SELECTIVE SCHEME

FREQUENTLY ASKED QUESTIONS

A. APPLICATION

1. DOES A DISTRIBUTOR ACTING IN MORE THAN ONE COUNTRY COUNT FOR 1 OR SEVERAL DISTRIBUTORS?

The guidelines state that a minimum of 7 distributors must be attached to the project.
A single distributor with multi-territory acquisitions will hence count for only one distributor.

2. MY FILM HAS ALREADY BEEN RELEASED IN SOME TERRITORIES, WHY CAN I NOT INCLUDE THEM IN THE PROJECT?

The award criteria and the support to third parties are two different elements of the application:

- The award criteria look at the overall project, from its preparation before application to its potential impact.
  While assessing the project, experts look at all elements presented in the application that are relevant to the criteria, including past releases or releases outside Europe or on non-theatrical platforms.

- On the other hand, the rules regarding third parties are much stricter. As this involves an EU financial support, financial rules apply, e.g. eligibility of the applicant and eligibility of the costs.

  This is why even though some releases are not eligible for support; they can still be valued in the qualitative analysis of the project.

3. SOME OF MY DISTRIBUTORS ARE READY TO RELEASE THE FILM FROM THE DATE OF APPLICATION, WHY IS THERE AN EARLIEST DATE OF RELEASE?

The aim of the scheme is to foster communication and cooperation, including production of common material, before the pan-European release. Therefore, a minimum period is necessary for the sales agent to implement the project before distributors start releasing the film. The project does not bring any added value to the release if distributors make their releases regardless of the project.

As per financial rules, the project can only start from the date of application or the date of signature of the grant agreement. Only costs incurred after that date will be eligible.
4. ARE DISTRIBUTORS WHO HAVE BOUGHT THE RIGHTS DIRECTLY TO THE PRODUCERS ELIGIBLE?

Yes. The sales agent can include in the grouping a distributor who has bought the rights directly from the producer or from a sub-licensor.

The third parties (distributors) who may receive financial support must fulfill the following criteria:

- be a European company as per the criteria set out under section 6.1 of the guidelines;
- be the holder of the theatrical distribution rights for the film in the country concerned;
- carry out the theatrical distribution of the film in the country (determines the release date, plans, controls and executes the distribution and promotion campaign);
- pay directly the associated distribution costs.

Important! In such a case, we advise sales agents to ensure that the distributor will comply with the obligations of reporting (https://eacea.ec.europa.eu/creative-europe/beneficiaries-space/support-for-distribution-non-national-films-2019_en) as there is no reporting related to a licence agreement and share of receipts.

5. IN ORDER TO LEGALLY SECURE THE DISTRIBUTORS’ OBLIGATIONS, SHOULD WE SIGN A SIDE CONTRACT WITH THE DISTRIBUTORS?

There is no obligation to do so, but some applicants chose this option to formalize the minimum obligations expected from distributors to carry out the project as described in the application and to comply with the reporting obligations towards MEDIA.

If this facilitates the implementation of the project and the reporting, this shall be considered as a good practice.

We do not provide a template.

6. SOME DISTRIBUTORS ARE INTERESTED IN THE PROJECT BUT, AT THE TIME OF SUBMISSION, THE DEALS ARE NOT CONFIRMED. CAN I INCLUDE THEM AFTERWARDS?

It is possible to foresee “unconfirmed territories” within the limit set in the guidelines of the call (see section 11.1.1 of the guidelines (Financial support to third parties))

You need to ensure that the global budget forecasts costs and support for these unforeseen territories.

If your project is approved, we will contact you to have these territories confirmed before we finalize the contract.

Please note that you will only have a few days to provide the following information:
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- Confirmation that the new third party is eligible (see section 11.1.1 of the guidelines (Financial support to third parties)) and has experience in releasing European non-national films;
- The letter of intent signed by the third party;
- The third party budget and release strategy;
- The revised estimated budget (in case of confirmation of pending third parties).

If these documents are not provided within the set deadline, the grant agreement will be issued without the unconfirmed third parties and the grant will be reduced accordingly.

B. REPORTING

1. MAY I ADD A NEW TERRITORY?

In the grant agreement, the amounts are fixed per territory and per distributor.

No budget transfer is allowed between budget categories (i.e. between coordination costs and third parties costs).

So unless funds are made available under the third party budget category (further to a withdrawal for instance*), it is impossible to have an additional third party join a grouping.

* see below question 4, MAY I CHANGE A THIRD PARTY FOR ANOTHER IN THE SAME TERRITORY?

2. IF A TERRITORY SPENDS LESS, MAY I REALLOCATE THE SUPPORT TO ANOTHER TERRITORY?

Third parties cannot get more than what is foreseen in the grant agreement and the maximum co-financing rate is 50%.

If a third party spends less and this leads to a reduction of its support, the overall support will be reduced accordingly unless a request to reallocate the funds to an additional territory is made in due time and accepted by EACEA (subject to the rules on Amendments).

This request needs to be made before the submission of the interim report(s) or final report and in any case at the latest one month before the end of the period of implementation.

See also section 10 (Amendments) of the Reporting guide for beneficiaries.

3. MAY I CHANGE A TERRITORY FOR ANOTHER ONE?

It is possible to change a territory for another but conditions apply:

The distributor in the territory that is being replaced has officially withdrawn from the project.
There must be sufficient funds under the Third Party budget category.
The new third party must comply with the conditions set out in the guidelines (see section 11.1.1 of the guidelines (Financial support to third parties))

A written request to EACEA must be made by the legal representative of the sales company, at the latest one month before the end of the implementation period.*
The request must explain the reasons for the change and confirm that the new third party is eligible (see section 11.1.1 of the guidelines):

- is a European company as per the criteria set out under section 6.1 of the guidelines.
- is the holder of the theatrical distribution rights for the film in the country concerned;
- carries out the theatrical distribution of the film in the country (determines the release date, plans, controls and executes the distribution and promotion campaign);
- pays directly the associated distribution costs;
- has experience in releasing European non-national films;
- commits to report on costs and results.
- commits to respect the applicable rules regarding the visibility of the programme.

It must be accompanied by:

- A letter from the former third party confirming its withdrawal from the project
- A termination of the previous license agreement
- The filled out shareholding form signed by the new third party
- The new third party’s P&A budget and release strategy
- The amended estimated budget
- The new third party’s letter of intent
- A copy of the new distribution agreement, certified as true.

If the request is accepted, an amendment to the grant agreement will be made.

* See also section 10 (Amendments) of the Reporting guide for beneficiaries.

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* See also section 10 (Amendments) of the Reporting guide for beneficiaries.

5. WHAT HAPPENS IF A THIRD PARTY DECIDES NOT TO RELEASE THE FILM OR HAS RELEASED BEFORE THE RELEASE PERIOD?

The third party’s project is considered as not carried out or ineligible, so the related costs are not eligible. You do not submit any costs for this third party and no support will be paid.

In case that this third party’s costs have been included in an interim or final report, they will be deducted from the final costs and the support initially foreseen to that third party will be deducted from the final support.

If a pre-financing payment has been paid to the third party, the sales agent will have to recover it from the third party in order to reimburse EACEA.

6. WHAT HAPPENS IF A THIRD PARTY DECIDES TO RELEASE THE FILM AFTER THE RELEASE PERIOD?

A written request to EACEA must be made by the legal representative of the sales company, at the latest one month before the end of the implementation period.*

Please be aware that it is impossible to amend a project after the period of implementation. It is highly recommended that the sales agent follows up on the releases and ensures that all releases are made in due time.

In the event a release is made after the period and no amendment was requested, the release will be ineligible and the pre-financing payment will have to be recovered.

It is recommended that you make one amendment request for all the late releases in the grouping!

* See also section 10 (Amendments) of the Reporting guide for beneficiaries.
7. WHAT AM I EXPECTED TO DO REGARDING THE VISIBILITY RULES?

As a beneficiary, you are required to ensure that all rules are complied with.
As a sales agent you must ensure that all your material is compliant.
As a coordinator of the project you are required to ensure that all third parties are aware of their obligations.
See also section 12 (Visibility of the Programme) of the Reporting guide for beneficiaries.

8. DO I HAVE TO SEND AN INTERIM REPORT?

No, you don’t necessarily but interim reports are an option which provides the following benefits:

- They give the sales agent and the distributors earlier cashflow
- They clear the pre-financing, and reduce the liability on sales agents.
- They give an opportunity to connect with the Agency and check whether the project is on the right track.

This option might not be necessary in case all the release dates for the film already take place over a very short period of time, in particular if releases have occurred at the time of the signature of the grant agreement or soon after the issuing of the grant agreement.

However, that being said, for any later releases than the ones mentioned above, please do not wait until the very end to submit only a final report. There are three possibilities to submit a report (2 interim and 1 final).

See also Q11. MOST OF MY DISTRIBUTORS HAVE RELEASED THE FILM, MAY I REQUEST A COMBINED INTERIM TO COVER A MAXIMUM OF COSTS?

9. ARE THERE DEADLINES TO SUBMIT THE REPORTS?

There are no deadlines to submit the interim reports but conditions apply.
The final report must be submitted at the latest 2 months after the end of the period of implementation.
See also section 5 (Reports) of the Reporting Guide for beneficiaries for more information on the reports.

10. WHAT SHOULD I DECLARE IN THE INTERIM REPORT?

You can declare the costs that you have already incurred as a sales agent as well as the final costs of those distributors who have already released the film.
11. MOST OF MY DISTRIBUTORS HAVE RELEASED THE FILM, MAY I SUBMIT A COMBINED INTERIM REPORT TO COVER A MAXIMUM OF COSTS?

Sure. If most of the projects are carried out, you might consider submitting a combined interim report.
Once the Agency has analysed the report and accepted the costs, the Agency will make a calculation of the support, applying the co-financing rate of 50%.
On that amount, the pre-financing already paid will be deducted.

12. HOW MUCH WILL I ACTUALLY GET AFTER THE APPROVAL OF THE INTERIM REPORT? WHAT DO YOU MEAN BY CLEARING THE PRE-FINANCING?

In your first interim report, you declare your coordination costs and the final costs of the distributors who have released the film at that point.
Once the Agency has analyzed the report and accepted the costs, the Agency will make a calculation of the support, applying the co-financing rate of 50%.
On that amount, the pre-financing already paid will be deducted.

You have to make a distinction between the approved award after analysis of the report, and the payment. The approved award in the first interim report, regardless of the amount, can only give way to a payment of maximum 30% of the maximum grant.

The clearing of the pre-financing means that the pre-financing of 30%, which serves as a float and is the property of the European Commission, becomes your property.
That also means that the approved interim award for a combined interim report can be 90% or higher of the maximum award in the contract, but, in this case we will only pay you 60% because the first 30% are used to clear the pre-financing.

In case that your first interim report would result in an approved grant of 70%, we would only cover 60% of the approved award (resulting in a first interim payment of 30% of the award, after the clearing of the pre-financing of 30%) and then carry over the remaining 10% to the next payment (interim or final), within the limit of another 30% of the grant.
And so on until the final payment, where we pay the total remaining balance.

For example:
Total estimated costs € 200.000
Maximum award € 100.000
Pre fin paid: 30% = € 30.000

Ex1.
Pre fin paid: 30% = € 30.000
First approved interim award: € 30.000
Interim payment after clearing of the pre-financing: € 0
Ex2.
Pre fin paid: 30% = € 30.000
First approved interim award: € 40.000
Interim payment after clearing of the pre-financing: € 10.000

Ex 3.
Pre fin paid: 30% = € 30.000
First approved interim award: € 70.000
Interim payment after clearing of the pre-financing: € 30.000
€ 10.000 will be carried over to the next payment after the following report

Ex 4.
Pre fin paid: 30% = € 30.000
Approved interim award after combined interim report: € 90.000
Interim payment after clearing of the pre-financing: € 60.000

13. WHAT TYPE OF EVIDENCE SHOULD THE SALES AGENT DELIVER IN CASE OF AN AUDIT?

In case of an EACEA audit, you will have to show the proof of your coordination costs (heading 1) and the payment requests from the distributors (heading 2) duly registered in your books, and that the corresponding payments have been made.

See also section 7 (Monitoring of third party costs) of the Reporting guide for beneficiaries.

14. HOW ABOUT RECOVERIES? AND WHAT HAPPENS IF A DISTRIBUTOR GOES BANKRUPT?

If you have paid out a pre-financing to a distributor, you are responsible for this payment (until the costs of the distributors have been accepted) and in case of problems, like non-execution of the project or a release outside of the period of release, the Agency will recover the pre-financing from you.

This is why it is accepted that some conditions apply before the payment of the pre-financing, e.g. full payment of the MG or confirmation of the release date. As a mitigating measure, the SA could also set a tight deadline for the submission of the payment request and P&A budget. From that point on (if the film is released and if all documents for reporting (P&A statement and payment request) have been submitted to the sales agent) the project is considered as executed.

Risk of bankruptcies are sometimes given as a reason for not paying the distributors. These cases are rare and when they happen creditors can also put a claim to the liquidator. If you monitor your project correctly, you might see signs of business failure before the actual bankruptcy. In any event, if the project has been executed, the liquidator can send in a payment request with accompanying P&A budget, there shall be no repayment of the pre-financing. If on the other hand the project has
not been executed, the Agency will recover the pre-financing from you and you must recover the pre-financing from the liquidator by putting in the claim.

15. FOR DISTRIBUTORS OUTSIDE OF THE EUROZONE, WHAT EXCHANGE RATE MUST BE APPLIED?

As a non-binding advice, you could ask the distributors to use the rules on exchange rates as you apply them to your coordination costs and as is explained in section 11 of the reporting guide.