



Increasing Transparency for Recurring Transactions

Expanding the Standards for Subscription/Recurring Payments and
Negative Option Billing Merchants





Communicating openly and honestly

A subscription/recurring payments model can provide cardholders with a safe and convenient way to receive products and services on an ongoing basis. However, when merchants fail to provide transparency or lack appropriate controls, it can result in disputes from cardholders that did not intend to enroll in a subscription or no longer wish to remain on a subscription plan but do not know how to cancel it.





Lack of transparency can be costly

Our data shows that recurring transactions, such as subscription services, are more likely to result in chargebacks than non-recurring transactions.



60%

of chargebacks were related to recurring transactions

76%

of chargebacks involving a recurring payment were disputed because the cardholder stated they did not authorize the transaction

2020 Mastercard chargeback data





Ensuring a hassle-free experience

In 2019 Mastercard introduced requirements for negative option billing merchants offering physical goods (e.g., cosmetics, dietary supplements), including the need for merchants to obtain cardholder approval at the conclusion of a trial before they start billing.

These requirements were targeted to this business model because it is associated with deceptive marketing practices and generates negative impacts to the payments ecosystem such as chargebacks.

And it paid off... we saw chargebacks for these merchants decrease by 18% in 2020.

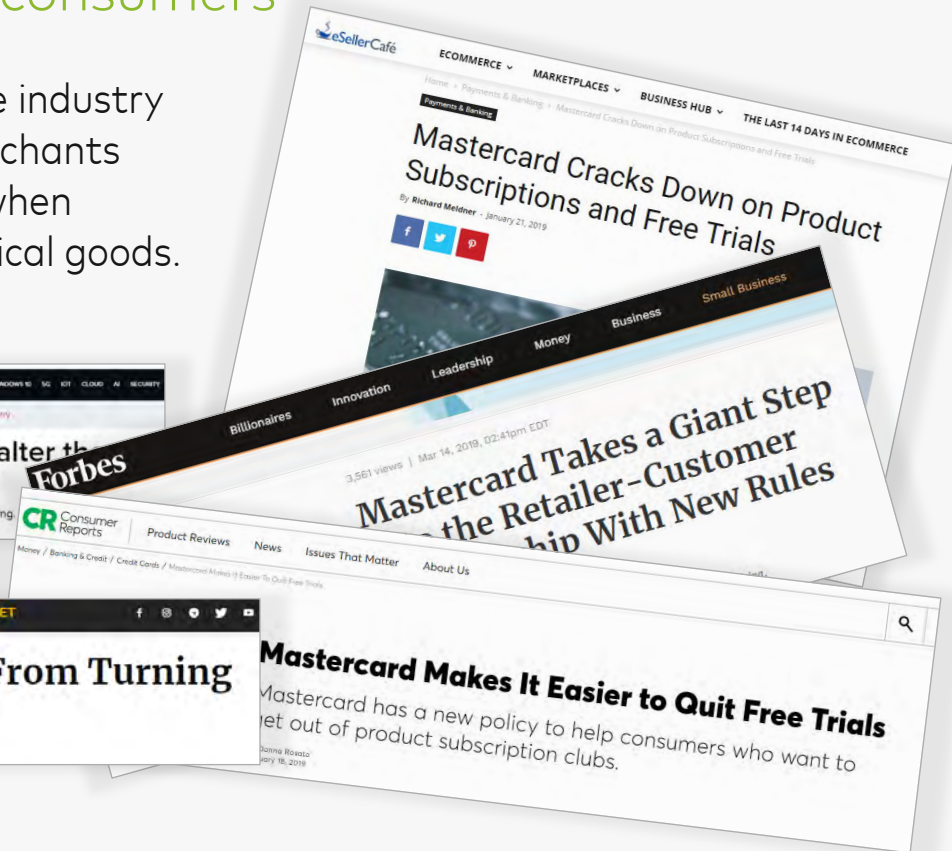
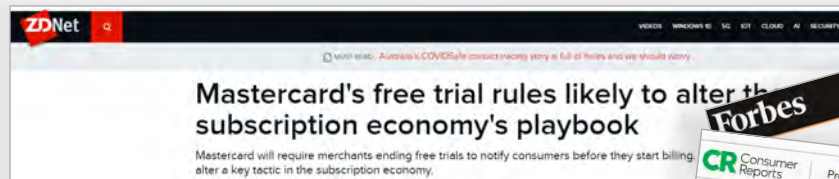
2020 Mastercard chargeback data





Recognized for protecting consumers

Mastercard was recognized across the industry for leading the charge in ensuring merchants provide transparency to cardholders when offering free or low-cost trials of physical goods.





Expanding the requirements for greater transparency

Effective March 21, 2022, Mastercard is expanding these requirements and implementing new requirements for **all merchants who offer subscriptions or low-cost/free trials** – this includes physical goods, digital goods, and services provided on a recurring basis.

These requirements are designed to provide cardholders with clarity around recurring transactions and encourage merchants to communicate openly and honestly with them.

Acquirers must ensure that all applicable merchants in their portfolio are operating per the updated requirements by the effective date.

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

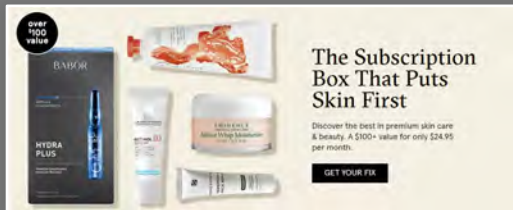




Subscription/recurring payments merchants

Who are they?

Any merchant that offers a subscription/recurring payment plan to cardholders, including all merchants utilizing a negative option billing model.

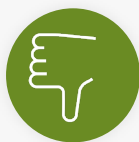


The following requirements are being added for these merchants:

- **Clearly disclose the terms of the trial offer** and related subscription/recurring payment plan at the point of payment
 - For 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 (e.g., shopping cart) before it is submitted for authorization by the cardholder
 - Merchants have until **Sept 21, 2022**, to meet this requirement
- **Send a confirmation email at the time of enrollment** that includes the terms of the subscription and instructions on how to cancel the subscription*
- **Send a receipt after every successful billing attempt** that includes instructions for how to cancel the subscription
- **Provide an online cancelation method** (similar to unsubscribing from emails)
- For any subscription/recurring payment plan that bills a cardholder less frequently than every six months, the merchant must **send a notification at least seven days prior to the billing date** that includes the terms of the subscription and instructions on how to cancel the subscription

* Does not apply to negative option billing merchants offering a free or low-cost trial of physical goods.

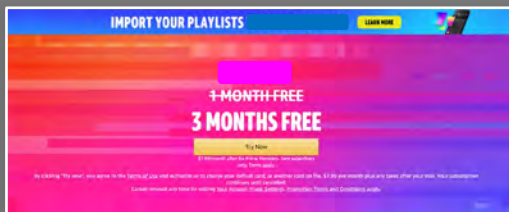




Negative option billing merchants - digital goods or services

Who are they?

A merchant that offers a free or low-cost trial period of a digital good (e.g., streaming service, software license) or a recurring service (e.g., gym membership) and then automatically enrolls the cardholder into a subscription/recurring payment plan once the trial period has ended.



In addition to the requirements for all subscription merchants, we are including the following requirement for these merchants:

- No less than three days and no more than seven days prior to end of trial period, **the merchant must send a reminder notification to the cardholder** that the subscription plan will continue if the cardholder does not cancel.
 - This requirement does not apply to negative option billing merchants offering a free or low-cost trial period of physical goods.



High-Risk Negative Option Billing Merchants

✓ New Requirements

- Announced in October 2018; **Effective April 2019**
- AN 2202

✓ Transparency to Combat Deceptive Behavior

- Physical goods only
- High Risk Merchant Registration
- Descriptor must contain URL
- Same Descriptor/MID used consistently
- Monitor for numerous merchant accounts
- Mandate MCC 5968
- Cardholder must opt-in after free trial
- Free trial starts when product received
- Receipt must be sent after every billing attempt
- Clear process for canceling free-trial
- Confirmation once the free-trial is cancelled
- Register all hidden 3rd parties



Questions?

