



# AN 4934 Revised Standards for Merchants Utilizing a Subscription/Recurring Payments Model or Negative Option Billing Model

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Mastercard®

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22 March 2022  
22 September 2022

## Executive Overview

Mastercard is implementing new requirements to help ensure a more positive cardholder experience and to mitigate negative practices associated with the utilization of a subscription/recurring billing model, a negative option billing model, or both.

## Effective date details

Date	Details
22 March 2022	All requirements will become effective, except the requirement regarding disclosure at the point of payment.
22 September 2022	The requirement regarding disclosure at the point of payment will become effective.

## Customer benefit

The new requirements will benefit all participants of the Mastercard payment ecosystem by providing:

- A better cardholder experience with merchants
- Fewer complaints and chargebacks related to cardholders that do not intend to enroll in a subscription, cardholders that do not recognize a transaction related to a subscription they previously agreed to, and cardholders that have trouble canceling their subscription

In addition, these requirements will align with various consumer protection regulations in many jurisdictions, including the U.S. region, Canada region, and the European Union.

## What Mastercard is doing

To help ensure a more positive cardholder experience, to mitigate negative practices associated with the utilization of a subscription/recurring billing model, and to reduce negative impacts to the ecosystem such as chargebacks, Mastercard will implement new acquirer requirements.

## Version history

Date	Description of Change
9 November 2021	Change to effective dates
21 September 2021	Initial publication date

## Background

When implemented responsibly by merchants, the use of a subscription/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/recurring payment model, a negative option billing model, or both are operating per the new requirements by the respective due date.

## Overview of new requirements

Effective as indicated, the following revised Standard will apply to negative option billing merchants that offer a free or low-cost trial period of a digital good (such as 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).

- No less than three days and no more than seven days before the end of trial period, or whenever terms and conditions will change, the merchant must send a reminder notification to the cardholder 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 requirement will not apply to high risk 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 high risk-negative option billing merchants, refer to Section 5.4.1 of the *Transaction Processing Rules*.**

In addition, the following requirements will apply for all subscription merchants:

- 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 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 any 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 any other electronic method after every billing that includes clear instructions for how to cancel the subscription.
  - 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).
- For any subscription/recurring payment plan that bills a cardholder less frequently than every six months (180 days), the merchant must send a notification no less than three days and no more than seven days before the billing date that includes the terms of the subscription and instructions about how a cardholder may cancel the subscription.

## Revised Standards

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

## Questions

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