

Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. **5385**



Introduced by Representative Kenneth T. Gatchalian

EXPLANATORY NOTE

The COVID-19 pandemic underscored the importance of cashless transactions and digital payments, which have since continued to grow in convenience and adoption. To further promote efficiency in public service, Republic Act No. 11032, or the Ease of Doing Business and Efficient Government Service Delivery Act of 2018, and Executive Order No. 170 (2022) already mandate the use of safe and efficient digital disbursement methods in government transactions.

This bill seeks to institutionalize digital payments in both government and private transactions, ensure agencies can allocate funds for establishing digital systems, and direct LGUs to support merchants—especially small and micro-enterprises—in adopting these platforms. By building an inclusive digital financial ecosystem, this measure strengthens transparency, efficiency, and access in government and commercial transactions.

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


KENNETH T. GATCHALIAN

Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. **5385**

Introduced by Representative Kenneth T. Gatchalian

AN ACT
PROMOTING THE ADOPTION OF DIGITAL PAYMENTS FOR
FINANCIAL TRANSACTIONS OF THE GOVERNMENT AND ALL
MERCHANTS AND FOR 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*
2 *Payments Act*".

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

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

1 neutral manner, where one technology is not unreasonably favored or given undue
2 advantage over another.

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

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

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

- 1 (e) “*Digital disbursement*” refers to a mode of payment whereby
2 disbursement of money or equivalent electronic representations of legal
3 tender, for purposes of paying government expenditures, is made by
4 crediting the target recipient's transaction account through advice to debit
5 or electronic fund transfer facilitated by any government agency or
6 instrumentality through their 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
9 the 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
15 value issued in accordance with the BSP Manual of Regulations for
16 Banks and the Manual of Regulations for Non-Bank Financial
17 Institutions.
- 18 (i) “*Financial inclusion*” refers to the state wherein there is effective access
19 to a wide range of financial products and services for all Filipinos;
- 20 (j) “*Government Servicing Payment Service Provider (PSP)*” refers to bank
21 and non-bank PSPs authorized to accept government funds and perform
22 payment services on behalf of government entities. This includes
23 authorized government depository banks (AGDBs) as defined by the
24 Department of Finance (DOF) regulations;
- 25 (k) “*Information security standards*” refers to standards that aim to protect
26 and secure the confidentiality, integrity, availability, authenticity, and
27 non-repudiation of information and the data privacy of users of any
28 digital payment platforms and other parties involved therein;

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

19 **SEC. 5.** *Adoption of Digital Payment for Government Disbursements.* – All
20 government entities, including but not limited to national government agencies
21 (NGAs), foreign-based government agencies, all government corporations, local
22 government units (LGUs), State Universities and Colleges (SUCs), and local
23 universities and colleges (LUCs), are hereby mandated to utilize safe, reliable and
24 efficient digital disbursement in the payment of goods, services and other
25 disbursements including but not limited to cash assistance and payment of salaries,
26 wages, allowances, and honoraria of its employees, whatever nature of appointment.
27 Government entities shall be allowed to disburse funds directly into the recipient's
28 or beneficiary's transaction account held in government or private financial

1 institutions without the need for special arrangements with each of these financial
2 institutions. For this purpose, said government entities may use the automatic debit
3 arrangement, interoperable electronic fund transfer, or any other appropriate facility
4 of its government servicing PSP.

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

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

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

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

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

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

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

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

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

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

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

24 **SEC. 8.** *Establishment of a Government Payment Gateway.* – The BSP, in
25 consultation with the DOF, DBM, COA, Department of Information and
26 Communications Technology (DICT), BIR, Bureau of Customs (BOC), BTr, digital
27 banking experts, academe and other appropriate public sector and banking industry
28 stakeholders, may cause the establishment of a government payment gateway

1 through which all government entities may process digital payments made to them
2 through PSPs, websites, mobile phone applications, or other access devices.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 18 (a) Integrate security and data privacy by design and by default in the
19 development stage of the payment systems;
- 20 (b) Process personal and sensitive personal information in the system in
21 accordance with any of the criteria for lawful processing provided for
22 under relevant laws, rules and regulations;
- 23 (c) Implement reasonable and appropriate organizational, physical, and
24 technical security measures for the protection of personal data and uphold
25 the rights of data subjects;
- 26 (d) Provide reasonable and timely assistance to NGAs, government
27 corporations, LGUs, SUCs, LUCs, and/or merchants, in accordance with
28 relevant rules and regulations, to enable them to respond to a request from

1 clients to exercise any of their rights and any other correspondence,
2 inquiry or complaint received from a client or other third party in
3 connection with the processing of the personal data in the payment
4 system;

5 (e) The PSP performing the function of collection of money and/or payment
6 of transaction on behalf of the government agency shall, to the extent
7 necessary, cooperate with the COA for the examination, audit, and
8 settlement of all accounts pertaining to the revenue and receipts, and
9 expenditures or uses of funds of all NGAs, government corporations,
10 SUCs, LUCs, and LGUs. The PSP shall allow COA to perform its audit
11 procedures and to determine whether collections are complete, and the
12 use of funds are authorized; and

13 (f) Comply with the requirements indicated in the standard terms of reference
14 or standard minimum terms and conditions that may be issued by the
15 TWG.

16 **SEC. 15. *Penalties and Sanctions.*** – Without prejudice to the penalties and
17 sanctions provided in Republic Act No. 11127 or "The National Payment Systems
18 Act" and other laws, whenever any person or entity willfully violates this Act, its
19 implementing rules or regulation, or directives or orders duly promulgated by the
20 BSP pursuant hereto, the person or persons responsible for such violation shall be
21 punished by a fine of not less than Two hundred thousand pesos (Php200,000.00)
22 but not more than Two million pesos (Php2,000,000.00), or by imprisonment of not
23 less than two (2) years but not more than ten (10) years, or both, at the discretion of
24 the court.

25 **SEC. 16. *Interpretation.*** – Nothing in this Act shall be construed to exempt
26 any government funds in the possession of private entities from the constitutional
27 authority and duty of the COA to examine, audit, and settle all accounts pertaining
28 to the revenue and receipts of, and expenditures or uses of, funds and property

1 owned or held in trust by, or pertaining to, the government. All digital payments
2 involving government transactions under this Act shall be subject to post-audit of
3 the COA. Accordingly, the COA shall promulgate the pertinent rules and regulations
4 for all transactions covered by this Act.

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

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

17 The amount necessary for the implementation of the provisions of this Act
18 shall be taken from the current year's budgets of the NGAs, government
19 corporations, SUCs, LUCs, and LGUs. Thereafter, such sums as may be necessary
20 for the continued implementation of the Act shall be incorporated in the annual
21 General Appropriations Act, corporate operating budget, or appropriation
22 ordinance, as the case may be.

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

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

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

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

Approved,