

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



SENATE

S. No. 37

Introduced by Senator Manuel "Lito" M. Lapid

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

EXPLANATORY NOTE

The COVID-19 pandemic and its ensuing quarantine arrangements has led to two key market effects. First is increase in online transactions where people started gaining confidence in purchasing without having to go physically to the stores. Second is the increase in digital payment transactions.

As concerns in the spread of the COVID-19 grew, many of our countrymen turned to digital payments as a means to send value without fomite-mediated virus transmission using paper cash and coins.

According to the 2021 Visa Consumer Payments Attitudes Study, 60 percent of the 1,000 respondents from Manila, Cebu, Cavite, Rizal, and Bulacan, carried less cash in their wallets and 84 percent tried going cashless. Respondents prefer using mobile wallets, 54 percent; card payment online, 52 percent; card payment at physical merchants, 44 percent; and quick response (QR) payments, 31 percent.¹

According Visa Country Manager for the Philippines and Guam Dan Wolbert said importance of cashless transactions and digital payments was appreciated during the

¹ Villanueva, Joan. Philippine News Agency. 29 March 2022. *Digital payments growth seen to remain robust post-pandemic*. Retrieved from: <https://www.pna.gov.ph/articles/1170948>

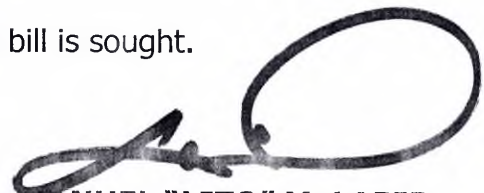

pandemic, following the movement restrictions imposed to address the spread of coronavirus disease 2019 (Covid-19). "While cash is still commonplace in the Philippines, the preference for cashless payments is clearly gaining momentum. Our study showed more Filipinos are confident to get by without cash and for longer periods of time -- with more than half feeling confident to get by for a week or longer, as cashless payment options grow," he added.²

Patuloy po ang paglaki ng tiwala ng marami nating kababayan sa tinatawag na digital payments gaya po ng credit cards at e-wallet. Sa katunayan po, may mga LGU po tayo na nakapagbibigay ng ayuda gamit ang e-wallet. Bagama't pangunahin pa rin ang pag-gamit ng pananalapi, marapat na po natin tanggapin na magiging permanenteng bahagi po ng ating komersyo ang digital payments.

This bill mandates government offices to adopt digital transaction systems to allow them to pay and receive digital currency. It likewise mandates various government agencies to work together to promote digital payment transactions.

In doing so, we hope that we will help in stimulating our economy by facilitating faster and more secure transactions using online platforms.

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


MANUEL "LITO" M. LAPID
Senator 

² *Ibid.*

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

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

- i. *"Access device"* refers to any card, plate, code, account number, electronic serial number, personal identification number, mobile device, or other information and communications technology service, equipment or Instrumental Identifier, or other means of account access that can be used to obtain money, goods, services, or any other thing of value, or to initiate a transfer of funds in electronic form;
- ii. *"Account-based disbursement"* refers to the disbursement of funds such as salaries, wages, allowances, and social benefits, among others, directly into the transaction account of the intended recipient held in any Bangko Sentral ng Pilipinas (BSP)-supervised entity as chosen and specified by the intended recipient;
- iii. *"Basic deposit account (BDA)"* refers to the deposit product offered by banks as defined under the BSP Manual of Regulations for Banks and its implementing guidelines;
- iv. *"Digital collection"* refers to a mode of payment wherein businesses and citizens make payments to the government, including but not limited to, taxes, fees, and tolls, using a digital device such as mobile phone, point of sale, or computer. Payments can be made with bank transfers, electronic money, and payment cards including credit, debit, prepaid, or stored-value cards, among others;
- v. *"Digital disbursement"* refers to a mode of payment whereby disbursement of money or equivalent electronic representations of legal tender, for purposes of paying government expenditures, is made by

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

1 Act;

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

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

10 xvi. "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
12 that can be used to store, send, and receive funds.

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

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

30 Government entities shall be responsible for preparing the payment instruction

1 with the necessary details, including the recipient's or beneficiary's name, transaction
2 account details, and amount, among others, only after proper authorization in
3 accordance with established accounting and auditing rules and regulations.

4 The government servicing PSP shall carry out the payment instruction and
5 submit the verified list of successful and failed fund transfers and other relevant details
6 to the government entity disbursing the fund. Subject to the agreement with the
7 government entity, the government servicing PSP may collect fees from the
8 government entity for the electronic fund transfer services.

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

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

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

26 SECTION 7. *Adoption of Interoperable Digital Payment Solutions.* – The BSP
27 shall implement initiatives that aim to accelerate the adoption by all PSPs of
28 interoperable digital payment technologies and appropriate standards thereof, such
29 as but not limited to the National Quick Response (QR) Code Standard meant to hasten

1 the interoperability of QR-driven payment services and eliminate the need for
2 merchants and clients to maintain several accounts.

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

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

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

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

- 1 a) Oversee and monitor the procurement of digital payment solutions by
2 government entities and ensure that the same is in accordance with existing
3 laws, rules and regulations;
- 4 b) Consider the formulation of standard terms and condition for PSPs, in
5 consultation with the BSP and COA. Pursuant to its mandate, the GPPB may
6 also issue specific procurement guidelines for the engagement of PSPs;
- 7 c) Resolve issues relative to the implementation of this Act, without prejudice
8 to the individual member-agencies resolving such concerns pursuant to their
9 respective mandates;
- 10 d) Call on any department, agency or office under the Executive Branch for
11 the effective implementation of this Act; and
- 12 e) Perform such other function pursuant to the fulfillment of the objectives of
13 this Act.

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

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

29 SECTION 9. *Digital Capability of Merchants.* – To accelerate the adoption of
30 digital payment, LGUs shall, by ordinance, encourage and grant monetary and non-

1 monetary incentives to merchants within their localities to establish and/or outsource
2 arrangements and/or mechanisms that would enable them to receive payments from
3 clients and make payments to creditors and suppliers using digital channels.

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

12 SECTION 10. *Promotion of Digital Payment Transactions.* – To optimize the
13 benefits of digital payments, scale up financial institution, and promote sustainability,
14 all government entities shall prioritize the use of safe and efficient digital payment in
15 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 The BSP, in coordination with relevant stakeholders, shall promote measures
21 on financial and digital literacy, and consumer protection to strengthen the public's
22 trust in digital payment transactions.

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

28 The DICT shall implement measures to further enhance the availability,
29 accessibility, reliability, and cost-efficiency of internet services to support the

1 Government's program on the digitalization of financial transactions.

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

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

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

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

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

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

1 authority of the BSP.

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

4 a) Integrate security and data privacy by design and by default in the
5 development stage of the payment systems;

6 b) Process personal and sensitive personal information in the system in
7 accordance with any of the criteria for lawful processing provided for under
8 the relevant laws, rules and regulations;

9 c) Implement reasonable and appropriate organizational, physical and
10 technical security measures for the protection of personal data and uphold
11 the rights of data subjects;

12 d) Provide reasonable and timely assistance to NGAs, government
13 corporations, LGUs, SUCs, and/or merchants, in accordance with relevant
14 rules and regulations, to enable them to respond to a request from clients
15 to exercise any of their rights and any other correspondence, inquiry or
16 complaint received from a client or other third party in connection with the
17 processing of the personal data in the payment system;

18 e) The PSP performing the function of collection of money and/or payment of
19 transaction on behalf of the government agency shall, to the extent
20 necessary, cooperate with the COA for the examination, audit, and
21 settlement of all accounts pertaining to the revenue and receipts, and
22 expenditures or uses of funds of all NGAs, government corporations, SUCs,
23 and LGUs. The PSP shall allow COA to perform its audit procedures and to
24 determine whether collections are complete, and use of funds are
25 authorized;

26 f) Comply with the requirements indicated in the standard terms of reference
27 or standard minimum terms and conditions that may be issued by the TWG.

28 SECTION 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 (P200,000.00) or more than Two million pesos
4 (P2,000,000.00) or by imprisonment of not less than two (2) years nor more than ten
5 (10) years, or both, at the discretion of the court.

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

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

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

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

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

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

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

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

13 *Approved,*