

**TWENTIETH CONGRESS OF THE  
REPUBLIC OF THE PHILIPPINES**  
*First Regular Session*

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25 JUL 15 P1:49

RECEIVED BY: 

**SENATE**

**S.B. No. 633**

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**Introduced by SEN. WIN GATCHALIAN**

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

**EXPLANATORY NOTE**

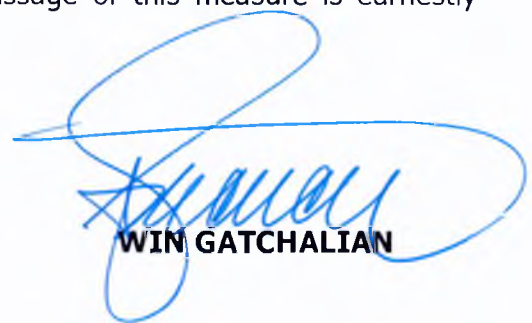
The significance of cashless transactions and digital payments was highlighted during the height of the COVID-19 pandemic, when people were restricted from leaving their homes and were forced to resort to alternative modes of payment that did not involve cash. Post-pandemic, we have witnessed the continuous growth and development of digital payments as more people found cashless transactions more convenient and as more establishments started accepting digital payments.

Consistent with the State policy under Republic Act No. 11032, otherwise known as the "Ease of Doing Business and Efficient Government Service Delivery Act of 2018", to promote efficient delivery of government transactions, Executive Order No. 170 was issued on 12 May 2022, directing all covered agencies 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.

Aligned with the government's efforts to develop an inclusive digital financial ecosystem, there is a need to institutionalize the adoption of digital payments for transactions between the public and the government, as well as between the public and all other merchants and private institutions offering goods or services. To facilitate the adoption of digital payments in government transactions, this measure allows government entities to include in their respective budget amounts that will cover the reasonable costs of establishing and maintaining a digital payment system. In addition, this bill directs all covered government entities to adopt a comprehensive incentive framework for selected financial transactions to encourage the use of digital payments. Similarly, this measure directs local government units (LGUs) to institute measures to help increase the digital capability of merchants within their jurisdiction, including but not limited to the grant of monetary and non-monetary incentives, as well as the establishment of mechanisms to ensure that merchants, particularly small and micro-merchants, have access to appropriate digital payment solutions.

In view of the foregoing, the immediate passage of this measure 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        SEC. 1. *Short Title.* – This Act shall be known as the "Use of Digital Payments Act".

2

3        SEC. 2. *Declaration of Policy.* – The State recognizes the vital role of information  
4 and communications technology, particularly financial technology, in financial inclusion  
5 advancement and nation-building. The State also recognizes the need to promote ease  
6 of doing business and efficient delivery of good and services to the general public.

7        Towards this end, the State shall promote financial inclusion through the use of safe,  
8 secure, reliable, and efficient digital payment systems in various transactions involving  
9 the public and both government and private institutions. To this end, the State shall  
10 optimize the use of financial technologies and innovative payment systems for financial  
11 transactions to strengthen financial inclusion. In so doing, the State shall encourage and

1 facilitate the adoption of digital payments in a technology-neutral manner, where one  
2 technology is not unreasonably favored or given undue advantage over another.

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

8  
9 SEC. 4. *Definition of Terms.* – As used in this Act, the following terms shall mean:

- 10 a) "*Access Device*" refers to any card, plate, code, account number, electronic  
11 serial number, personal identification number, mobile device, or other  
12 information and communications technology service, equipment or  
13 instrumental identifier, or other means of account access that can be used to  
14 obtain money, goods, services, or any other thing of value, or to initiate a  
15 transfer of funds in electronic form;
- 16 b) "*Account-based Disbursement*" refers to the disbursement of funds such as  
17 salaries, wages, allowances, and social benefits, among others, directly into  
18 the transaction account of the intended recipient held in any Bangko Sentral  
19 ng Pilipinas (BSP)-supervised entity as chosen and specified by the intended  
20 recipient;
- 21 c) "*Basic Deposit Account (BDA)*" refers to the deposit product offered by banks  
22 as defined under the BSP Manual of Regulations for Banks and its  
23 implementing guidelines;
- 24 d) "*Digital Collection*" refers to a mode of payment wherein businesses and  
25 individuals make payments to the government, including but not limited to  
26 taxes, fees, and tolls, using a digital device such as a mobile phone, point of  
27 sale, or computer. Payments can be made with bank transfers, electronic  
28 money, and payment cards including credit, debit, prepaid, or stored-value  
29 cards, among others;

- 1 e) "*Digital disbursement*" refers to a mode of payment whereby disbursement of  
2 money or equivalent electronic representations of legal tender, for purposes  
3 of paying government expenditures, is made by crediting the target recipient's  
4 transaction account through advice to debit or electronic fund transfer  
5 facilitated by any government agency or instrumentality through their  
6 respective servicing bank;
- 7 f) "*Digital Payment*" refers to monetary payment transactions between two  
8 parties through a digital payment instrument by which both the payor and the  
9 payee use an electronic channel;
- 10 g) "*Electronic Fund Transfer*" refers to a transfer of funds between two  
11 transaction accounts in the same or different BSP-supervised financial  
12 institutions, which are initiated and received using electronic devices and  
13 channels to transmit payment instructions;
- 14 h) "*Electronic money (e-money)*" refers to electronically stored monetary value  
15 issued in accordance with the BSP Manual of Regulations for Banks and the  
16 Manual of Regulations for Non-Bank Financial Institutions.
- 17 i) "*Financial inclusion*" refers to the state wherein there is effective access to a  
18 wide range of financial products and services for all Filipinos;
- 19 j) "*Government Servicing Payment Service Provider (PSP)*" refers to bank and  
20 non-bank PSPs authorized to accept government funds and perform payment  
21 services on behalf of government entities. This includes authorized  
22 government depository banks (AGDBs) as defined by the Department of  
23 Finance (DOF) regulations;
- 24 k) "*Information security standards*" refers to standards that aim to protect and  
25 secure the confidentiality, integrity, availability, authenticity, and non-  
26 repudiation of information and the data privacy of users of any digital payment  
27 platforms and other parties involved therein;
- 28 l) "*Merchant*" refers to a person or entity engaged in buying and selling  
29 merchandise, purchasing of services, skills, or expertise, and leasing of goods  
30 and services;

- 1 m) "*Micro-payment Transactions*" refers to low-value payments, including but not  
2 limited to payments to sari-sari store owners, wet market vendors, as well as  
3 tricycle and jeepney drivers, the actual thresholds of which shall be determined  
4 by the BSP, pursuant to the objectives of this Act;
- 5 n) "*Payment Service Provider (PSP)*" refers to an entity, such as a bank or non-  
6 bank electronic money issuer, that provides payment services to end-users,  
7 such as consumers, merchants, and billers, including government institutions;
- 8 o) "*Payment System*" refers to the set of payment instruments, processes,  
9 procedures and participants that ensure the circulation of money or movement  
10 of funds, which comply with the requirements set forth under Republic Act No.  
11 11127 or the National Payment System Act;
- 12 p) "*Transaction Account*" refers to an account, such as but not limited to a BDA  
13 or e-money account held with a BSP-supervised financial institution that can  
14 be used to store, send, and receive funds.
- 15

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



1 Accountable officers of the government entities shall observe due diligence in  
2 ensuring the accuracy of the recipient's or beneficiary's identity. Use of government funds  
3 through direct crediting shall remain transparent to state auditors.

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

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

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

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

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

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

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

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

21 There shall be a technical working group (TWG) composed of the Commission on  
22 Audit (COA), Department of Budget and Management (DBM), Department of Finance  
23 (DOF), Bureau of Treasury (BTr), Bureau of Internal Revenue (BIR), the Government  
24 Procurement Policy Board (GPPB) and other relevant agencies that will provide guidance  
25 and promote cost-efficiency and transparency in the procurement of digital payment  
26 solutions by government entities. Consistent with the respective mandates of the  
27 member-agencies, and in coordination with the COA, the TWG shall have the following  
28 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 conditions 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 the  
11 effective implementation of this Act; and
- 12 e) Perform such other function pursuant to the fulfillment of the objectives of  
13 this Act.

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

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

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

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

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

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

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

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

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

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

11  
12        SEC. 12. *Transitory Provision.* – Government entities shall be responsible for  
13 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 issuance  
16 of the implementing rules and regulations (IRR) of this Act.

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

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

1        SEC. 14. *Obligations of Payment Systems Providers.* – In line with the declared policy  
2 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 technical  
9        security measures for the protection of personal data and uphold the rights  
10       of data subjects;
- 11       d) Provide reasonable and timely assistance to NGAs, government corporations,  
12       LGUs, SUCs, LUCs, and/or merchants, in accordance with relevant rules and  
13       regulations, to enable them to respond to a request from clients to exercise  
14       any of their rights and any other correspondence, inquiry or complaint  
15       received from a client or other third party in connection with the processing  
16       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 settlement  
20       of all accounts pertaining to the revenue and receipts, and expenditures or  
21       uses of funds of all NGAs, government corporations, SUCs, LUCs, and LGUs.  
22       The PSP shall allow COA to perform its audit procedures and to determine  
23       whether collections are complete, and the use of funds are authorized; and
- 24       f) Comply with the requirements indicated in the standard terms of reference  
25       or standard minimum terms and conditions that may be issued by the TWG.

26  
27       SEC. 15. *Penalties and Sanctions.* – Without prejudice to the penalties and sanctions  
28 provided in Republic Act No. 11127 or "The National Payment Systems Act" and other  
29 laws, whenever any person or entity willfully violates this Act, its implementing rules or  
30 regulation, or directives or orders duly promulgated by the BSP pursuant hereto, the

1 person or persons responsible for such violation shall be punished by a fine of not less  
2 than Two hundred thousand pesos (Php200,000.00) but not more than Two million pesos  
3 (Php2,000,000.00), or by imprisonment of not less than two (2) years but not more than  
4 ten (10) years, or both, at the discretion of the court.

5  
6 SEC. 16. *Interpretation.* – Nothing in this Act shall be construed to exempt any  
7 government funds in the possession of private entities from the constitutional authority  
8 and duty of the COA to examine, audit, and settle all accounts pertaining to the revenue  
9 and receipts of, and expenditures or uses of, funds and property owned or held in trust  
10 by, or pertaining to, the government. All digital payments involving government  
11 transactions under this Act shall be subject to post-audit of the COA. Accordingly, the  
12 COA shall promulgate the pertinent rules and regulations for all transactions covered by  
13 this Act.

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

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

26 The amount necessary for the implementation of the provisions of this Act shall be  
27 taken from the current year's budgets of the NGAs, government corporations, SUCs,  
28 LUCs, 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 Act,  
30 corporate operating budget, or appropriation ordinance, as the case may be.



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

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

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

13  
14       SEC. 21. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication  
15 in the Official Gazette or in any newspaper of general circulation.

*Approved,*