

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?**
 - September 22, 2022
- 3. Who do these Standards apply to?**
 - 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 products or Digital Goods. These requirements do not apply to payments for utilities (i.e., gas, electric, sanitation, heating oil, water), telecommunications, insurance policies, or existing debt (for example, vehicle loan or mortgage payments).
 - In addition, all requirements only apply to non-profit or charity organizations that are identified for at least four months in the Acquirer Chargeback Monitoring Program (ACMP).
- 4. 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 billing is still considered a best practice but it is now required for merchants that are identified for at least four months in the Acquirer Chargeback Monitoring Program (ACMP).
- 5. 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.
- 6. Would an insurance product qualify as a subscription when billed on a recurring basis?**
 - No, these requirements do not apply to payments for utilities (i.e., gas, electric, sanitation, heating oil, water), telecommunications, insurance policies, or existing debt (for example, vehicle loan or mortgage payments).
- 7. If a customer is donating to a charity on a recurring basis, is this considered a subscription?**
 - Yes, as their payment/donation is still following a recurring/scheduled plan however these requirements only apply to non-profit or charity organizations that are identified for at least four months in the Acquirer Chargeback Monitoring Program (ACMP).
- 8. If the merchant is offering subscriptions, but is not using MCC 5968, does the subscription/free trial requirements apply?**
 - Yes, the free trial/subscription requirements would still apply.
- 9. 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.
- 10. Do these Standards apply the same to both B2B and B2C transactions?**
 - Yes, the Standards are the same for both B2B and B2C transactions.

Record Retention and Standards Enforcement

- 11. 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.

12. 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 acquirers that fail to ensure their merchants are meeting Mastercard Standards.

Electronic Notifications and Transaction Receipts

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 ACMP and how does a merchant know that they have been identified in it?

- The ACMP consists of two Mastercard monitoring programs; the Excessive Chargeback Program (ECP) and the Excessive Fraud Merchant (EFM) Program. These programs monitor merchant's chargeback levels against established criteria and notifies the merchant's acquirer when the criteria are met. The acquirer is then responsible for notifying the merchant and working with them to take appropriate steps to bring the merchant's chargeback levels down to acceptable levels.

14. 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

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

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

16. Mastercard recommends 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.

17. 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 make their best effort to collect this information going forward.

18. 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.

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

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

20. 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 manage their account. For example: *"For more information on your subscription, including how to cancel, click here."* Note that "Cancel" verbiage is recommended but not required in the communication.

21. 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"?

- Mastercard’s recommendation is that an email/electronic notification be sent to the cardholder after each billing event. Posting an invoice to the cardholder’s ‘My Account’ page would not fall into this recommendation.
- 22. 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 be collecting 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 either the “name” or “city” field of the transaction message so that cardholders know how to contact the merchant to manage their subscription when needed.
- 23. Do merchants need to track that an electronic confirmation was sent to a cardholder?**
- It is recommended that merchants have a process to track, or otherwise validate, that emails are being sent to cardholders.
- 24. 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 meet the requirement.
- 25. 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.
- 26. 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 applies to any subscription where the billing frequency is every 6 months (180 days) or less (i.e., annual billings, semi-annual billings, etc.).
- 27. 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

Cardholder Disclosure

- 28. How should a merchant handle taxes? 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

Below is the text from the applicable Mastercard Rules regarding Mastercard Standards for Merchants Utilizing a Subscription/Recurring Payments Model or Negative Option Billing Model. Note that this does not include the requirements applicable to merchants that operate a negative option billing model (i.e., a cardholder is offered free trial of a product or service and is then enrolled in a recurring payment/subscription once the trial period ends).

Chapter 5 Card-Not-Present Transactions

5.4 Recurring Payment Transactions

5.4.1 Subscription Billing Merchants

The following 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 products or Digital Goods. These requirements do not apply to payments for utilities (i.e., gas, electric, sanitation, heating oil, water), telecommunications, insurance policies, or existing debt (for example, vehicle loan or mortgage payments).

Not-for-profit/charity Merchants: All of the following Standards are only best practice recommendations for any not-for-profit/charity Merchant that utilizes a recurring payment plan. However, all five Standards (including, for the avoidance of doubt, item three) become requirements when a not-for-profit/charity Merchant that utilizes a recurring payment plan 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 (refer to Chapter 8 Acquirer Chargeback Monitoring Program of the *Data Integrity Monitoring Program* for more information). The Acquirer of a Merchant that has been identified in ACMP for four months or more and has not implemented these requirements may be subject to Category A assessments for each month of noncompliance, in addition to the assessments applicable under the Acquirer Chargeback Monitoring Program.

1. The Merchant must disclose the subscription terms simultaneously with a request for Card credentials. 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 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.").

An e-commerce Merchant must:

a. Clearly and prominently display the subscription terms on any payment and order summary webpages; and

b. Capture a Cardholder's affirmative acceptance of the subscription terms before completing the subscription order.

Providing a link to another webpage or requiring the Cardholder to expand a message box or scroll down the webpage to view the subscription terms does not satisfy this requirement.

2. Immediately after the Cardholder completes the subscription order, the Merchant must promptly send a subscription order confirmation to the Cardholder through an e-mail message or other electronic communication method that includes the subscription terms and clear instructions on how to cancel the subscription. The confirmation message 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).

3. Each time that the Merchant receives an approved authorization request, it is recommended that the Merchant must provide the Cardholder with a Transaction receipt through an e-mail message or other electronic communication method that includes the amount and reason for the billing and includes or provides access to instructions for account management capabilities, including instructions for canceling the subscription (and thereby withdrawing permission for any subsequent recurring payment Transactions). Cardholders may choose to opt-out of receiving these notices.

This Standard becomes a requirement when a Merchant that utilizes a recurring payment plan 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 (refer to Chapter 8 Acquirer Chargeback Monitoring Program of the *Data Integrity Monitoring Program* for more information). The Acquirer of a Merchant that has been identified in ACMP for four months or more and has not implemented these requirements may be subject to Category A assessments for each month of noncompliance, in addition to the assessments applicable under the Acquirer Chargeback Monitoring Program.

4. The Merchant 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).

5. For any subscription where the billing frequency is every six months (180 days) or less (i.e., billing occurs every six months, every year, every other year, etc.), the Merchant must send an electronic reminder to the Cardholder at least seven days but no more than 30 days prior to the next billing date that includes the subscription terms and clear instructions on how to cancel the subscription includes or provides access to instructions for account management capabilities, including instructions for canceling the subscription (and thereby withdrawing permission for any subsequent recurring payment). The communication must clearly reference in the subject line that it relates to upcoming charges to the Cardholder (for example, "Important Information About Upcoming Charges to Your Account") and the

message must be distinct from marketing communications that are otherwise sent to the Cardholder.

Refer to section 2.1.4 of the *Mastercard Rules* for information about Category A noncompliance assessments.