

MasterCard High-Risk Negative Program

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This article discusses the qualification criteria, requirements, and our responsibilities for the MasterCard High-Risk Negative program for e-commerce business models. It outlines the best practices defined by MasterCard for consumer notifications for free or reduced trial offers of physical products that lead to a subscription.

Although the regulation potentially affects many e-commerce businesses, MasterCard specifically references the Nutraceutical market.

Does your business qualify?

1. Do you sell to the Nutraceutical market?
2. Do you use a negative option to sell your product? MasterCard defines this option as *"A negative option billing merchant provides a sample of a good or service (either complimentary or at a nominal price) to consumers. The merchant requires the consumer to provide their payment card information to receive the sample, then the merchant bills the consumer (cardholder) at a future date, unless the consumer proactively cancels his or her subscription with the merchant."*

Note: *If you sell physical products as a one-time purchase only, you do not qualify for the program.*

Understanding how to Comply

The High-Risk Negative Option Billing Merchant Requirements started on **April 12, 2019**. MasterCard requires you to implement the following:

1. **Trial Period:** A trial period must begin on the date the consumer receives the product and not before.
2. **Consumer Notifications:** You must send a notice to your customer after the free trial period has ended, but before you charge your cardholder for the first subscription. The notice must include the following information:
 1. The amount their card will be charged.
 2. The date their card will be charged.
 3. The date you will attempt to charge the card a second time if the first charge is not successful due to insufficient funds.
 4. Your business name, as displayed on cardholder statements.
 5. Instructions on how to cancel the subscription.
3. **Gather Consent:** You must obtain the cardholder's explicit consent for the first payment amount after the free trial period has ended and before initiating the authorization request for the first subscription charge.
4. **Subsequent Payments:** Each time you send a transaction authorization request, you must send the cardholder a receipt. This can be done by email or text message. The receipt must have instructions on how to cancel the subscription/billing plan.
5. **Unsuccessful Payments:** When an authorization attempt is unsuccessful, you will need to send the cardholder a receipt, explain why the card was declined, and provide information about when you

will retry the payment.

6. **Cancellation Policy:** The cancellation method must be included on every receipt. You need to make the cancellation policy details easy to access on your website through a direct link. Ideally, your website's link to your cancellation policy is included in your receipts.
7. **Cancellation Confirmation:** Upon cancellation, you must send written confirmation to the cardholder.
8. **MCC Code:** Your merchant category code (MCC) must be 5968. We will coordinate this change with you to ensure that there are no transaction rejects resulting from the change.

Understanding Our Responsibilities

1. **Registration:** We will register you with MasterCard for the program. The cost of the program is a pass-through \$500 annual fee. Upon registration, we will debit your account the \$500, and after the initial payment, we will bill annually.
 2. **MCC Code:** We are required to register your MCC as 5968 (Direct Marketing—Continuity/Subscription Merchants). We will work with you and your payment gateway to make the appropriate changes at the right time.
 3. **Third-Party Providers:** Additionally, if you are using a third-party provider who manages or accesses your full customer card data and processes payments, please contact us with this information. We may need to register your call center as a third-party provider.
 4. **Monitoring:** We will monitor high-risk negative option merchant transactions individually and as a group. Requirements call on us to monitor consumer cards used across multiple merchants.
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