



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON DC

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Mike O’Rielly
Commissioner

Mr. Wade Leak
Senior Vice President, Deputy General Counsel
Chief Compliance, Ethics and Privacy Officer
Sony Music Entertainment
25 Madison Avenue, 22nd Floor
New York, NY 10010

Ms. Saheli Datta
Head of Global Compliance
Universal Music Group
2220 Colorado Avenue
Santa Monica, CA 90404

Mr. Trent Tappe
Senior Vice President, Deputy General Counsel &
Chief Compliance Officer
Warner Music Group
1633 Broadway
New York, NY 10019

Dear Mr. Leak, Ms. Datta, and Mr. Tappe:

In September of last year, I wrote to the Recording Industry Association of America (RIAA) to inquire into recent reports of practices potentially in violation of federal anti-payola laws and regulations. While the organization’s response was appreciated, RIAA claimed that it was not in a position to survey its members’ anti-payola practices and submit responses collectively. Instead, it recommended that I reach out directly to each of you to gain insight into what processes your company has in place to ensure compliance with federal legal provisions. This letter is intended for that purpose.

Federal law restricts payola because it can constitute a harmful and anti-competitive practice. Specifically, the exchange of money, service, or other consideration for broadcast airtime without proper notification to the listening public may unfairly manipulate the market or skew the benchmarks that measure the popularity of musical or other entertainment recordings. Such practices, in turn, create unfair financial advantages for some, to the detriment of others. Additionally, artificially and secretly facilitating the commercial success of certain performers—or their management—at others’ expense disadvantages American consumers by undermining access to artists they might otherwise prefer.

Even the most cursory review of consumer complaints and assertions provides cause for concern regarding the persistence of payola. And, in recent months, some artists have responded forcefully against accusations of payola, which speaks to the seriousness of the issue. Yet, there is no shortage of accusations that financial enticement is in some cases driving chart rankings, album and song sales, and commercial success.

None of this is to say that federal restrictions against payola are perfect. Despite competing for the same listeners, the U.S. radio industry finds itself subject to payola restrictions when alternative technologies, such as streaming, Internet radio, podcasts and other commercial audio distribution platforms, do not. This asymmetric treatment has an impact on the radio industry’s financial well-being, perhaps even affecting its long-term sustainability. Moreover, as the lines between these different technologies are

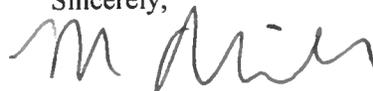
becoming more blurred each day, the compliance difficulties facing dynamic radio companies that deliver content via multiple distribution methods and those that interact with them increase as well. As proposals are considered to update laws and regulations to keep pace with the current marketplace, understanding current practices regarding anti-payola compliance is crucial for lawmakers and regulators.

Accordingly, I seek information on the mechanisms put into place to prevent payola within your respective organizations, your understanding of the current payola rules, and what further steps may need to be taken, if any. I respectfully request that each of you provide answers to the following questions by the end of February 2020.

1. As technologies become more complex and include platforms other than traditional over-the-air broadcasting, what types of arrangements exist between your company and radio broadcast stations for song placement and frequency of air time?
 - a. In this context, how does your organization define payola and what specific practices does it deem to be in violation of federal law and FCC regulations?
 - b. Does your organization deem the solicitation of artist appearances and performances with implied or express benefits, or pressures against non-participation, as legally prohibited?
2. What specific procedures have you developed, adopted, and implemented to ensure that payola, as defined by federal law, does not occur within your organization?
 - a. What oversight protections do you have in place to report violations and verify compliance?
 - a. Are company employees required to be trained in payola prohibitions and potential penalties?
3. Are you aware of any individual or company, in partnership with, or associated with your organization, that has provided or sought to provide monetary benefit, service, or other consideration in violation of current payola prohibitions in the last five years?
 - a. If yes, how was the conduct addressed?
 - b. Have any of your organization's employees, partnerships, or associations been terminated or disciplined due to potential or actual payola violations?
 - c. Please provide specific details of any such instances.
4. In the last five years, how many times have you or your organization directed a radio broadcast station to include a notification in a broadcast pursuant to the payola statutory provisions?
5. Where do you see the greatest risk for potential violations within the recording industry as it interacts with ever-changing audio distribution technologies, including the radio broadcast industry?
6. Have existing federal statutes and the relevant internal compliance processes worked to restrict payola?
 - a. Where do you see weaknesses in the current approach or need for reform to target and address any remaining violators?

Thank you for your prompt assistance in this important matter.

Sincerely,



Michael O'Rielly