



AN 6977 Revised Standards for Merchants Utilizing a Subscription/Recurring Payments Model or Negative Option Billing Model

Type:

Bulletin announcement

Category:

Operations
Rules/Standards

Audience:

Acquirer
Merchant
Processor
Network enablement partner

Region:

Global

Brand:

Mastercard®

Action Indicator:

Brand mandate

Published:

11 October 2022

Effective:

11 October 2022

Executive overview

Mastercard is modifying the requirements that apply to merchants that use a subscription/recurring billing model and took effect 22 September 2022. Specifically, the requirement to provide an electronic receipt after each billing will now only apply to merchants that are identified for at least four months in the Acquirer Chargeback Monitoring Program (ACMP). In addition, all requirements will now only apply to non-profit and charity merchants that are identified for at least four months in the ACMP.

Effective date details

Date	Details
11 October 2022	Revised Standards takes effect.

Customer benefit

These changes help to ensure a better cardholder experience and lower the number of disputes by focusing on merchants that fail to properly manage cardholder complaints and chargebacks related to a subscription/recurring payment plan.

What Mastercard is doing

On 22 September 2022, Mastercard implemented new acquirer requirements to:

- Help ensure a more positive cardholder experience
- Mitigate negative practices associated with the utilization of a subscription and recurring billing model
- Reduce negative impacts to the ecosystem, such as chargebacks

Mastercard engaged the merchant community since first announcing these requirements and recognized that some of these requirements present unique challenges to merchants that have found other effective ways to manage their subscription and recurring payment model.

As such, the requirement to provide an electronic receipt after each billing now only applies to merchants that are identified for at least four months in the ACMP. Mastercard is also clarifying what language it requires as part of the receipt. In addition, all requirements will now only apply to non-profit or charity organizations that are identified for at least four months in the ACMP.

Version history

Date	Description of change
11 October 2022	Initial publication date

Background

When implemented responsibly by merchants, the use of a subscription and recurring billing model provides cardholders with a safe and convenient way to receive products and services on an ongoing basis. However, merchants that fail to provide the necessary transparency, or do not implement proper controls often provide a poor consumer experience.

As a result, these merchants may suffer from an increase in disputes from cardholders that did not intend to enroll in a subscription or no longer want to remain on a subscription plan, but do not know how to cancel it. This is especially true when cardholders are automatically enrolled in a subscription after an initial free or low-cost trial period, or when the cardholder is enrolled in a subscription plan that bills infrequently (for example, annually).

Acquirer impact

Acquirers must ensure that all merchants in their portfolio that utilize a subscription and recurring payment model, a negative option billing model, or both are operating per the new requirements.

Overview of new requirements

Effective immediately, Mastercard has 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 at least four months or more in the ACMP as an Excessive Chargeback Merchant (ECM), a High Excessive Chargeback Merchant (HECM), and an Excessive Fraud Merchant (EFM) within the same audit period, as defined under the program (see the *Data Integrity Mointoring Program* manual for more information). A merchant that the ACMP identifies for at least 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 at least four months or more in the ACMP as an ECM, an HECM, and an EFM within the same audit period, as defined under the program (see the *Data Integrity Mointoring Program* manual for more information). A merchant that is identified for at least 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*.

Revised Standards

To view marked revisions, refer to the attachment associated with this announcement. Additions are underlined; deletions are indicated with a strikethrough.

Related information

- [AN 4934 Revised Standards for Merchants Utilizing a Subscription/Recurring Payments Model or Negative Option Billing Model](#)
- *Data Integrity Monitoring Program* manual
- *Mastercard Rules*
- *Transaction Processing Rules*

Questions

Customers with questions about the information in this announcement should contact Global Customer Service using the contact information on the Technical Resource Center.