



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

## Frequently Asked Questions – updated March 2022

Mastercard is extending the deadline and providing clarification for new requirements that 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 bulletin announcement **AN 4934 Revised Standards for Merchants Utilizing a Subscription/Recurring Payments Model or Negative Option Billing Model** in the Technical Resource Center on Mastercard Connect.

### Applicability of Standards

1. **How are these requirements different from what Mastercard announced previously?**

In April 2019, Mastercard implemented requirements for any merchant offering a free or low-cost trial period of a physical good (e.g., cosmetics, dietary supplement). Mastercard is adding to the existing requirements for those merchants and expanding the requirements to merchants offering a free or low-cost trial period of digital good or services (e.g., streaming service, website access) as well as all other subscription merchants.

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

Mastercard first announced these requirements in September 2021.

3. **When do these requirements take effect?**

Mastercard recently extended the deadline for all of these requirements to September 22, 2022.

4. **Why is Mastercard extending the deadline for these requirements?**

Mastercard is committed to ensuring a positive cardholder experience and providing transparency to the ecosystem by mitigating negative practices associated with the utilization of a subscription/recurring payments model.

These requirements were created after numerous engagements with the merchant and acquiring communities on how to effectively address this issue. Mastercard continued these conversations after the Standards were announced in September 2021. Through these discussions, the feedback Mastercard received was, that while there is a strong commitment to adhere to the new Standards and ensure transparency for cardholders, more time is needed for merchants to modify their processes. Based on this feedback, and in the spirit of partnership, Mastercard has extended the original deadline of March 2022 to September 2022 so that customers have more time to ensure that all merchants in their portfolio that utilize a subscription/recurring payments model, a negative option billing model, or both are operating in accordance with these requirements by the respective effective date.

5. **Who do these Standards apply to?**  
These Standards apply to acquirers of merchants conducting recurring payment transactions for subscription billing, where the cardholder has agreed for the merchant to provide ongoing and/or periodic delivery of a service, membership, physical products and/or digital goods. These requirements do not apply to payments for utilities (e.g., gas, electric, sanitation, heating oil, water), telecommunications, insurance policies, or existing debt (for example, vehicle loan or mortgage payments).
6. **If cardholders are enrolling in a subscription at a physical location and leave the location with the terms and conditions in hand, do the terms and conditions still need to be delivered via email/text?**  
Yes, the merchant must still send a confirmation email with terms and conditions if the subscription is in scope of the requirements.
7. **Would an insurance product qualify as a subscription when billed on a recurring basis?**  
No, these requirements do not apply to payments for insurance policies, utilities (e.g., gas, electric, sanitation, heating oil, water), telecommunications, or existing debt (e.g., vehicle loan or mortgage payments).
8. **If a customer is donating to a charity on a recurring basis, is this considered a subscription?**  
**Yes, this would be considered a subscription service.**
9. **If the merchant is offering subscriptions, but is not using MCC 5968, do the subscription/free trial requirements apply?**  
Yes, the free trial/subscription requirements would still apply.
10. **If a merchant periodically offers low introductory offers, are they automatically placed in a negative-option merchant bucket and required to follow the new Mastercard guidelines for ALL offers, or does it only apply at the offer level?**  
It only applies at the offer level.
11. **Do these Standards apply the same to both B2B and B2C transactions?**  
Yes, the Standards are the same for both B2B and B2C transactions.
12. **Do negative option billing merchants still need to be registered as Specialty Merchants with Mastercard?**  
Yes, negative option billing merchants that offer trials for physical goods still need to be registered with Mastercard. However, registration is not required for negative option billing merchants that offer trials for services or digital goods.
13. **How are these new requirements different from those announced by Visa that became effective in April 2020?**  
The Visa requirements only apply to negative option billing merchants that offer a free or low-cost trial period of physical and digital goods. They do not apply to all subscription merchants.



## Record Retention and Standards Enforcement

14. For cardholders that enroll in a subscription service, is proof of a "3-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.

15. 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 also has programs in place to investigate and remediate violations of Mastercard Standards. Depending on the circumstances, Mastercard may apply assessments to an acquirer that fails to ensure its merchants are meeting Mastercard Standards.

## Electronic Notifications and Transaction Receipts

16. If a merchant does a 3-day free promotional offer and sends an email on sign-up with the terms of the subscription and instructions on how to cancel at any time, are they required to send another email after 3 days, even though the free trial period has ended? Or does the original sign-up email satisfy the requirement?

No, this requirement only applies when the trial is longer than seven days.

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

The merchant should make every effort to notify the cardholder by other means.

18. Mastercard requires that an electronic receipt be sent to cardholders after each subscription payment. Can cardholders opt out of that notice?

Yes, cardholders may opt out of this notice.

19. What are the guidelines for merchants who have already acquired cardholders without the email/electronic notification requirement? Will merchants be exempt from having to send the electronic notices to those cardholders?

Yes, but the merchant is expected to collect this information going forward.

20. If the merchant has a mobile app and pushes a billing notification to the app, will this be considered an electronic receipt?

No, this is not considered an electronic receipt.

21. Does a text message count as an electronic receipt?

Yes, a text message would count as an electronic receipt.

22. Can a text 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 to cancel. e.g., "For more information on your subscription, including how to cancel, [click here.](#)"



23. After each billing event, if a merchant posts an invoice on the cardholder's 'My Account' page which is accessible online and has the option to cancel, does this qualify as "any other electronic method"?  
No, this does not satisfy the requirement. An email/electronic notification must be sent to the cardholder after each billing event.
24. For legacy subscriptions, what if there is no email, physical address, or phone number on file to send a confirmation to the cardholder? What does Mastercard require the merchant to do?  
The merchant must follow the requirements for all cardholders that they have contact information for and should collect contact information for new customers going forward. If a merchant has no way to contact legacy customers/cardholders, it is highly recommended (but not required) that the merchant includes a phone number or URL in the "city" field of the transaction message so that cardholders know how to contact the merchant to manage their subscription when needed.
25. Do merchants need to track that an electronic confirmation was sent to a cardholder?  
Yes, merchants must have a process to track, or otherwise validate, that emails are being sent to cardholders.
26. What if the email is returned as undeliverable (e.g., cardholder gave an incorrect email address)? Would the merchant be considered to have done their due diligence?  
Yes, if a good faith effort was made to reach the cardholder, that is sufficient to satisfy the requirement.
27. Can transaction receipts for free trial/subscription merchants be sent via monthly marketing emails? Or does the email receipt have to be separate?  
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 6-month billing cycle, does the requirement to send a notification 3-7 days before the billing date apply?  
Yes, this requirement applies to any subscription where the billing frequency is every 6 months (180 days) or less.
29. If a merchant offers a trial of a digital product for 7 days or less, do they still need to send a reminder notification within 3-7 days?  
No, the merchant would not need to send a reminder if the trial is for 7 days or less.
30. Are there any new transaction messaging requirements associated with these changes (e.g., information that needs to be populated in data elements/sub elements of authorization and/or clearing messages)?  
No, there are no new transaction messaging requirements as part of these new changes.

## Cardholder Disclosure

31. How should a merchant handle tax? e.g., Can they tell the customer/cardholder that it is \$5.99 + tax, with tax being undefined?  
Yes, taxes can remain undefined.



## Overview of new requirements

Effective 22 September 2022, the following revised Standards will apply to negative option billing merchants that offer a free or low-cost trial period of a digital good (such as a streaming service, club membership, website access, or software license) and then automatically enroll the cardholder into a subscription plan at the end of the trial period (referred to as negative option billing).

- For merchants offering a trial period longer than seven days, the merchant must send a reminder notification to the cardholder, no less than three days and no more than seven days before the end of the trial period that the subscription plan will commence if the cardholder does not cancel. This notification must include the basic terms of the subscription and instructions about how to cancel. This reminder can be completed by email message or any other electronic method.

**NOTE: This notification requirement will not apply to negative option billing merchants that offer a free or low-cost trial period of a physical good such as dietary supplements and healthcare products and then automatically enroll the cardholder into a recurring billing/subscription plan at the end of the trial period. For additional information about the requirements for negative option billing merchants, refer to Section 5.4.2 of the *Transaction Processing Rules*.**

In addition, the following requirements will apply for all merchants that utilize a subscription model, where a cardholder is billed a fixed amount on a regular basis for a service, membership, physical products, or digital goods (such as access to a website, a streaming service, membership to a gym or other organization, or a purchase of downloadable software). These requirements do not apply to payments for utilities (e.g., gas, electric, sanitation, heating oil, water), telecommunications services, insurance policies, or existing debt (for example, vehicle loan or mortgage repayments).

- Merchants must clearly disclose the basic terms of the subscription at the point of payment and capture the cardholder's affirmative acceptance of such terms. The disclosure must include the price that will be billed and the frequency of the billing (for example, "You will be billed USD 9.95 per month until you cancel the subscription."). Merchants that utilize a negative option billing model must also disclose the terms of the trial, including any initial charges, the length of the trial period, and both the price and frequency of the subsequent subscription (for example, "You will be billed USD 2.99 today for a 30-day trial. Once the trial ends, you will be billed USD 19.99 each month thereafter until you cancel.")
  - For electronic commerce (e-commerce) merchants, the point of payment includes the screen where cardholders enter their card credentials and any screens that show a summary of the order (such as a shopping cart) before it is submitted for authorization by the cardholder.
  - Providing a link to another page that contains this information (such as a terms and conditions page), or otherwise requiring the cardholder to expand a message box or scroll down the page to see the terms, will not satisfy this requirement.
- Merchants must send a confirmation by email message or by other electronic method at the time of enrollment in a subscription/recurring billing plan that provides the terms of the subscription, including the terms of a trial period when applicable, and clear instructions about how to cancel the subscription.



- Merchants must send a receipt by email message or by other electronic method after every billing that includes clear instructions for how to cancel the subscription. **Cardholders may choose to opt-out of receiving these notices.**
  - As a reminder, Mastercard Standards prohibit merchants from submitting subsequent authorization requests on the same primary account number (PAN) when the original authorization response included certain response codes. Refer to [AN 1704—Revised Standards—Multiple Authorization Requests for Card-Not-Present Transactions](#).
- **Merchants must provide an online or electronic cancellation method (similar to unsubscribing from email messages or any other electronic method) or clear instructions on how to cancel that are easily accessible online (such as a “Manage Subscription” or “Cancel Subscription” link on the merchant’s home page).**
- For any subscription/recurring payment plan that bills a cardholder less frequently than every six months (e.g., cardholder is billed every six months every year, every two years, etc.), the merchant must send a notification at least seven days, but no more than 30 days, before the billing date that includes the terms of the subscription and instructions about how a cardholder may cancel the subscription.

## Questions?

Reach out to your Mastercard representative or contact Global Customer Service using the contact information in the Technical Resource Center on Mastercard Connect if you have questions.