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

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**SENATE**  
**S. B. No. 762**

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Introduced by Senator SONNY ANGARA

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

EXPLANATORY NOTE

With the launch of mobile money in 2001, the Philippines became one of the first countries to pioneer digital payments. Despite this development, the Philippines still had one of the highest percentages of people in Southeast Asia who were unbanked, who mostly transacted in cash, and who effectively remained disconnected from the formal financial system.

This started to change as the COVID-19 pandemic unfolded. Many Filipinos started transitioning to digital modes of payment such as with mobile wallets like GCash and what was then known as Paymaya. Given curbs to mobility, health protocols, and social distancing measures, it became more convenient (and preferential) to transact online or via smartphone applications. By the end of 2020, digital payments constituted a little more than 20 percent of total financial transactions in the Philippines, up from 14 percent in 2019 and 1 percent in 2013.

Recognizing this momentum towards a cashless society, we filed during the previous 18<sup>th</sup> Congress an earlier version of this Use of Digital Payments Act in collaboration with then Rep. Jose Enrique "Joet" S. Garcia III of the 2<sup>nd</sup> District of Bataan Province. By providing an enabling environment to accelerate the adoption of digital payments, the measure was envisioned to serve as an impetus for a more

widespread shift to digital and cashless payments, thereby reaping much more fully the benefits of digitization.

Some of these benefits include more cost savings and more widespread uptake of formal transaction accounts. For instance, as argued by the Better Than Cash Alliance in 2019, fully digitizing social payments could save the government up to US\$100 million annually and could result in 11 million additional accounts registered with the formal banking sector. Business could also save US\$20 to US\$45 billion annually by digitizing supplier payments alone.

The Use of Digital Payments Act was initially heard by a sub-committee which we headed, under the Senate Committee on Banks and Financial Institutions. Several meetings were then conducted by a technical working group constituted by stakeholders from both the public and private sector. Then on May 2022, President Roa Duterte issued Executive Order No. 170 on May 2022, mandating all government agencies and instrumentalities to utilize digital modes of payment for both disbursements and collections.

Before the 18<sup>th</sup> Congress formally adjourned sine die, the sub-committee then filed a committee report that aligned closely with EO No. 170. Building on the provisions inspired by the executive order, the committee report also mandated the establishment of a government payment gateway to promote more efficient, effective, and affordable transactions with government agencies. It also called for a multi-year roadmap for digital payment adoption across the government, as well as enabled local government units (LGUs) to, by ordinance, encourage and grant monetary and non-monetary incentives for merchants within their localities to use digital modes of payment. These same provisions and more are included in the foregoing measure.

Hopefully, with the election of a new administration, the Philippines' journey toward becoming a cash-lite economy would continue, and reach even more touchstones. In view of the foregoing, the passage of this bill is earnestly sought.



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

16           **SEC. 3. Objective.** – This Act aims to facilitate transactions, arrangements,  
17 or exchanges of goods and services by promoting the universal use of safe, affordable,

1 and efficient digital payments in financial transactions of the government and the  
2 general public.

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

5 i. *"Access device"* refers to any card, plate, code, account number, electronic  
6 serial number, personal identification number, mobile device, or other  
7 information and communications technology service, equipment or  
8 Instrumental Identifier, or other means of account access that can be used  
9 to obtain money, goods, services, or any other thing of value, or to initiate  
10 a transfer of funds in electronic form;

11 ii. *"Account-based disbursement"* refers to the disbursement of funds such as  
12 salaries, wages, allowances, and social benefits, among others, directly into  
13 the transaction account of the intended recipient held in any Bangko Sentral  
14 ng Pilipinas (BSP)-supervised entity as chosen and specified by the intended  
15 recipient;

16 iii. *"Basic deposit account (BDA)"* refers to the deposit product offered by banks  
17 as defined under the BSP Manual of Regulations for Banks and its  
18 implementing guidelines;

19 iv. *"Digital collection"* refers to a mode of payment wherein businesses and  
20 citizens make payments to the government, including but not limited to  
21 taxes, fees, and tolls, using a digital device such as mobile phone, point of  
22 sale, or computer. Payments can be made with bank transfers, electronic  
23 money, and payment cards including credit, debit, prepaid, or stored-value  
24 cards, among others;

25 v. *"Digital disbursement"* refers to a mode of payment whereby disbursement  
26 of money or equivalent electronic representations of legal tender, for  
27 purposes of paying government expenditures, is made by crediting the target  
28 recipient's transaction account through advice to debit or electronic fund  
29 transfer facilitated by any government agency or instrumentality through  
30 their respective servicing bank;

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

1        xv. *"Payment system"* refers to the set of payment instruments, processes,  
2            procedures and participants that ensures the circulation of money or  
3            movement of funds, which comply with the requirements set forth under  
4            Republic Act No. 11127 or the National Payment System Act;

5        xvi. *"Transaction Account"* refers to an account, such as but not limited to a BDA,  
6            or e-money account held with a BSP-supervised financial institution that can  
7            be used to store, send, and receive funds.

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

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

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

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

29            The government servicing PSP shall carry out the payment instruction and  
30            submit the verified list of successful and failed fund transfers and other relevant details  
31            to the government entity disbursing the fund. Subject to agreement with the

1 government entity, the government servicing PSP may collect fees from the  
2 government entity for the electronic fund transfer services.

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

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

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

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

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

31 The digital payment solutions adopted by government entities shall allow for  
32 real-time receipt of funds by the recipient government entity, immediate issuance of

1 electronic invoices and/or official receipts to payors, regular audit reports, and other  
2 technical features that will aid in the fulfillment of the objectives of this Act. To ensure  
3 that these digital payment solutions adhere to applicable international standards on  
4 information security, data privacy, and electronic data interchange between financial  
5 institutions, among others, government entities shall avail of digital payment solutions  
6 under the BSP's National Retail Payment System Framework.

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

14 There shall be a technical working group (TWG) composed of the Commission  
15 on Audit (COA), Department of Budget and Management (DBM), Department of  
16 Finance (DOF), Bureau of the Treasury (BTr), Bureau of Internal Revenue (BIR), the  
17 Government Procurement Policy Board, and other relevant agencies that will provide  
18 guidance and promote cost-efficiency and transparency in procurement of digital  
19 payment solutions by government entities. Consistent with the respective mandates  
20 of the member-agencies, and in coordination with the COA, the TWG shall have the  
21 following powers and functions:

- 22 a) Oversee and monitor the procurement of digital payment solutions by  
23 government entities and ensure that the same is in accordance with existing  
24 laws, rules and regulations;
- 25 b) Consider the formulation of standard terms and conditions for PSPs, in  
26 consultation with the BSP and COA. Pursuant to its mandate, the GPPB may  
27 also issue specific procurement guidelines for the engagement of PSPs;
- 28 c) Resolve issues relative to the implementation of this Act, without prejudice  
29 to the individual member-agencies resolving such concerns pursuant to their  
30 respective mandates;
- 31 d) Call on any department, agency or office under the Executive Branch for the  
32 effective implementation of this Act;, and,

1 e) Perform such other function pursuant to the fulfillment of the objectives of  
2 this Act.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 **SEC. 13. *Information Security and Data Privacy.*** – All data information and  
11 information and communications technology systems and networks, used for digital  
12 payments pursuant to the objectives of this Act shall be secured and protected at all  
13 times. The DICT and the National Privacy Commission shall, in consultation with the  
14 BSP, define and prescribe the minimum information security standards for compliance  
15 of PSPs who are covered by this Act and are not under the oversight and regulatory  
16 authority of the BSP.

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

- 19 a) Integrate security and data privacy by design and by default in the development  
20 stage of the payment systems;
- 21 b) Process personal and sensitive personal information in the system in  
22 accordance with any of the criteria for lawful processing provided for under  
23 relevant laws, rules and regulations;
- 24 c) Implement reasonable and appropriate organizational, physical, and technical  
25 security measures for the protection of personal data and uphold the rights of  
26 data subjects;
- 27 d) Provide reasonable and timely assistance to NGAs, government corporations,  
28 LGUs, SUCs, and/or merchants, in accordance with relevant rules and  
29 regulations, to enable them to respond to a request from clients to exercise  
30 any of their rights and any other correspondence, inquiry or complaint received  
31 from a client or other third party in connection with the processing of the  
32 personal data in the payment system;

- 1 e) The PSP performing the function of collection of money and/or payment of  
2 transaction on behalf of the government agency shall, to the extent necessary,  
3 cooperate with the COA for the examination, audit, and settlement of all  
4 accounts pertaining to the revenue and receipts, and expenditures or uses of  
5 funds of all NGAs, government corporations, SUCs, and LGUs. The PSP shall  
6 allow COA to perform its audit procedures and to determine whether collections  
7 are complete and use of funds are authorized;
- 8 f) Comply with the requirements indicated in the standard terms of reference or  
9 standard minimum terms and conditions that may be issued by the TWG.

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

18 **SEC. 16. Interpretation.** – Nothing in this Act shall be construed to exempt any  
19 government funds in the possession of private entities from the constitutional  
20 authority and duty of the COA to examine, audit, and settle all accounts pertaining to  
21 the revenue and receipts of, and expenditures or uses of funds and property, owned  
22 or held in trust by, or pertaining to, the government. All digital payments involving  
23 government transactions under this Act shall be subject to post-audit of the COA.  
24 Accordingly, the COA shall promulgate the pertinent rules and regulations for all  
25 transactions covered by this Act.

26 **SEC. 17. Appropriations.** – Government entities may be allowed to include in  
27 their respective budgets amounts that will cover the reasonable costs of establishing  
28 and maintaining the infrastructure, system and/or processes adjustments as well as  
29 transaction fees that they may shoulder in connection with the implementation of  
30 digital payments, including but not limited to, merchant discount rate, processing fees,  
31 cash-out fees and administration fees: *Provided*, That the release of said budget may

1 be conditioned on the actual adoption of digital payments by the concerned  
2 government entities.

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

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

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

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

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

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

*Approved,*