be made at a minimum of once per month. Any amounts due to Royalty Payees will be paid in the monthly payment run directly following the amount becoming due, subject to the provisions below.

Cheques

The Musicians' Union no longer issue any Royalty Payments by cheque.

BACS

Where valid BACS details and an active postal address are held for a Royalty Payee, payment will be made by BACS in the next available payment run following the Account balance reaching the minimum threshold value of £10.

BACS details required for payment are:

- Account Holder Name
- Sort Code (6 digits)
- Account Nr (8 digits)
- Roll Code (*applicable to some Building Society accounts only*)

International Transfers

Where valid International Transfer details and an active postal address are held for a Royalty Payee, payment will be made by International Transfer in the next available payment run following the Account balance reaching the minimum threshold value of £200.

International Transfer details required for payment are:

- Account Holder Name
- Account Nr
- Bank Name & Branch Address
- SWIFTBIC

- IBAN (*for applicable bank accounts*)
- Routing Code (*for bank accounts where IBAN is not applicable*)

International Transfers made in UK Sterling currency are subject to an additional cost deduction of £15 per transfer, in order to cover transfer charges levied by the Musicians' Unions chosen bank. The Royalty Payee may also be liable for additional currency conversion charges levied by their own bank upon receipt.

International Transfers made in a currency other than UK Sterling are subject to an additional cost deduction of £25 per transfer, in order to cover transfer and currency conversion charges levied by the Musicians' Unions chosen bank.

Withholding Tax on Payments Made

When a Royalty Payee is initially found to be resident outside of the UK, the Musicians' Union will ask them to provide official documentation from their local tax authority to prove they are a registered income tax payer in their country of residence.

If they are unable or unwilling to provide satisfactory proof, the Musicians' Union will deduct Withholding Tax at 20% on all payments made to them (regardless of where their bank account is held) as instructed by HMRC.

Minimum Payment Thresholds

The Musicians' Union reserves the right to vary the minimum payment thresholds from time to time at its discretion.

Failed Payments

A Royalty Payee's payment details will be disabled on the relevant Musician's royalty account, as soon as we become aware that a royalty payment has been returned to us by the bank, due to the account being closed, or invalid BACS details having been provided.

The returned payment will also be re-credited to the Musician's royalty account at this point and no further payments will be attempted using those details until we are able to establish alternative valid payment details.

Returned Post

If post is returned from the Royalty Payees registered address, the address will immediately be marked as "Post Returned" with the current date, and the royalty payment details will be disabled, by entering the current date as the End Date.

The Musicians' Union will attempt to contact the Royalty Payee by telephone or email (where this information is available) in order to establish a new address and any required change in royalty payment details.

No further royalty payments will be made to the Royalty Payee until contact has been re-established and the above details confirmed.

2.8 VAT on payments

The Musicians' Union is a UK VAT registered organisation and will therefore invoice Music Users, also based in the UK, inclusive of VAT.

Whenever VAT is received on a payment, the Musicians' Union will automatically add VAT to the applicable royalty payments of all Royalty Payees who were VAT-Registered at the date payment was received.

In order to prove they were VAT registered at the date payment was received, a Royalty Payee is required to provide a copy (either a paper copy by post or and electronic copy by email) of their VAT Registration Certificate.

Upon receipt of a valid VAT Registration Certificate, the corresponding Musician's record will be updated and any historic royalty payments, which would have included VAT had the certificate been supplied at the time, will be recalculated and the historic VAT paid to the Royalty Payee in the next available payment run, in accordance with Section 1.8 "*Payments to Musicians*"

The Musicians' Union will pay VAT at the rate at which it was received, regardless of any fluctuation in VAT rate between the time the income is received and the time when it is distributed.

The Musicians' Union reserves the right to ask all Royalty Payees to re-confirm their VAT registration status periodically and, if they either confirm they have de-registered for VAT, or they fail to respond to the query within the specified deadline, their VAT registration will be deactivated and they will cease to receive VAT on royalty payments until they confirm otherwise in writing.

2.9 Withholding Tax on payments received

If a Music User is based outside of the UK, they will be invited to deduct Withholding Tax at their local applicable rate on any payment due to the Musicians' Union for the use of music, as requested by HMRC.

Any Withholding Tax deduction will be allocated between all Musicians receiving a share of Musicians' Fees in proportion to their share of the total Musicians' Fees. Whenever this is the case, the Withholding Tax Percentage and value will be clearly published as a separate transaction line on each Musician's Royalty Statement.

2.10 Interest

Where interest is earned on undistributed royalty income, and the sum of annual royalty Administration Fees and Costs received, and annual interest earned of undistributed royalty income is less than the actual costs directly attributable to the MU royalty distribution function, the MU will offset the interest earned on undistributed royalty income against the deficit.

Where the sum of annual royalty Administration Fees and Costs received, and annual interest earned of undistributed royalty income is greater than the actual costs directly attributable to the MU royalty distribution function, the costs deducted from royalty payees going forward will be reduced accordingly in order to negate the over-charge.

3 Appendices

3.1 Appendix I: Constitution of the Musicians' Union Royalties Sub-Committee

- 1) The Royalties sub-Committee is a sub-committee of the Executive Committee acting within the Rules and objects of the Musicians' Union, as set out in its Rule book. It shall be concerned solely with specific issues and matters affecting the distribution of secondary use royalty payments to musicians.
- 2) The administration of the Royalties sub-Committee falls within the general responsibility of the Union's General Secretary, who shall delegate detailed responsibility to such Officials, as he/she deems necessary. The Secretary will for the time being be the Royalties Official.
- 3) The Royalties sub-Committee shall consist of 12 members of which 9 are entitled to vote with the Chairman having the casting vote. The other 2 members attend in an advisory capacity and are expected to be; i) an independent external advisor and ii) a member of the MU secretariat. The meetings of the sub-Committee shall have a quorum of 5 members.

The composition of the Royalties sub-Committee is thus summarised as follows;

Constituency	Attendees	Votes	Casting Vote
Executive Committee	5	5	
Chairman	1		1
Recording & Broadcasting Section	2	2	
Orchestra Section	2	2	
Advisory Members		-	
Independent	1		
Secretariat	1		

- 4) The Executive Committee members and Chairperson of the sub-Committee shall be elected annually by the Executive Committee from amongst its number. The Vice-Chairperson should be elected annually by the Royalties sub-Committee.

- 5) The current Chair and Vice-Chair of the Recording & Broadcasting Section Committee & Orchestral Section Committee are the default delegates to the sub-Committee. If either is unable to attend a meeting of the sub-Committee, then it is their responsibility to arrange for a delegate (from their respective Committee) to attend in their place.
- 6) The Royalties sub-Committee shall discuss matters affecting the distribution of secondary use royalty payments to musicians and may make recommendations to the Executive Committee.
- 7) The Secretary shall compile the Royalty sub-Committee's Minutes.
- 8) Minutes of Royalties sub-Committee meetings shall be formally approved and adopted by the sub-Committee at the following meeting.
- 9) The Royalties sub-Committee shall normally meet not less than 2 times per year.
- 10) Questions shall be decided by a vote of the Royalties sub-Committee members on a simple majority.
- 11) Members of the Royalties sub-Committee shall receive expenses, to facilitate attendance at meetings, at a scale to be approved from time to time by the Union's Executive Committee.
- 12) The authority and responsibility of the Executive Committee is provided for in the Rules of the Union and shall not be deemed to be limited or affected by the existence or operation of the Royalties sub-Committee. In particular, the Executive Committee shall not be bound by any recommendations or decisions of the Royalties sub-Committee.

3.2 Appendix II: Administration Fees

- 1) The table below shows the percentage administration fee range charged to the music user for each income source:

Income Source	Admin Fee
Video & backing track buyouts	0%
Video & backing track subsequent payments	Actual Cost %*
Repeats & residuals	10% Fixed
Synchronisation	Negotiable between 15% and Actual Cost %
International	Actual Cost %

Table 1

*Actual Cost% as of 2014 = 19%

3.3 Appendix III: Musicians' Union – Royalty Collection Mandate

By accepting payment you hereby appoint the MU as your representative in respect of all recorded performances made by you (or the musician you represent) under the terms of a collective agreement with the MU, and hereby grant the MU the right:

- a) to negotiate collective and/or other agreements on your (or the musician you represent's) behalf with the makers and/or users of such recordings on which you (or the musician you represent) have performed for uses of such recordings not provided for in the applicable MU agreement;
- b) to grant any and all necessary consents on your (or the musician you represent's) behalf in respect of such uses of such recordings;
- c) to collect, administer and distribute monies arising from such uses either directly or through appropriate organisation(s) and
- d) to retain from such monies (at the Union's discretion) sufficient to cover the reasonable costs of such collection, administration and distribution

If you are not the musician named in the "Musician Name" field on the first page of this statement then you warrant that you have full right and authority in law to exercise the Musician's rights in such recorded performances and to make this appointment and grant these rights to the MU, and will fully indemnify the MU if you do not.