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NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



'22 JUL 25 AIO :32

SENATE
S. No. 803

RECEIVED BY: 

Introduced by Senator Jinggoy Ejercito Estrada

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

EXPLANATORY NOTE

Because of the imposition of mobility restrictions and distancing protocols during the novel Coronavirus pandemic, many turned to digital platforms in order to conduct their financial transactions at the comfort of their homes. With one tap and click on mobile devices, consumers were able to pay their groceries and avail of different services, and entrepreneurs managed to operate their businesses without the hassle of queuing or commuting to the nearest brick-and-mortar banks for cash.

The New Normal created awareness and provided the push to use digital payments. According to the State of Digital Payments in the Philippines report¹, "one e-money issuer saw a 1000% year-on-year increase in remittances, and one large convenience store saw a 10-fold increase in digital payments in the first half of 2020."

The Social Amelioration Program (SAP) of the national government at the height of the public health crisis was also implemented with the help of digital payment partners, which fast tracked the distribution of emergency financial aid to the beneficiaries, even in remote areas.

¹[https://www.bsp.gov.ph/PaymentAndSettlement/State_of_Digital_Payments_in_the_Philippines_\(2021_Edition\).pdf](https://www.bsp.gov.ph/PaymentAndSettlement/State_of_Digital_Payments_in_the_Philippines_(2021_Edition).pdf)

In addition, the transportation sector made efforts to digitize payments to ensure the safety of passengers and minimize the risk of virus transmission particularly in public utility vehicles by way of contactless fare collection.

According to Better Than Cash Alliance, a United Nations (UN) – based multi-sectoral partnership, the responsible use of digital payments advance the Sustainable Development Goals (SDGs), including poverty alleviation, eradication of hunger, reduction of inequality, among others, as observed in many cases in developing countries around the world. It emphasized: “shifting payments from cash to digital has the potential to improve the lives of people on low income, particularly women; governments, companies and international organizations can make and receive payments in a cheaper, safer and more transparent way, helping build economies that are inclusive².”

This legislation proposes to sustain and build on the digital transformation of government operations and processes towards increased efficiency, productivity and transparency. It seeks to institutionalize the national policy of adoption of digital payments for government disbursements and collections as embodied under Executive Order No. 170, s. 2022.

This bill was reported out by the Senate Committee on Banks, Financial Institutions and Currencies, while a similar measure was approved by the House of Representatives on Third and Final Reading during the Eighteenth Congress.

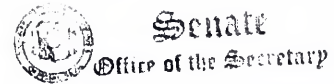
Immediate passage of this bill is sought.



JINGGOY EJERCITO ESTRADA

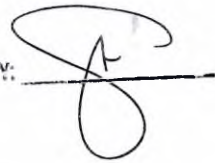
² <https://www.betterthancash.org/why-digital-payments>

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AN ACT
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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 Sec. 2. *Declaration of Policy.* - The State recognizes the vital role of
4 information and communications technology particularly financial technology,
5 towards financial inclusion advancement and nation-building. The State also
6 recognizes the need of promoting ease of doing business and efficiency delivery of
7 goods and services to the general public. Towards this end, the State shall promote
8 financial inclusion through the use of safe, secure and efficient digital payments. In
9 various transactions of the government and the public - particularly for payments to
10 government, and government disbursements to the public, which includes but is not
11 limited to payments to or by private institutions, merchants, and beneficiaries, the
12 State shall optimize the use of financial technologies and innovative payment
13 systems for financial transactions and to strengthen financial inclusion. In so doing,
14 the State shall encourage and facilitate the adoption of digital payments in a
15 technology-neutral manner, where one technology is not unreasonably favored or
16 given undue advantage over another.

1 Sec. 3. *Objectives.* – This Act aims to facilitate transactions, arrangement, or
2 exchanges of goods and services by promoting the universal use of safe, affordable,
3 and efficient digital payments in financial transactions of the government and the
4 general public.

5 This Act also aims to enhance the efficiency and transparency of government
6 disbursements, and expedite the delivery of social protection assistance and the
7 distribution of financial aid to the most vulnerable sectors of society, especially in
8 times of crisis, pandemics or calamities.

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

11 a) *Access device* – refers to any card, plate, code, account number,
12 electronic serial number, personal identification number, mobile device, or
13 other information and communications technology service, equipment, or
14 Instrumental Identifier, or other means of account access that can be
15 used to obtain money, goods, services, or any other thing of value, or to
16 initiate a transfer of funds in electronic form;

17 b) *Account-based disbursement* – refers to the disbursement of funds such
18 as salaries, wages, allowances, and social benefits, among others, directly
19 into the transaction account of the intended recipient held in any Bangko
20 Sentral ng Pilipinas (BSP)-supervised entity as chosen and specified by the
21 intended recipient;

22 c) *Basic deposit account (BDA)* – refers to the deposit product offered by
23 banks as defined under the BSP Manual of Regulations for Banks and its
24 implementing guidelines, or an account designed to promote financial
25 inclusion, specifically for the unserved and underserved sectors, to receive
26 and make payments and have a facility for store of value. It is
27 characterized by the following features: a) liberalized customer
28 onboarding; b) minimal opening amount; and c) no maintaining balance
29 requirement and no dormancy charges;

30 d) *Digital collection* – refers to a mode of payment wherein businesses and
31 citizens make payments to the government, including but not limited to
32 taxes, fees, and tolls using a digital device such as mobile phone, point of

1 sale, or computer. Payments can be made with bank transfers, electronic
2 money, and payment cards including credit, debit, prepaid or stored-value
3 cards, among others;

4 e) *Digital disbursement* – refers to a mode of payment whereby
5 disbursement of money or equivalent electronic representations of legal
6 tender, for purposes of paying government expenditures, is made by
7 crediting the target recipient’s transaction account through advice to debit
8 or electronic fund transfer facilitated by any government agency or
9 instrumentality through their respective servicing bank;

10 f) *Digital Payments* – refers to monetary payment transactions between two
11 parties through a digital payment instrument in which both the payer and
12 the payee use an electronic channel;

13 g) *Electronic fund transfer* – refers to a transfer of funds between two
14 transaction accounts in the same or different BSP-supervised financial
15 institutions which are initiated and received using electronic devices and
16 channels to transmit payment instructions;

17 h) *Electronic money (e-money)* – refers to electronically-stored monetary
18 value which is issued in accordance with the BSP Manual of Regulations
19 for Banks and the manual of regulations for non-bank financial
20 institutions;

21 i) *Financial inclusion* – refers to the state wherein there is effective access to
22 a wide range of financial products and services for all Filipinos;

23 j) *Government Servicing Payment Service Provider (PSP)* – refers to bank
24 and non-bank PSPs authorized to accept government funds and perform
25 payment services on behalf of government entities. This includes
26 authorized government depository banks (AGDBs) as defined by
27 Department of Finance (DOF) regulations;

28 k) *Information security standards* – refers to standards which aim to protect
29 and secure the confidentiality, integrity, availability, authenticity, and non-
30 repudiation of information and the data privacy of users of any digital
31 payment platforms and other parties involved therein;

- 1 l) *Merchant* – refers to a person or entity engaged in buying and selling
2 merchandise, purchasing of services, skills or expertise, and leasing of
3 goods and services;
- 4 m) *Micro-payment transactions* – refers to low-value payments including but
5 not limited to payments to sari-sari store owners, wet market vendors, as
6 well as tricycle and jeepney drivers, the actual thresholds of which shall be
7 determined by the BSP, pursuant to the objectives of this Act;
- 8 n) *Payment Service Provider (PSP)* – refers to an entity, such as bank or non-
9 bank electronic money issuer, that provides payments services to end-
10 users, such as consumers, merchants, and billers, including government
11 institutions;
- 12 o) *Payment system* – refers to the set of payment instruments, processes,
13 procedures and participants that ensures the circulation of money or
14 movement of funds, which comply with the requirements set forth under
15 Republic Act No. 11127 or the National Payment System Act;
- 16 p) *Transaction Account* – refers to an account, such as but not limited to a
17 BDA, or e-money account held with a BSP-supervised financial institution
18 that can be used to store, send, and receive funds.

19 *Sec. 5. Adoption of Digital Payments for Government Disbursements.* – All
20 government entities, including but not limited to national government agencies
21 (NGAs), foreign-based government agencies, all government corporations, local
22 government units (LGUs), State Universities and Colleges (SUCs), and local
23 universities and colleges (LUCs), are hereby mandated to utilize safe and efficient
24 digital disbursement in the payment of goods, services and other disbursements
25 including but not limited to cash assistance and payments of salaries, wages,
26 allowances, and honoraria of its employees, whatever nature of appointment.
27 Government entities shall be allowed to disburse funds directly into the recipient's or
28 beneficiary's transaction account held in government or private financial institutions
29 without the need for special arrangement with each of these financial institutions.
30 For this purpose, said government entities may use the automatic debit
31 arrangement, interoperable electronic fund transfer or any other appropriate facility
32 of its government servicing PSP.

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

4 Government entities shall be responsible for preparing the payment
5 instruction with the necessary details, including the recipient's or beneficiary's name,
6 transaction account details, and amount, among others, only after proper
7 authorization in accordance with established accounting and auditing rules and
8 regulations.

9 The government servicing PSP shall carry out the payment instruction and
10 submit the verified list of successful and failed fund transfers and other relevant
11 details to the government entity disbursing the fund. Subject to agreement with the
12 government entity, the government servicing PSP may collect reasonable fees from
13 the government entity for the electronic fund transfer services.

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

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

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

31 *Sec. 7. Adoption of Interoperable Digital Payment Solutions.* – The BSP shall
32 implement initiatives that aim to accelerate the adoption by all PSPs of interoperable

1 digital payment technologies and appropriate standards thereof, such as but not
2 limited to the National Quick Response (QR) Code Standard meant to hasten the
3 interoperability of QR-driven payment services and eliminate the need for merchants
4 and clients to maintain several accounts.

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

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

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

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

1 the respective mandates of the member-agencies, and in coordination with the COA,
2 the TWG shall have the 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
5 existing 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
8 may also issue specific procurement guidelines for the engagement of
9 PSPs;
- 10 c) Resolve issues relative to the implementation of this Act, without prejudice
11 to the individual member-agencies resolving such concerns pursuant to
12 their respective mandates;
- 13 d) Call on any department, agency or office under the Executive Branch for
14 the effective implementation of this Act; and
- 15 e) Perform such other function pursuant to the fulfilment of the objectives of
16 this Act.

17 *Sec. 8. Establishment of a Government Payment Gateway.* – The BSP, in
18 consultation with the DOF, DBM, COA, Department of Information and
19 Communications Technology (DICT), BIR, Bureau of Customs (BOC), Bureau of the
20 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,
24 or 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
27 issuance of electronic invoices and/or official receipts to payors, regular audit
28 reports, interoperability between digital payment technologies, and other technical
29 features that will aid in the fulfilment of the objectives of this Act. Said gateway shall
30 adhere 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 adoption
2 of digital payment, LGUs shall, by ordinance, encourage and grant monetary and
3 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
8 appropriate digital payment solutions and have the capacity to effectively use the
9 same, with due consideration to small and micro-merchants, including, but not
10 limited to, market vendors, tricycle operators and food stalls. The LGU shall extend
11 assistance to small and micro-merchants to facilitate their adoption of digital
12 transaction capability. The BSP, Department of Trade and Industry (DTI), DILG, and
13 DICT shall provide capacity building for the NGAs, government corporations, SUCs,
14 LGUs, and merchants on the use of digital payments.

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

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

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

26 To enable the general public to adopt digital payments, micro-payment
27 transactions shall be subject to graduated pricing or be rendered free of any service
28 charge as determined by the BSP in consultation with the merchants and the
29 payment services industry, as may be represented by the BSP-accredited payment
30 system 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 *Sec. 11. Multi-Year Roadmap for Digital Payment Adoption.* – The BSP, in
5 collaboration with relevant government entities, shall prepare and regularly update a
6 multi-year roadmap on digital payments to ensure the timely implementation and
7 optimal realization of the objectives of this Act.

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

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

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

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

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

1 compliance of PSPs who are covered by this Act and are not under the oversight and
2 regulatory authority of the BSP.

3 *Sec. 14. Obligations of Payment Systems Providers.* – In line with the
4 declared policy of this Act, all PSPs shall have the following obligations:

- 5 a) Integrate security and data privacy by design and by default in the
6 development stage of the payment systems;
- 7 b) Process personal and sensitive personal information in the system in
8 accordance with any of the criteria for lawful processing provided for
9 under relevant laws, rules and regulations;
- 10 c) Implement reasonable and appropriate organizational, physical and
11 technical security measures for the protection of personal data and uphold
12 the rights of data subjects;
- 13 d) Provide reasonable and timely assistance to NGAs, government
14 corporations, LGUs, SUC, and/or merchants, in accordance with relevant
15 rules and regulations, to enable them to respond to a request from clients
16 to exercise any of their rights and any other correspondence, inquiry or
17 complaint received from a client or other third party in connection with the
18 processing of the personal data in the payment system;
- 19 e) The PSP performing the function of collection of money and/or payment of
20 transaction on behalf of the government agency shall, to the extent
21 necessary, cooperate with the COA for the examination, audit, and
22 settlement of all accounts pertaining to the revenue and receipts, and
23 expenditures or uses of funds of all NGAs, government corporations, SUCs,
24 and LGUs. The PSP shall allow COA to perform its audit procedures and to
25 determine whether collections are complete and use of funds are
26 authorized; and
- 27 f) Comply with the requirements indicated in the standard terms of reference
28 or standard minimum terms and conditions that may be issued by the
29 TWG.

30 *Sec. 15. Penalties and Sanctions.* – Without prejudice to the penalties and
31 sanctions provided in Republic Act No. 11127 or “The National Payment Systems
32 Act” and other laws, whenever any person or entity wilfully violates this Act, rule or

1 regulation, directives or orders duly promulgated by the BSP pursuant hereto, the
2 person or persons responsible for such violation shall be punished by a fine of not
3 less than Two hundred thousand pesos (P200,000.00) or more than Two million
4 pesos (P2,000,000.00) or by imprisonment of not less than two (2) years nor more
5 than ten (10) years, or both, at the discretion of the court.

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

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

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

26 The amount necessary for the implementation of the provisions of this Act
27 shall be taken from the current year's budgets of the NGAs, government
28 corporations, SUCs and LGUs. Thereafter, such sums as may be necessary for the
29 continued implementation of the Act shall be incorporated in the annual General
30 Appropriations Act, corporate operating budget, or appropriation ordinance, as the
31 case may be.

1 *Sec. 18. Implementing Rules and Regulations.* – The BSP, in coordination with
2 the DBM, COA, DOF, BTr, BIR, DICT, DOST, DTI, and other relevant agencies, shall
3 promulgate the rules and regulations implementing the provisions of this Act within
4 ninety (90) days from its effectivity.

5 *Sec. 19. Separability Clause.* – If any section or part of this Act is held
6 unconstitutional or invalid, the other sections or provisions not otherwise affected
7 shall remain in full force and effect.

8 *Sec. 20. Repealing Clause.* - All laws, decrees, executive orders, rules and
9 regulations contrary to or inconsistent with the provisions of this Act are hereby
10 repealed or modified accordingly.

11 *Sec. 21. Effectivity.* – This Act shall take effect fifteen (15) days after its
12 publication in at least two (2) national newspapers of general circulation, whichever
13 comes earlier.

Approved,