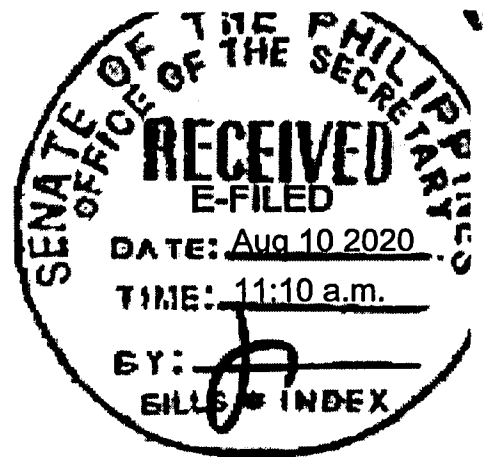


EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)



SENATE
S. B. No. 1764

Introduced by Senator SONNY ANGARA

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

EXPLANATORY NOTE

The Philippines, with the launch of mobile money in 2001, is one of the first countries to pioneer digital payments. Despite this, Philippines has one of the highest percentages of people in Southeast Asia who do not have bank accounts and who transact in cash.¹ In a diagnostic test on the status of digital payments conducted in 2015, it was revealed that the share of digital payments in the country was only about 1% by volume or 26 million out of 2.5 billion payments per month.²

Statistics from the *Bangko Sentral ng Pilipinas* show that while this could be attributed to the condition that only 37% of the 1,634 cities and municipalities across the country do not have banking offices, it is equally astonishing that 81.3% of households in Metro Manila do not own bank accounts.³ Among Filipino consumers today, only 3% are carded; 25% have bank accounts but are underserved; and 75% (equivalent to 86% of households) are fully unbanked. Without a banking account, Filipino consumers are mostly dealing with cash in their financial transactions.

That most Filipinos are not carded, underserved, or unbanked is conveniently blamed for the sluggish adoption of cashless technology in the country. This is exacerbated by the fact that access to the internet remains to be among the slowest and more expensive in the region while Filipinos still entertain lack of trust over digital systems.

¹ <https://www.grab.com/ph/press/others/grab-receives-approval-from-bangko-sentral-ng-pilipinas-to-rapidly-expand-grabpay-services/>; last accessed on 28 April 2020

² Better than Cash Alliance. (2019). State of Digital Payments in the Philippines.

³ <https://grit.ph/cashless/>; last accessed on 28 April 2020.

Despite these concerns, digital payments in the country have shown a remarkable progress. The digital payments transactions in 2018 are nearly 20 times the estimated total monthly volume in 2013. According to Better than Cash Alliance 2019 Report, the increase is driven by a surge in digital payments made by individuals. Those made by the government have also increased from 54% in 2013 to 64% in 2018. However, digital payments made by businesses have been the slowest with less than 4%, hence the least digital.⁴

By providing an enabling environment to accelerate the adoption of digital payments, this bill will serve as an impetus to shift to digital and cashless payments thereby reaping the benefits of digitization. For instance, fully digitizing social payments could save the government \$100 million annually and could result in 11 million additional accounts. Businesses could save \$20 to \$45 billion annually by digitizing supplier payments alone.⁵ Lastly, the importance of digitization has become more evident especially during the COVID-19 pandemic as we are seeing how digital cash payments to social amelioration program beneficiaries could have been faster and more efficient.

The Philippines' overall growth rate in digital payments is estimated to be 27% to 30%, compared to 25% in emerging Asian countries. We hope that through this measure, which was originally filed by Representative Jose Enrique "Joet" S. Garcia III in the House of Representatives, the Philippines' journey toward becoming a cash-lite economy would continue.

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

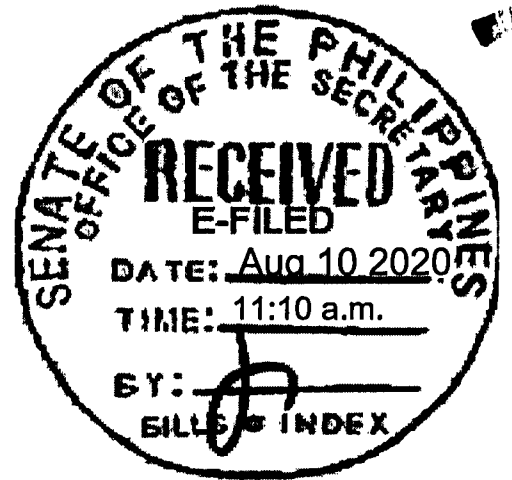


SONNY ANGARA

⁴ *Supra*, note 2.

⁵ *Id.*

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PROMOTING THE ADOPTION OF DIGITAL PAYMENTS FOR FINANCIAL
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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 and cited as the "*Use of*
2 *Digital Payments Act of 2020.*"

3 **SEC. 2. Declaration of Policy** – The State recognizes the vital role of
4 information and communications technology in nation-building. The State also
5 recognizes the need of promoting ease of doing business and efficient delivery of
6 good and services to the general public. Towards this end, the State shall promote
7 the use of safe and efficient digital payments in various transactions of the
8 government and the public – particularly for payments to government, government
9 payments to the public, and payments to business and merchants, to optimize the
10 use of technology and innovative payment system for financial transactions and to
11 strengthen financial inclusion.

12 **SEC. 3. Objective.** – This Act aims to facilitate transactions, arrangements, or
13 exchanges of goods and services by promoting the universal use of safe and
14 efficient digital payments in financial transactions of the government and the general
15 public.

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

3 (a) "*Access device*" refers to any card, plate, code, account number,
4 electronic serial number, personal identification number, or other
5 telecommunications service, equipment or instrumental identifier, or other means of
6 account access that can be used to obtain money, goods, services, or any other
7 thing of value or to initiate a transfer of funds (other than a transfer originated
8 solely by paper instrument);

9 (b) "*Digital Payments*" refers to the monetary transaction between two parties
10 through a digital instrument in which both the payer and the payee use an electronic
11 medium.

12 (d) "*Merchant*" refers to a person or entity engaged in buying and selling
13 merchandise, purchasing of services, skills, or expertise, and leasing of goods and
14 services. It also includes credit-granting entities, lending institutions, pawnshops,
15 remittance companies and other money service business; and

16 (e) "*Payment system*" refers the set of payment instruments, processes,
17 procedures and participants that ensures the circulation of money or movement of
18 funds, which comply with the requirements set forth under Republic Act No. 11127.

19 **SEC. 5. *Use of Digital Payments.*** – All national government agencies (NGAs),
20 government-owned and controlled corporations (GOCCs), and local government
21 units (LGUs) are hereby mandated to utilize safe and efficient digital payment in the
22 collection of taxes, fees, tolls, imposts and other revenues and in the payment of
23 goods, services and other disbursements. To this end, these government entities
24 may be allowed to include in their respective budgets amounts that will cover
25 transaction fees that they may shoulder in connection with the implementation of
26 digital payments, including but not limited to, merchant discount rate, processing
27 fees, cash-out fees and administration fees: *Provided,* That the release of said
28 budget may be conditioned on the actual adoption of digital payments by the
29 concerned government entities.

1 The NGAs, GOCCs and LGUs are likewise mandated to utilize secure payment
2 processing solutions to ensure acceptance of various digital payment methods. For
3 this purpose, said government entities may engage the services of established digital
4 payment system providers (PSP).

5 To facilitate compliance with this Act, NGAs, GOCCs, and LGUs must adopt
6 account-based disbursements whereby target recipients directly receive government
7 payments into their bank or digital accounts. These government entities may create
8 their respective digital payment technical support and maintenance service. The
9 technical support and maintenance service shall be responsible for troubleshooting
10 and in maintaining coordination with the PSP partner for technical and other
11 concerns within the agency. They shall also be responsible for ensuring the proper
12 transition of their respective agency's payments and disbursement procedures and
13 policies to electronic payments. The creation of the technical support and
14 maintenance service shall be without prejudice to any technical support arrangement
15 between the agency and the PSP partner pursuant to a contract or agreement.

16 The Bangko Sentral ng Pilipinas shall accelerate the adoption by all PSPs of
17 the national Quick Response (QR) code standard to hasten the interoperability of
18 QR-driven payment services and eliminate the need for merchants and clients to
19 maintain several accounts.

20 The Government Procurement Policy Board, in coordination with the Bangko
21 Sentral ng Pilipinas, shall issue guidelines to be observed when procuring the
22 services of a PSP that provide electronic payment: *Provided*, That only PSPs duly
23 authorized and accredited by the Bangko Sentral ng Pilipinas may be engaged by
24 agencies to service their digital payment transactions; *Provided, Further*, That the
25 interoperability of differing infrastructures supporting the digital payments shall be
26 pursued.

27 Notwithstanding any law to the contrary, partner PSP of a government entity
28 is not limited to government financial institutions.

29 **SEC. 6. Accreditation.** - The Bangko Sentral ng Pilipinas shall accredit PSPs in
30 accordance with the requirements provided under Republic Act No. 11127, otherwise

1 known as the "National Payment Systems Act".

2 **SEC. 7. *Digital Payment Capability of Merchants.*** - To accelerate the
3 adoption of digital payment, LGUs shall, by ordinance, require merchants within their
4 localities to establish and/or outsource arrangements and/or mechanisms that would
5 enable them to receive payments from clients and make payments to creditors and
6 suppliers in digital form as a pre-requisite for the approval or renewal of their
7 business permits. No new or renewal of business permit shall be approved unless
8 the merchant concerned show to the satisfaction of the LGU that a functional digital
9 payment system accessible by mobile phone or other access devices is installed or
10 provided by a duly registered PSP in the merchant partner's place of business.

11 The LGUs shall extend assistance to the merchants to facilitate their adoption
12 of digital payment transaction capability. The Department of Trade and Industry and
13 the Bangko Sentral ng Pilipinas shall also facilitate measures to provide capacity
14 building for the NGAs, GOCCs, LGUs, and merchants on the use of digital payments.

15 **SEC. 8. *Promotion of Digital Payment Transactions.*** – Utilizing digital
16 payment in financial transactions provides clients with convenient, transparent, safe,
17 expeditious, and efficient mode of transacting business. To optimize the benefits of
18 this technological innovation, scale up financial inclusion, and promote sustainability,
19 NGAs, GOCCs, and LGUs shall prioritize the use of safe and efficient digital payment
20 in their financial transactions.

21 NGAs, GOCCs, and LGUs shall also explore the feasibility of adopting a
22 comprehensive incentive framework for selected financial transactions to encourage
23 the availment of digital payments. LGUs may, likewise, impose reduced fees or grant
24 other incentives for merchants providing efficient digital payment system.

25 The Department of Science and Technology and the Department of
26 Information and Communications Technology shall implement measures to further
27 enhance the availability and cost of internet connection to support the Government's
28 program on the digitalization of financial transactions.

1 **SEC. 9. *Penalties and Sanctions.*** – Without prejudice to the penalties and
2 sanctions provided in Republic Act No. 11127 or "The National Payment Systems
3 Act" and other laws, whenever any person or entity willfully violates this Act, rule or
4 regulation, directives or orders duly promulgated by the Bangko Sentral ng Pilipinas
5 pursuant hereto, the person or persons responsible for such violation shall be
6 punished by a fine of not less than Two hundred thousand pesos (P200,000.00) or
7 more than Two million pesos (P2,000,000.00) or by imprisonment of not less than
8 two (2) years nor more than ten (10) years, or both, at the discretion of the court.

9 **SEC. 10. *Appropriation.*** – The amount necessary for the implementation of
10 the provisions of this Act shall be taken from the current year's budgets of the NGAs,
11 GOCCs, and LGUs. Thereafter, such sums as may be necessary for the continued
12 implementation of the Act shall be incorporated in the annual General Appropriations
13 Act, corporate operating budget, or appropriation ordinance, as the case may be.

14 **SEC. 11. *Implementing Rules and Regulations.*** – The Bangko Sentral ng
15 Pilipinas shall promulgate the rules and regulations implementing the provisions of
16 this Act within ninety (90) days from its effectivity.

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

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

23 **SEC. 14. *Effectivity*** – This Act shall take effect fifteen (15) days after its
24 publication in the *Official Gazette* or in a newspaper of national circulation.

Approved.