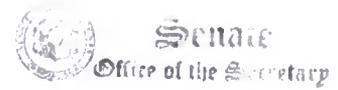


NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



'22 NOV 23 P6 :19

SENATE

S. No. 1541

RECEIVED BY:

Introduced by SENATOR RAMON BONG REVILLA, JR.

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

EXPLANATORY NOTE

Consumers are becoming more reliant on the use of digital payment systems brought about by its convenience and accessibility. According to the Bangko Sentral ng Pilipinas (BSP), supplier payments account for almost 90 percent of total business payments - and majority of it are through non-digital channels and catalyzed by the pandemic.

Latest data from BSP shows that the share of digital payments to total retail transactions grew from 20.1 percent in 2020 to 30.3 percent in 2021. The latest Financial Inclusion Survey showed the number of Filipino adults with formal accounts almost doubled from 29 percent in 2019 to 56 percent in 2021.

Under BSP's Digital Payments Transformation Roadmap, the commitment is to convert 50 percent of total retail transactions to electronic channels and to increase the number of Filipino adults with bank accounts to 70 percent by 2023.

In May 2022, then President Rodrigo Duterte issued Executive Order No. 170 mandating all government agencies and instrumentalities to utilize digital modes of payment for both disbursements and collections.

This bill mandates the adoption of digital transaction systems in the government. It aims to institutionalize the existing Executive Order to optimize use of efficient digital disbursement methods in the payment of goods and services, distribution of financial assistance, and payment of compensation to employees.

In view of adoption of a digital transactions system in government, the passage of this bill is earnestly sought.

RAMON BONG REVILLA, JR.

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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 Payments*
2 *Act.*"
- 3 Sec. 2. *Declaration of Policy.* - The State recognizes the vital role of information
4 and communications technology, particularly technology, towards financial inclusion
5 advancement and nation-building. The State also recognizes the need of promoting
6 ease of doing business and efficient delivery of goods and services to the general
7 public.
- 8 Towards this end, the State shall promote financial inclusion through the use
9 of safe, secure, and efficient digital payments. In various transactions of the
10 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
15 facilitate the adoption of digital payments in a technology-neutral manner, where one
16 technology is not unreasonably favored or given undue advantage over another.
- 17 Sec. 3. *Objective.* - This Act aims to facilitate transactions, arrangements, or
18 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 a. *Access device* refers to any card, plate, code, account number, electronic serial
6 number, personal identification number, mobile device, or other information
7 and communications technology service, equipment or Instrumental Identifier,
8 or other means of account access that can be used to obtain money, goods,
9 services, or any other thing of value, or to initiate a transfer of funds in
10 electronic form;
- 11 b. *Account-based disbursement* refers to the disbursement of funds such as
12 salaries, wages, allowances, and social benefits, among others, directly into the
13 transaction account of the intended recipient held in any Bangko Sentral ng
14 Pilipinas (BSP)-supervised entity as chosen and specified by the intended
15 recipient;
- 16 c. *Basic deposit account (BDA)* refers to the deposit product offered by banks as
17 defined under the BSP Manual of Regulations for Banks and its implementing
18 guidelines;
- 19 d. *Digital collection* refers to a mode of payment wherein businesses and citizens
20 make payments to the government, including but not limited to, taxes, fees,
21 and tolls, using a digital device such as mobile phone, point of sale, or
22 computer. Payments can be made with bank transfers, electronic money, and
23 payment cards including credit, debit, prepaid, or stored-value cards, among
24 others;
- 25 e. *Digital disbursement* refers to a mode of payment whereby disbursement of
26 money or equivalent electronic representations of legal tender, for purposes of
27 paying government expenditures, is made by crediting the target recipient's
28 transactions account through advice to debit or electronic fund transfer
29 facilitated by any government agency or instrumentality through their
30 respective servicing bank;

- 1 f. *Digital Payments* refer to monetary payment transactions between two parties
2 through a digital payment instrument in which both the payer and the payee
3 use an electronic channel;
- 4 g. *Electronic fund transfer* refers to a transfer of funds between two transaction
5 accounts in the same or different BSP-supervised financial institutions which
6 are initiated and received using electronic devices and channels to transmit
7 payment instructions;
- 8 h. *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 i. *Financial Inclusion* refers to the state wherein there is effective access to a wide
12 range of financial products and services for all Filipinos;
- 13 j. *Government Servicing Payment Service Provider (PSP)* refers to bank and non-
14 bank PSPs authorized to accept government funds and perform payment
15 services on behalf of government entities. This includes authorized government
16 depository banks (AGDBS) as defined by Department of Finance (DOF)
17 regulations;
- 18 k. *Information security standards* refer to standards which aim to protect and
19 secure the confidentiality, Integrity, availability, authenticity, and non-
20 repudiation of information and the data privacy of users of any digital payment
21 platforms and other parties involved therein;
- 22 l. *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 m. *Micro-payment transactions* refer to low-value payments Including but not
26 limited to payments to sari-sari store owners, wet market vendors, as well as
27 tricycle and jeepney drivers, the actual thresholds of which shall be determined
28 by the BSP, pursuant to the objectives of this Act;
- 29 n. *Payment Service Provider (PSP)* refers to an entity, such as bank or non-bank
30 electronic money issuer, that provides payment services to end-users, such as
31 consumers, merchants, and billers, including government institutions;

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

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

8 *Sec. 5. Adoption of Digital Payments for Government Disbursements.* - All
9 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.

16 Government entities shall be allowed to disburse funds directly into the
17 recipient's or beneficiary's transaction account held in government or private financial
18 institutions without the need for special arrangement with each of these financial
19 institutions. For this purpose, said government entities may use the automatic debit
20 arrangement, interoperable electronic fund transfer or any other appropriate facility
21 of its government servicing 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. Government
25 entities shall be responsible for preparing the payment instruction with the necessary
26 details, including the recipient's or beneficiary's name, transaction account details, and
27 amount, among others, only after proper authorization in accordance with established
28 accounting and auditing rules and regulations. The government servicing PSP shall
29 carry out the payment instruction and submit the verified list of successful and failed
30 fund transfers and other relevant details to the government entity disbursing the fund.
31 Subject to the agreement with the government entity, the government servicing PSP
32 may collect fees from the government entity for the electronic fund transfer services.

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

5 *Sec. 6. Adoption of Digital Payments for Government Collections.* - All
6 government entities, including, but not limited to, national government agencies
7 (NGAs), foreign-based government agencies, all government corporations, local
8 government units (LGUs), State Universities and Colleges (SUCs), and local universities
9 and colleges (LUCs), shall offer digital collection as a mode, in addition to acceptance
10 of cash payment, for the collection of taxes, fees, tolls, imposts and other revenues,
11 including non-income collections and receipts. Government entities shall utilize secure
12 payment processing solutions to ensure acceptance of various digital payment
13 methods. For this purpose, said government entities may engage the services of
14 established PSPs: *Provided*, That government entities shall avail only of interoperable
15 digital payment solutions. Notwithstanding any law to the contrary, partner PSP of a
16 government entity shall not be limited to government servicing banks.

17 *Sec. 7. Adoption of Interoperable Digital Payment Solutions.* - The BSP shall
18 implement initiatives that aim to accelerate the adoption by all PSPs of interoperable
19 digital payment technologies and appropriate standards thereof, such as but not
20 limited to the National Quick Response (QR) Code Standard meant to hasten the
21 interoperability of QR-driven payment services and eliminate the need for merchants
22 and clients to maintain several accounts. In addition, NGAs, government corporations,
23 SUCs, LGUs, and merchants shall undertake measures to promote the adoption of the
24 Open Finance Framework in accordance with the guidelines set forth under the
25 applicable BSP rules and regulations which will enable sharing of customer-
26 permissioned financial data and foster adherence to data security and privacy
27 standards. The digital payment solutions adopted by government entities shall allow
28 for real-time receipt of funds by the recipient government entity, immediate issuance
29 of electronic invoices and/or official receipts to payors, regular audit reports, and other
30 technical features that will aid in the fulfillment of the objectives of this Act.

31 To ensure that these digital payment solutions adhere to applicable
32 international standards on information security, data privacy, and electronic data

1 interchange between financial institutions, among others, government entities shall
2 avail of digital payment solutions under the BSP's National Retail Payment System
3 Framework. Existing agreements between government entities and PSPs shall be
4 honored until the respective terms thereof expire: *Provided*, That parties concerned
5 shall endeavor, within one year from the effectivity of this Act, to implement
6 amendments to such agreements with intention to remove provisions detrimental to
7 public interest. In all instances, collection and payment schemes that prevent
8 transparency and accountability over public funds, as well as arrangements
9 disadvantageous to the government, shall be discontinued.

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

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

31 *Sec. 8. Establishment of a Government Payment Gateway.* - The BSP, in
32 consultation with the DOF, DBM, COA, Department of Information and

1 Communications Technology (DICT), BIR, Bureau of Customs (BoC), Bureau of the
2 Treasury (BTR), digital banking experts, academe, and other appropriate public sector
3 and banking industry stakeholders, may cause the establishment of a government
4 payment gateway through which all government entities may process digital payments
5 made to them through PSPs, websites, mobile phone applications, or other access
6 devices.

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

14 *Sec. 9. Digital Capability of Merchants.* - To accelerate the adoption of digital
15 payment, LGUs shall, by ordinance, encourage and grant monetary and non- monetary
16 incentives to merchants within their localities to establish and/or outsource
17 arrangements and/or mechanisms that would enable them to receive payments from
18 clients and make payments to creditors and suppliers using digital channels. LGUs
19 shall ensure that merchants in their jurisdictions have access to appropriate digital
20 payment solutions and have capacity to effectively use the same with due
21 consideration to small and micro-merchants, including, but not limited to, market
22 vendors, tricycle operators and food stalls. The LGU shall extend assistance to small
23 and micro merchants to facilitate their adoption of digital transaction capability. The
24 BSP, Department of Trade and Industry (DTI), DILG, and DICT shall provide capacity
25 building for the NGAs, government corporations, SUCs, LGUs, and merchants on the
26 use of digital payments.

27 *Sec. 10. Promotion of Digital Payment Transactions.* - To optimize the benefits
28 of digital payments, scale up financial institutions, and promote sustainability, all
29 government entities shall prioritize the use of safe and efficient digital payment in their
30 financial transactions. All government entities covered by this Act shall also adopt a
31 comprehensive incentive framework for selected financial transactions to encourage
32 the use of digital payments. LGUs shall, likewise, grant relevant incentives for

1 merchants providing efficient digital payment systems. The BSP, In coordination with
2 relevant stakeholders, shall promote measures on financial and digital literacy, and
3 consumer protection to strengthen the public's trust in digital payment transactions.

4 To enable the general public to adopt digital payments, micro-payment
5 transactions shall be subject to graduated pricing or be rendered free of any service
6 charge as determined by the BSP in consultation with the merchants and the payment
7 services industry, as may be represented by the BSP-accredited payment system
8 management body. The DICT shall implement measures to further enhance the
9 availability, accessibility, reliability, and cost-efficiency of internet services to support
10 the Government's program on the digitization of financial transactions.

11 *Sec. 11. Multi-Year Roadmap for Digital Payment Adoption.* - The BSP, in
12 collaboration with relevant government entities, shall prepare and regularly update a
13 multi-year roadmap on digital payments to ensure the timely implementation and
14 optimal realization of the objectives of this Act. The Multi-year Roadmap shall be
15 aligned with the e-government masterplan formulated by the DICT in consultation
16 with other key government agencies, and shall, among others, set targets and
17 outcomes, such as but not limited to the widespread adoption of digital payments by
18 merchants, for a minimum period of five (5) years, and include strategic public and
19 private interventions and possible government programs and projects. The roadmap
20 shall be subject to annual review.

21 *Sec. 12. Transitory Provision.* - Government entities shall be responsible for
22 ensuring proper transition of their respective agency's disbursement and collection
23 procedures and policies to digital payments. Digital disbursement shall be
24 implemented within six (6) months from the issuance of the implementing rules and
25 regulations (IRR) of this Act.

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

1 Sec. 13. *Information Security and Data Privacy.* All data information and
2 information and communications technology systems and networks, used for digital
3 payments pursuant to the objectives of this Act shall be secured and protected at all
4 times. The DICT and the National Privacy Commission shall, in consultation with the
5 BSP, define and prescribe the minimum Information security standards or compliance
6 of PSPs who are covered by this Act and are not under the oversight and regulatory
7 authority of the BSP.

8 Sec. 14. *Obligations of Payment System Providers.* - In line with the declared
9 policy in this Act, all PSPs shall have the following obligations:

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

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

17 Sec. 17. *Appropriations.* - Government entities may be allowed to include in
18 their respective budget amounts that will cover the reasonable costs of establishing
19 and maintaining the infrastructure, system and/or processes adjustments as well as
20 transaction fees that they may shoulder in connection with the implementation of
21 digital payments, including but not limited to, merchant discount rate, processing fees,
22 cash-out fees and administration fees: *Provided*, That the release of said budget may
23 be conditioned on the actual adoption of digital payments by the concerned
24 government entities. Government entities may also top-up cash assistance with a
25 standard amount to cover any transaction fees that may be incurred by recipients or
26 beneficiaries when claiming or withdrawing said cash assistance from their respective
27 transaction accounts. The amount necessary for the implementation of the provisions
28 of this Act shall be taken from the current year's budget of the NGAs, government
29 corporations, SUCs and LGUs. Thereafter, such sums as may be necessary for the
30 continued implementation of the Act shall be incorporated in the annual General
31 Appropriations Act, corporate operating budget, or appropriation ordinance, as the
32 case may be.

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

5 Sec. 19. *Separability Clause*. - If for any reason, any part or provision of this
6 Act is declared invalid or unconstitutional, the remaining parts or provisions not
7 affected shall remain in full force and effect.

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

11 Sec. 21. *Effectivity*. - This Act shall take effect fifteen (15) days after its
12 complete publication either in the *Official Gazette* or in two (2) newspapers of general
13 circulation in the Philippines.

Approved,