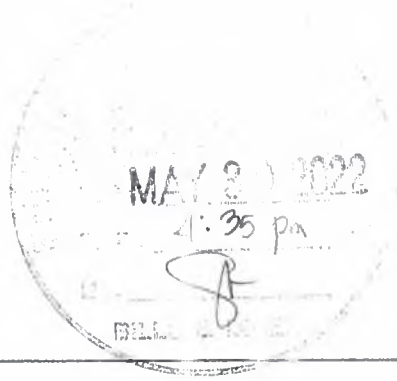


EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Third Regular Session)



SENATE

SENATE BILL NO. 2524

Prepared and submitted by the Committees on Banks, Financial Institutions and Currencies [upon the recommendation of the Subcommittee on Digital Payments Act (Senate Bill No. 1764, and House Bill No. 8992)] and Finance with Senators Angara, Poe, Gatchalian and Cayetano as authors

AN ACT
PROMOTING THE ADOPTION OF DIGITAL PAYMENTS FOR FINANCIAL TRANSACTIONS OF THE GOVERNMENT AND ALL MERCHANTS AND FOR OTHER PURPOSES

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

1 **SECTION 1. Short Title.** – This Act shall be known as the "*Use of Digital*
2 *Payments Act.*"

3
4 **SEC. 2. Declaration of Policy.** – The State recognizes the vital role of
5 information and communications technology particularly financial technology, towards
6 financial inclusion advancement and nation-building. The State also recognizes the
7 need of promoting ease of doing business and efficient delivery of goods and services
8 to the general public. Towards this end, the State shall promote financial inclusion
9 through the use of safe, secure, and efficient digital payments. In various transactions
10 of the government and the public—particularly for payments to government, and
11 government disbursements to the public, which includes but is not limited to payments
12 to or by private institutions, merchants, and beneficiaries, the state shall optimize the
13 use of financial technologies and innovative payment systems for financial transactions
14 and to strengthen financial inclusion. In so doing, the State shall encourage and

1 facilitate the adoption of digital payments in a technology-neutral manner, where one
2 technology is not unreasonably favored or given undue advantage over another.

3
4 **SEC. 3. Objective.** – This Act aims to facilitate transactions, arrangements,
5 or exchanges of goods and services by promoting the universal use of safe, affordable,
6 and efficient digital payments in financial transactions of the government and the
7 general public.

8
9 **SEC. 4. Definition of Terms.** – As used in this Act, the following terms shall
10 mean:

- 11 i. *"Access device"* refers to any card, plate, code, account number, electronic
12 serial number, personal identification number, mobile device, or other
13 information and communications technology service, equipment or
14 Instrumental Identifier, or other means of account access that can be used
15 to obtain money, goods, services, or any other thing of value, or to initiate
16 a transfer of funds in electronic form;
- 17 ii. *"Account-based disbursement"* refers to the disbursement of funds such as
18 salaries, wages, allowances, and social benefits, among others, directly into
19 the transaction account of the intended recipient held in any Bangko Sentral
20 ng Pilipinas (BSP)-supervised entity as chosen and specified by the intended
21 recipient;
- 22 iii. *"Basic deposit account (BDA)"* refers to the deposit product offered by banks
23 as defined under the BSP Manual of Regulations for Banks and its
24 implementing guidelines;
- 25 iv. *"Digital collection"* refers to a mode of payment wherein businesses and
26 citizens make payments to the government, including but not limited to
27 taxes, fees, and tolls, using a digital device such as mobile phone, point of
28 sale, or computer. Payments can be made with bank transfers, electronic
29 money, and payment cards including credit, debit, prepaid, or stored-value
30 cards, among others;
- 31 v. *"Digital disbursement"* refers to a mode of payment whereby disbursement
32 of money or equivalent electronic representations of legal tender, for

- 1 purposes of paying government expenditures, is made by crediting the target
2 recipient's transaction account through advice to debit or electronic fund
3 transfer facilitated by any government agency or instrumentality through
4 their respective servicing bank;
- 5 vi. *"Digital Payments"* refers to monetary payment transactions between two
6 parties through a digital payment instrument in which both the payer and
7 the payee use an electronic channel;
- 8 vii. *"Electronic fund transfer"* refers to a transfer of funds between two
9 transaction accounts in the same or different BSP-supervised financial
10 institutions which are initiated and received using electronic devices and
11 channels to transmit payment instructions;
- 12 viii. *"Electronic money (e-money)"* refers to electronically-stored monetary value
13 which is issued in accordance with the BSP Manual of Regulations for Banks
14 and the manual of regulations for non-bank financial institutions;
- 15 ix. *"Financial inclusion"* refers to the state wherein there is effective access to a
16 wide range of financial products and services for all Filipinos;
- 17 x. *"Government Servicing Payment Service Provider (PSP)"* refers to bank and
18 non-bank PSPs authorized to accept government funds and perform payment
19 services on behalf of government entities. This includes authorized
20 government depository banks (AGDBS) as defined by Department of Finance
21 (DOF) regulations;
- 22 xi. *"Information security standards"* refers to standards which aim to protect
23 and secure the confidentiality, integrity, availability, authenticity, and non-
24 repudiation of information and the data privacy of users of any digital
25 payment platforms and other parties involved therein;
- 26 xii. *"Merchant"* refers to a person or entity engaged in buying and selling
27 merchandise, purchasing of services, skills, or expertise, and leasing of goods
28 and services;
- 29 xiii. *"Micro-payment transactions"* refers to low-value payments including but
30 not limited to payments to sari-sari store owners, wet market vendors, as
31 well as tricycle and jeepney drivers, the actual thresholds of which shall be
32 determined by the BSP, pursuant to the objectives of this Act;

- 1 xiv. *"Payment Service Provider (PSP)"* refers to an entity, such as bank or non-
2 bank electronic money issuer, that provides payment services to end-users,
3 such as consumers, merchants, and billers, including government
4 institutions;
- 5 xv. *"Payment system"* refers to the set of payment instruments, processes,
6 procedures and participants that ensures the circulation of money or
7 movement of funds, which comply with the requirements set forth under
8 Republic Act No. 11127 or the National Payment System Act;
- 9 xvi. *"Transaction Account"* refers to an account, such as but not limited to a BDA,
10 or e-money account held with a BSP-supervised financial institution that can
11 be used to store, send, and receive funds.

12

13 **SEC. 5. Adoption of Digital Payments for Government Disbursements.**

14 – All government entities, including but not limited to national government agencies
15 (NGAs), foreign-based government agencies, all government corporations, local
16 government units (LGUs), State Universities and Colleges (SUCs), and local universities
17 and colleges (LUCs), are hereby mandated to utilize safe, and efficient digital
18 disbursement in the payment of goods, services, and other disbursements including
19 but not limited to cash assistance and payments of salaries, wages, allowances, and
20 honoraria of its employees, whatever nature of appointment. Government entities
21 shall be allowed to disburse funds directly into the recipient's or beneficiary's
22 transaction account held in government or private financial institutions without the
23 need for special arrangement with each of these financial institutions. For this purpose,
24 said government entities may use the automatic debit arrangement, interoperable
25 electronic fund transfer or any other appropriate facility of its government servicing
26 PSP.

27 Accountable officers of the government entities shall observe due diligence in
28 ensuring the accuracy of the recipient's or beneficiary's identity. Uses of government
29 funds through direct crediting shall remain transparent to state auditors.

30 Government entities shall be responsible for preparing the payment instruction
31 with the necessary details, including the recipient's or beneficiary's name, transaction

1 account details, and amount, among others, only after proper authorization in
2 accordance with established accounting and auditing rules and regulations.

3 The government servicing PSP shall carry out the payment instruction and
4 submit the verified list of successful and failed fund transfers and other relevant details
5 to the government entity disbursing the fund. Subject to agreement with the
6 government entity, the government servicing PSP may collect fees from the
7 government entity for the electronic fund transfer services.

8 In case of unsuccessful digital disbursement, there shall be a recovery
9 mechanism that will ensure the continuity of delivery of payment services: *Provided,*
10 That in cases of calamities or other emergencies, where payments through digital
11 means may be affected, non-digital payout channels may be explored.

12
13 **SEC. 6. Adoption of Digital Payments for Government Collections.** – All
14 government entities, including but not limited to national government agencies
15 (NGAs), foreign-based government agencies, all government corporations, local
16 government units (LGUs), State Universities and Colleges (SUCs), and local universities
17 and colleges (LUCs), shall offer digital collection as a mode, in addition to acceptance
18 of cash payment, for the collection of taxes, fees, tolls, imposts and other revenues,
19 including non-income collections and receipts.

20 Government entities shall utilize secure payment processing solutions to ensure
21 acceptance of various digital payment methods. For this purpose, said government
22 entities may engage the services of established PSPs: *Provided,* That government
23 entities shall avail only of interoperable digital payment solutions. Notwithstanding any
24 law to the contrary, partner PSP of a government entity shall not be limited to
25 government servicing banks.

26

1 **SEC. 7. Adoption of Interoperable Digital Payment Solutions.** – The
2 BSP shall implement initiatives that aim to accelerate the adoption by all PSPs of
3 interoperable digital payment technologies and appropriate standards thereof, such
4 as but not limited to the National Quick Response (QR) Code Standard meant to hasten
5 the interoperability of QR-driven payment services and eliminate the need for
6 merchants and clients to maintain several accounts.

7 In addition, NGAs, government corporations, SUCs, LGUs and merchants shall
8 undertake measures to promote the adoption of the Open Finance Framework in
9 accordance with the guidelines set forth under the applicable BSP rules and regulations
10 which will enable sharing of customer-permissioned financial data and foster
11 adherence to data security and privacy standards.

12 The digital payment solutions adopted by government entities shall allow for
13 real-time receipt of funds by the recipient government entity, immediate issuance of
14 electronic invoices and/or official receipts to payors, regular audit reports, and other
15 technical features that will aid in the fulfillment of the objectives of this Act. To ensure
16 that these digital payment solutions adhere to applicable international standards on
17 information security, data privacy, and electronic data interchange between financial
18 institutions, among others, government entities shall avail of digital payment solutions
19 under the BSP's National Retail Payment System Framework.

20 Existing agreements between government entities and PSPs shall be honored
21 until the respective terms thereof expire: *Provided*, That parties concerned shall
22 endeavor, within one year from the effectivity of this Act, to implement amendments
23 to such agreements with intention to remove provisions detrimental to public interest.
24 In all instances, collection and payment schemes that prevent transparency and
25 accountability over public funds, as well as arrangements disadvantageous to the
26 government, shall be discontinued.

27 There shall be a technical working group (TWG) composed of the Commission
28 on Audit (COA), Department of Budget and Management (DBM), Department of
29 Finance (DOF), Bureau of the Treasury (BTr), Bureau of Internal Revenue (BIR), the
30 Government Procurement Policy Board, and other relevant agencies that will provide
31 guidance and promote cost-efficiency and transparency in procurement of digital
32 payment solutions by government entities. Consistent with the respective mandates

1 of the member-agencies, and in coordination with the COA, the TWG shall have the
2 following powers and functions:

- 3 a) Oversee and monitor the procurement of digital payment solutions by
4 government entities and ensure that the same is in accordance with existing
5 laws, rules and regulations;
- 6 b) Consider the formulation of standard terms and conditions for PSPs, in
7 consultation with the BSP and COA. Pursuant to its mandate, the GPPB may
8 also issue specific procurement guidelines for the engagement of PSPs;
- 9 c) Resolve issues relative to the implementation of this Act, without prejudice
10 to the individual member-agencies resolving such concerns pursuant to their
11 respective mandates;
- 12 d) Call on any department, agency or office under the Executive Branch for the
13 effective implementation of this Act; and,
- 14 e) Perform such other function pursuant to the fulfillment of the objectives of
15 this Act.

16
17 **SEC. 8. Establishment of a Government Payment Gateway.** – The BSP,
18 in consultation with the DOF, DBM, COA, Department of Information and
19 Communications Technology (DICT), BIR, BUREAU OF CUSTOMS (BOC), Bureau of
20 the Treasury (BTR), digital banking experts, academe, and other appropriate public
21 sector and banking industry stakeholders, may cause the establishment of a
22 government payment gateway through which all government entities may process
23 digital payments made to them through PSPs, websites, mobile phone applications, or
24 other access devices.

25 The government payment gateway shall allow for real-time settlement of
26 accounts and receipt of funds by the recipient government entity, immediate issuance
27 of electronic invoices and/or official receipts to payors, regular audit reports,
28 interoperability between digital payment technologies, and other technical features
29 that will aid in the fulfillment of the objectives of this Act. Said gateway shall adhere
30 to relevant international standards on information security, data privacy, and
31 electronic data interchange between financial institutions.

1 **SEC. 9. *Digital Payment Capability of Merchants.*** – To accelerate the
2 adoption of digital payment, LGUs shall, by ordinance, encourage and grant monetary
3 and non-monetary incentives to merchants within their localities to establish and/or
4 outsource arrangements and/or mechanisms that would enable them to receive
5 payments from clients and make payments to creditors and suppliers using digital
6 channels.

7 LGUs shall ensure that merchants in their jurisdictions have access to appropriate
8 digital payment solutions and have the capacity to effectively use the same, with due
9 consideration to small and micro-merchants, including, but not limited to, market
10 vendors, tricycle operators and food stalls. The LGU shall extend assistance to small
11 and micro merchants to facilitate their adoption of digital transaction capability. The
12 BSP, Department of Trade and Industry (DTI), DILG, AND DICT shall provide capacity
13 building for the NGAs, government corporations, SUCs, LGUs, and merchants on the
14 use of digital payments.

15

16 **SEC. 10. *Promotion of Digital Payment Transactions.*** — To optimize the
17 benefits of digital payments, scale up financial inclusion, and promote sustainability,
18 all government entities shall prioritize the use of safe and efficient digital payment in
19 their financial transactions.

20 All government entities covered by this Act shall also adopt a comprehensive
21 incentive framework for selected financial transactions to encourage the use of digital
22 payments. LGUs shall, likewise, grant relevant incentives for merchants providing
23 efficient digital payment systems.

24 The BSP, in coordination with relevant stakeholders, shall promote measures on
25 financial and digital literacy, and consumer protection to strengthen the public's trust
26 in digital payment transactions.

27 To enable the general public to adopt digital payments, micro-payment
28 transactions shall be subject to graduated pricing or be rendered free of any service
29 charge as determined by the BSP in consultation with the merchants and the payment
30 services industry, as may be represented by the BSP-accredited payment system
31 management body.

1 The DICT shall implement measures to further enhance the availability,
2 accessibility, reliability, and cost-efficiency of internet services to support the
3 Government's program on the digitalization of financial transactions.
4

5 **Sec. 11. *Multi-Year Roadmap for Digital Payment Adoption.*** – The BSP, in
6 collaboration with relevant government entities, shall prepare and regularly update a
7 multi-year roadmap on digital payments to ensure the timely implementation and
8 optimal realization of the objectives of this Act.

9 This Multi-year Roadmap shall be aligned with the e-government masterplan
10 formulated by the DICT in consultation with other key government agencies, and shall,
11 among others, set targets and outcomes, such as but not limited to the widespread
12 adoption of digital payments by merchants, for a minimum period of five (5) years,
13 and include strategic public and private interventions and possible government
14 programs and projects. The roadmap shall be subject to annual review.
15

16 **SEC. 12. *Transitory Provision.*** – Government entities shall be responsible for
17 ensuring proper transition of their respective agency's disbursement and collection
18 procedures and policies to digital payments.

19 Digital disbursement shall be implemented within six (6) months from the issuance
20 of the implementing rules and regulations (IRR) of this Act.

21 For the implementation of digital collections, a tiered transition period not
22 exceeding three (3) years from the issuance of the IRR shall apply. The tiering
23 guidelines, to be established by the TWG as part of the IRR, shall reflect differentiated
24 transition timeframes based on the readiness and capability of the government
25 entities. Government entities deemed capable and ready based on defined criteria
26 shall be required to implement digital collection within a shorter transition period while
27 others may be allowed a longer transition period but not to exceed three (3) years.
28

29 **SEC. 13. *Information Security and Data Privacy.*** – All data information and
30 information and communications technology systems and networks, used for digital
31 payments pursuant to the objectives of this Act shall be secured and protected at all
32 times. The DICT and the National Privacy Commission shall, in consultation with the

1 BSP, define and prescribe the minimum information security standards for compliance
2 of PSPs who are covered by this Act and are not under the oversight and regulatory
3 authority of the BSP.

4

5 **SEC. 14. *Obligations of Payment Systems Providers.*** – In line with the
6 declared policy in this Act, all PSPs shall have the following obligations:

7 a) Integrate security and data privacy by design and by default in the development
8 stage of the payment systems;

9 b) Process personal and sensitive personal information in the system in
10 accordance with any of the criteria for lawful processing provided for under
11 relevant laws, rules and regulations;

12 c) Implement reasonable and appropriate organizational, physical, and technical
13 security measures for the protection of personal data and uphold the rights of
14 data subjects;

15 d) Provide reasonable and timely assistance to NGAs, government corporations,
16 LGUs, SUCs, and/or merchants, in accordance with relevant rules and
17 regulations, to enable them to respond to a request from clients to exercise
18 any of their rights and any other correspondence, inquiry or complaint received
19 from a client or other third party in connection with the processing of the
20 personal data in the payment system;

21 e) The PSP performing the function of collection of money and/or payment of
22 transaction on behalf of the government agency shall, to the extent necessary,
23 cooperate with the COA for the examination, audit, and settlement of all
24 accounts pertaining to the revenue and receipts, and expenditures or uses of
25 funds of all NGAs, government corporations, SUCs, and LGUs. The PSP shall
26 allow COA to perform its audit procedures and to determine whether collections
27 are complete and use of funds are authorized;

28 f) Comply with the requirements indicated in the standard terms of reference or
29 standard minimum terms and conditions that may be issued by the TWG.

30

31

32

1 **SEC. 15. *Penalties and Sanctions.*** – Without prejudice to the penalties and
2 sanctions provided in Republic Act No. 11127 or “The National Payment Systems Act”
3 and other laws, whenever any person or entity willfully violates this Act, rule or
4 regulation, directives or orders duly promulgated by the BSP pursuant hereto, the
5 person or persons responsible for such violation shall be punished by a fine of not less
6 than Two hundred thousand pesos (P200,000.00) or more than Two million pesos
7 (P2,000,000.00) or by imprisonment of not less than two (2) years nor more than ten
8 (10) years, or both, at the discretion of the court.

9
10 **SEC. 16. *Interpretation.*** – Nothing in this Act shall be construed to exempt any
11 government funds in the possession of private entities from the constitutional
12 authority and duty of the COA to examine, audit, and settle all accounts pertaining to
13 the revenue and receipts of, and expenditures or uses of funds and property, owned
14 or held in trust by, or pertaining to, the government. All digital payments involving
15 government transactions under this Act shall be subject to post-audit of the COA.
16 Accordingly, the COA shall promulgate the pertinent rules and regulations for all
17 transactions covered by this Act.

18
19 **SEC. 17. *Appropriations.*** – Government entities may be allowed to include
20 in their respective budgets amounts that will cover the reasonable costs of establishing
21 and maintaining the infrastructure, system and/or processes adjustments as well as
22 transaction fees that they may shoulder in connection with the implementation of
23 digital payments, including but not limited to, merchant discount rate, processing fees,
24 cash-out fees and administration fees: *Provided*, That the release of said budget may
25 be conditioned on the actual adoption of digital payments by the concerned
26 government entities.

27 Government entities may also top-up cash assistance with a standard amount
28 to cover any transaction fees that may be incurred by recipients or beneficiaries when
29 claiming or withdrawing said cash assistance from their respective transaction
30 accounts.

31 The amount necessary for the implementation of the provisions of this Act shall
32 be taken from the current year’s budgets of the NGAs, government corporations, SUCs

1 and LGUs. Thereafter, such sums as may be necessary for the continued
2 implementation of the Act shall be incorporated in the annual General Appropriations
3 Act, corporate operating budget, or appropriation ordinance, as the case may be.
4

5 **SEC. 18. *Implementing Rules and Regulations.*** – The BSP, in coordination
6 with the DBM, COA, DOF, BTR, BIR, DICT, DOST, DILG, DTI, and other relevant
7 agencies, shall promulgate the rules and regulations implementing the provisions of
8 this Act within ninety (90) days from its effectivity.
9

10 **SEC. 19. *Separability Clause.*** – If for any reason, any part or provision of this
11 Act is declared invalid or unconstitutional, the remaining parts or provisions not
12 affected shall remain in full force and effect.
13

14 **SEC. 20. *Repealing Clause.*** – All laws, presidential decrees, executive orders,
15 rules and regulations contrary to or inconsistent with the provisions of this Act are
16 hereby repealed or modified accordingly.
17

18 **SEC. 21. *Effectivity.*** – This Act shall take effect fifteen (15) days after its
19 publication in the *Official Gazette* or in a newspaper of national circulation.

Approved,