



# Revised Standards for Subscription/Recurring Payments and Negative Option Billing Merchants

## Frequently Asked Questions – updated November 2022

Mastercard modified the requirements that apply to merchants that use a subscription/recurring billing model and took effect 22 September 2022.

These modified requirements will help ensure a more positive cardholder experience and will mitigate negative practices associated with the utilization of a subscription/recurring billing model, a negative option billing model, or both.

Refer to the following bulletin announcements for details on the **Revised Standards for Merchants Utilizing a Subscription/Recurring Payments Model or Negative Option Billing Model** located in the Technical Resource Center on Mastercard Connect:

- **AN 4934**
- **AN 6977**

### Applicability of Standards

1. **When were these requirements first announced?**

Mastercard first announced these requirements in September 2021.

2. **When did these requirements take effect?**

The requirements took effect on September 22, 2022.

3. **To whom do these Standards apply?**

The Standards apply to recurring payment transactions initiated by a merchant performing subscription billing, in which the cardholder has agreed for the merchant to provide ongoing and/or periodic delivery of a service, membership, physical product, or digital good. These requirements do not apply to payments for utilities (for example, gas, electricity, sanitation, heating oil, or water), telecommunications, insurance policies, or existing debt (for example, vehicle loan or mortgage payments).

4. **If a cardholder enrolls in a subscription at a physical location and leaves the location with the terms and conditions in hand, would the terms and conditions still need to be delivered via email/text?**

Yes, the merchant would still need to send a confirmation email with terms and conditions if the subscription were in scope of the requirements.

5. **Does an insurance product qualify as a subscription when billed on a reoccurring basis?**

No, these requirements do not apply to payments for utilities (for example, gas, electricity, sanitation, heating oil, or water), telecommunications, insurance policies, or existing debt (for example, vehicle loan or mortgage payments).

6. If a merchant offers subscriptions, but is not using MCC 5968 (Direct Marketing: Continuity/Subscription Merchants), would the subscription/free trial requirements apply?  
Yes, the free trial/subscription requirements would still apply.
7. If a merchant periodically provides low introductory offers, would the merchant automatically be categorized as a negative-option merchant and be required to follow the Mastercard requirements for ALL offers?  
No, the requirements would only apply at the offer level.
8. Do these Standards apply equally to both business-to-business (B2B) and business-to-consumer (B2C) transactions?  
Yes, the Standards apply equally to both B2B and B2C transactions.

### **Modification of Standards**

9. When did the modifications to the requirements take effect?  
The modifications took effect on October 11, 2022.
10. In summation, how have the requirements been modified?  
Mastercard implemented the following modifications to the requirements:
  - The requirement to provide an electronic receipt after each billing only applies to merchants that are identified for at least four months in the Acquirer Chargeback Monitoring Program (ACMP).
  - The language requirements for these receipts have been clarified.
  - For non-profit or charity organization merchants, all of these requirements apply only to those that are identified for at least four months in the ACMP.
11. Did Mastercard change the requirement that an electronic receipt must be sent after every approved transaction?  
Yes, the requirement to provide an electronic receipt after each approved transaction (billing) is still considered a best practice, but it is now required only for merchants that are identified for at least four months in the ACMP.
12. If a cardholder donates to a charity on a recurring basis, would this be considered a subscription?  
Yes, because the cardholder's donation (payment) would still be following a recurring/scheduled plan. However, these modified requirements would only apply to non-profit or charity organization merchants that are identified for at least four months in the ACMP.
13. The requirement to send an electronic receipt after each billing is now considered a best practice except for merchants that are identified for at least four months in the Acquirer Chargeback Monitoring Program (ACMP). What is the ACMP and how does a merchant know that it has been identified by the program?  
The ACMP consists of two Mastercard monitoring programs:
  - Excessive Chargeback Program (ECP), which identifies merchants as either an Excessive Chargeback Merchant (ECM) or a High Excessive Chargeback Merchant (HECM) based on specific chargeback monitoring thresholds; and
  - Excessive Fraud Merchant (EFM) program, which monitors fraud-related chargeback thresholds from e-commerce transactions at the merchant ID (MID) level.



Each of these programs notifies the merchant's acquirer when the thresholds are met. The acquirer is then responsible for notifying its merchant and working with that merchant to take appropriate steps to bring the merchant's chargeback levels down to acceptable levels.

14. Mastercard recommends that an electronic receipt be sent to the cardholder after each subscription payment. Can the cardholder opt-out of this notice?

Yes, the cardholder may opt-out of this notice.

15. After each billing event, if a merchant were to post an invoice on the cardholder's 'My Account' page, which would be accessible online and provide the option to cancel, would this qualify as "any other electronic method"?

Mastercard recommends that the merchant send an email/electronic notification to the cardholder after each billing event. Posting an invoice to the cardholder's 'My Account' page would not satisfy this recommendation.

## **Record Retention and Standards Enforcement**

16. For cardholders that enroll in a subscription service, is proof of a "three-day notice" required if disputing those filings?

These Standards do not change chargeback liability or disputes. To satisfy these requirements, merchants must be able to prove that notices are being sent, but they do not need to keep every record.

17. How will these Standards be enforced and how is compliance measured? Are there any specifics around penalties?

Acquirers are responsible for ensuring that their merchants are adhering to all Mastercard Standards. Mastercard has programs in place to investigate and remediate violations of Mastercard Standards. Depending on the circumstances, Mastercard may apply assessments to acquirers that fail to ensure that their merchants are adhering to Mastercard Standards.

## **Electronic Notifications and Transaction Receipts**

18. If a cardholder signs up for a three-day free promotional offer from a merchant, and the merchant sends an email upon signup to the cardholder with the terms of the subscription and instructions on how to cancel at any time, would the merchant be required to send another email after three days, even though the free trial period has ended?

No, this requirement would only apply if the trial were longer than seven days.

19. For the electronic notifications required for subscription merchants, what happens if the cardholder does not have an email address?

Mastercard recommends that the merchant make an effort to notify the cardholder by other means.



20. Is a merchant exempt from having to send electronic notices to those cardholders that it has enrolled prior to the email/electronic notification requirement?  
Yes, but Mastercard expects the merchant to make a good faith effort to collect this information going forward.
21. If a merchant has a mobile app and pushes a billing notification to the app, would this be considered an electronic receipt?  
No, this would not be considered an electronic receipt.
22. Does a text message qualify as an electronic receipt?  
Yes, a text message qualifies as an electronic receipt.
23. Can a text message include a link to a page with the terms and conditions and information on how to cancel?  
Yes, but there needs to be a call-out in the communication that the link is where to go for account management capabilities. For example, *"For more information on your subscription, including how to cancel, click here."* Please note that "Cancel" language is recommended, but not required, in the communication.
24. For legacy subscriptions, where there is no email address, physical address, or phone number on file to send a confirmation to the cardholder, how does Mastercard want the merchant to handle these subscriptions?  
The merchant must follow the requirements for all cardholders for which the merchant has contact information and should be collecting contact information for new cardholders going forward. If a merchant has no means for contacting legacy cardholders, Mastercard highly recommends (but does not require) that the merchant include a phone number or web address (URL) in either the "Name" or "City" field of the transaction message, so that the cardholder has a way to contact the merchant to manage the subscription as needed.
25. Does a merchant need to track that an electronic confirmation was sent to a cardholder?  
Mastercard recommends that the merchant have a process to track, or otherwise validate, that emails are being sent to cardholders.
26. If an email is returned as undeliverable (e.g., the cardholder provided an incorrect email address), would the merchant be considered to have performed its due diligence?  
Yes, if a good faith effort were made by the merchant to reach the cardholder, then that would be sufficient to fulfill the requirement.
27. Can transaction receipts for free trial/subscription merchants be sent via monthly marketing emails?  
The email can include marketing information, but it must be clear that it is a receipt, and the required information should be prominent.
28. If a merchant bills in a six-month billing cycle, would the requirement to send a notification three to seven days before the billing date apply?  
Yes, this requirement would apply to any subscription where the billing frequency is every 6 months (180 days) or less (e.g., annual billings, semi-annual billings, etc.).



29. If a merchant offers a trial of a digital product for seven days or less, would the merchant still need to send a reminder notification within three to seven days?

No.

### **Cardholder Disclosure**

30. How should a merchant handle taxes? For example, can the merchant tell the cardholder that the amount is "\$5.99 + tax", with tax being undefined?

Yes, taxes can remain undefined.

### **Overview of modified requirements**

Effective 11 October 2022, Mastercard modified the requirements for all merchants that utilize a subscription and recurring payment plan as follows:

- Each time that the merchant receives an approved authorization request, the merchant must provide the cardholder with an electronic transaction receipt through an email message or other electronic communication method. The receipt must include or provide access to instructions for account management capabilities, including instructions for canceling the subscription (and thereby withdrawing permission for any subsequent recurring payment).
  - Mastercard recommends this Standard as a best practice for all merchants that utilize a recurring payment plan. However, this Standard becomes a requirement when a merchant that utilizes a recurring payment plan that is identified for four months or more in the Acquirer Chargeback Monitoring Program (ACMP) as an Excessive Chargeback Merchant (ECM), a High Excessive Chargeback Merchant (HECM), and/or an Excessive Fraud Merchant (EFM) within the same audit period, as defined under the program (see the *Data Integrity Monitoring Program* manual for more information). A merchant that the ACMP identifies for four months or more that has not implemented this requirement may be subject to Category A noncompliance assessments each month, which will be in addition to the assessments applicable under the ACMP. For more information about Category A noncompliance assessments, see Section 2.1.4 of the *Mastercard Rules*.
- All the Standards that took effect 22 September 2022 are recommended as a best practice for all not-for-profit or charity merchants that utilize a recurring payment plan. However, these Standards become a requirement when a not-for-profit or charity merchant that utilizes a recurring payment plan is identified for four months or more in the ACMP as an ECM, an HECM, and/or an EFM within the same audit period, as defined under the program (see the *Data Integrity Monitoring Program* manual for more information). A merchant that is identified for four months or more and has not implemented this requirement may be subject to Category A noncompliance assessments each month, which will be in addition to the assessments applicable under the ACMP. For more information about Category A noncompliance assessments, see Section 2.1.4 of the *Mastercard Rules*.



## Questions?

Mastercard Customers can reach out to their Mastercard representative or contact Global Customer Service using the contact information in the Technical Resource Center on Mastercard Connect for any questions.