



**NINETEENTH CONGRESS OF THE ]  
REPUBLIC OF THE PHILIPPINES ]  
First Regular Session ]**

'22 JUL 25 A10 :49

**SENATE**

RECEIVED BY: \_\_\_\_\_

**S.B. No. 811**

**Introduced by SEN. WIN GATCHALIAN**

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

**EXPLANATORY NOTE**

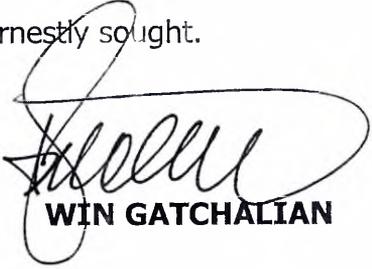
The significance of cashless transactions and digital payments was highlighted during the pandemic, when people are restricted to leave their homes and were required to resort to other modes of payment which do not involve cash. The growth and development of digital payments is expected as more people find it more convenient and experience the ease of doing transactions without cash.

Consistent with the State policy under Republic Act No. 11032 or the Ease of Doing Business and Efficient Government Service Delivery Act of 2018 to promote efficient delivery of government transactions, President Duterte ordered all covered agencies under Executive Order No. 170 dated May 12, 2022, to utilize safe and efficient digital disbursement methods in the payment of goods, services and other disbursements, including the distribution of financial assistance, payment of salaries, wages, allowances and other compensation to employees. This is in line with the government's effort to develop an inclusive digital financial ecosystem.

Thus, this bill aims to institutionalize the abovementioned Executive Order and facilitate transactions, arrangements, or exchanges of goods and services by

promoting the universal use of safe and efficient digital payments in financial transactions of the government and the general public. Covered agencies may be allowed to include in their respective budgets amounts that will cover transaction fees that they may shoulder in connection with the implementation of digital payments. National government agencies, government-owned and controlled corporations, and local government units shall also explore the feasibility of adopting a comprehensive incentive framework for selected financial transactions to encourage the availment of digital payments

In view of the foregoing, passage of this bill is earnestly sought.



**WIN GATCHALIAN**



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OTHER PURPOSES**

*Be it enacted by the Senate and the 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,  
6 towards financial inclusion advancement and nation-building. The State also  
7 recognizes the need of promoting ease of doing business and efficient delivery of good  
8 and services to the general public.

9 Towards this end, the State shall promote financial inclusion through the use  
10 of safe, secure, reliable and efficient digital payment systems. In various transactions  
11 of the government and the public — particularly for payments to government, and  
12 government disbursements to the public, which includes but is not limited to payments

1 to or by private institutions, merchants, and beneficiaries, the State shall optimize the  
2 use of financial technologies and innovative payment systems for financial transactions  
3 to strengthen financial inclusion. In so doing, the State shall encourage and facilitate  
4 the adoption of digital payments in a technology-neutral manner, where one  
5 technology is not unreasonably favored or given undue advantage over another.

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

11  
12 SEC. 4. *Definition of Terms.* —As used in this Act, the following terms shall  
13 mean:

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

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

23 (c) "*Basic deposit account (BDA)*" refers to the deposit product offered by banks  
24 as defined under the BSP Manual of Regulations for Banks and its implementing  
25 guidelines;

26 (d) "*Digital collection*" refers to a mode of payment wherein businesses and  
27 individuals make payments to the government, including but not limited to taxes, fees  
28 and tolls, using a digital device such as mobile phone, point of sale, or computer.  
29 Payments can be made with bank transfers, electronic money, and payment cards  
30 including credit, debit, prepaid, or stored-value cards, among others;

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

6 (f) "*Digital Payments*" refers to monetary payment transactions between two  
7 parties through a digital payment instrument in which both the payor and the payee  
8 use an electronic channel;

9 (g) "*Electronic fund transfer*" refers to a transfer of funds between two  
10 transaction accounts in the same or different BSP-supervised financial institutions  
11 which are initiated and received using electronic devices and channels to transmit  
12 payment instructions;

13 (h) "*Electronic money (e-money)*" refers to electronically-stored monetary  
14 value which is issued in accordance with the BSP Manual of Regulations for Banks and  
15 the Manual of Regulations for Non-Bank Financial Institutions;

16 (i) "*Financial inclusion*" refers to the state wherein there is effective access to  
17 a wide range of financial products and services for all Filipinos;

18 (j) "*Government Servicing Payment Service Provider (PSP)*" refers to bank and  
19 non-bank PSPs authorized to accept government funds and perform payment services  
20 on behalf of government entities. This includes authorized government depository  
21 banks (AGDBs) as defined by the Department of Finance (DOF) regulations;

22 (k) "*Information security standards*" refers to standards which aim to protect  
23 and secure the confidentiality, integrity, availability, authenticity, and non-repudiation  
24 of information and the data privacy of users of any digital payment platforms and  
25 other parties involved therein;

26 (l) "*Merchant*" refers to a person or entity engaged in buying and selling  
27 merchandise, purchasing of services, skills, or expertise, and leasing of goods and  
28 services;

29 (m) "*Micro-payment transactions*" refers to low-value payments including but  
30 not limited to payments to sari-sari store owners, wet market vendors, as well as

1 tricycle and jeepney drivers, the actual thresholds of which shall be determined by the  
2 BSP, pursuant to the objectives of this Act;

3 (n) "*Payment Service Provider (PSP)*" refers to an entity, such as bank or non-  
4 bank electronic money issuer, that provides payment services to end-users, such as  
5 consumers, merchants, and billers, including government institutions;

6 (o) "*Payment system*" refers to the set of payment instruments, processes,  
7 procedures and participants that ensure the circulation of money or movement of  
8 funds, which comply with the requirements set forth under Republic Act No. 11127 or  
9 the National Payment System Act;

10 (p) "*Transaction account*" refers to an account, such as but not limited to a  
11 BDA, or e-money account held with a BSP-supervised financial institution that can be  
12 used to store, send, and receive funds.

13  
14 **SEC. 5. *Adoption of Digital Payments for Government Disbursements.*** — All  
15 government entities, including but not limited to national government agencies  
16 (NGAs), foreign-based government agencies, all government corporations, local  
17 government units (LGUs), State Universities and Colleges (SUCs) and local universities  
18 and colleges (LUCs), are hereby mandated to utilize safe, reliable and efficient digital  
19 disbursement in the payment of goods, services and other disbursements including  
20 but not limited to cash assistance and payment of salaries, wages, allowances, and  
21 honoraria of its employees, whatever nature of appointment. Government entities  
22 shall be allowed to disburse funds directly into the recipient's or beneficiary's  
23 transaction account held in government or private financial institutions without the  
24 need for special arrangement with each of these financial institutions. For this purpose,  
25 said government entities may use the automatic debit arrangement, interoperable  
26 electronic fund transfer or any other appropriate facility of its government servicing  
27 PSP.

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

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

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

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

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

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

29 In addition, NGAs, government corporations, SUCs, LUCs, LGUs and merchants  
30 shall undertake measures to promote the adoption of the Open Finance Framework in

1 accordance with the guidelines set forth under the applicable BSP rules and regulations  
2 which will enable sharing of customer-permissioned financial data and foster  
3 adherence to data security and privacy standards.

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

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

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

- 27 a) Oversee and monitor the procurement of digital payment solutions by  
28 government entities and ensure that the same is in accordance with existing  
29 laws, rules and regulations;

- 1           b) Consider the formulation of standard terms and conditions for PSPs, in  
2           consultation with the BSP and COA. Pursuant to its mandate, the GPPB may  
3           also issue specific procurement guidelines for the engagement of PSPs;  
4           c) Resolve issues relative to the implementation of this Act, without prejudice  
5           to the individual member-agencies resolving such concerns pursuant to their  
6           respective mandates;  
7           d) Call on any department, agency or office under the Executive Branch for the  
8           effective implementation of this Act; and  
9           e) Perform such other function pursuant to the fulfillment of the objectives of  
10          this Act.

11  
12           SEC. 8. *Establishment of a Government Payment Gateway.* – The BSP, in  
13          consultation with the DOF, DBM, COA, Department of Information and  
14          Communications Technology (DICT), BIR, Bureau of Customs (BOC), BTr, digital  
15          banking experts, academe and other appropriate public sector and banking industry  
16          stakeholders, may cause the establishment of a government payment gateway  
17          through which all government entities may process digital payments made to them  
18          through PSPs, websites, mobile phone applications, or other access devices.

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

26  
27           SEC. 9. *Digital Payment Capability of Merchants.* - To accelerate the adoption  
28          of digital payment, LGUs shall, by ordinance, encourage and grant monetary and non-  
29          monetary incentives to merchants within their localities to establish and/or outsource

1 arrangements and/or mechanisms that would enable them to receive payments from  
2 clients and make payments to creditors and suppliers using digital channels.

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

11  
12 *SEC. 10. Promotion of Digital Payment Transactions.* — To optimize the benefits  
13 of digital payments, scale up financial inclusion, and promote sustainability, all  
14 government entities shall prioritize the use of safe, reliable and efficient digital  
15 payment in their financial transactions.

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

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

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

28  
29 *SEC. 11. Multi-Year Roadmap for Digital Payment Adoption.* — The BSP, in  
30 collaboration with relevant government entities, shall prepare and regularly update a

1 multi-year roadmap on digital payments to ensure the timely implementation and  
2 optimal realization of the objectives of this Act.

3 Subject to annual review, this multi-year roadmap shall be aligned with the e-  
4 government masterplan formulated by the DICT in consultation with other key  
5 government agencies, and shall, among others, set targets and outcomes, such as but  
6 not limited to the widespread adoption of digital payments by merchants, for a  
7 minimum period of five (5) years, and include strategic public and private interventions  
8 and possible government programs and projects.

9

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

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

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

22

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

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

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

27  
28          SEC. 15. *Penalties and Sanctions.* — Without prejudice to the penalties and  
29 sanctions provided in Republic Act No. 11127 or "The National Payment Systems Act"  
30 and other laws, whenever any person or entity willfully 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 less  
3 than Two hundred thousand pesos (Php200,000.00) or more than Two million pesos  
4 (Php2,000,000.00) or by imprisonment of not less than (2) years nor more than ten  
5 (10) years, or both, at the discretion of the court.

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

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

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

28 The amount necessary for the implementation of the provisions of this Act shall  
29 be taken from the current year's budgets of the NGAs, government corporations,  
30 SUCs, LUCs, and LGUs. Thereafter, such sums as may be necessary for the continued

1 implementation of the Act shall be incorporated in the annual General Appropriations  
2 Act, corporate operating budget, or appropriation ordinance, as the case may be.

3

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

8

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

12

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

16

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

*Approved,*