

**IMPLEMENTING RULES AND REGULATIONS OF
EXECUTIVE ORDER NO. 170, S. 2022**

**ADOPTION OF DIGITAL PAYMENTS FOR GOVERNMENT
DISBURSEMENTS AND COLLECTIONS**

Pursuant to Section 6 of Executive Order (EO) No. 170 dated 12 May 2022, the following Implementing Rules and Regulations are hereby prescribed and promulgated:

RULE I
PRELIMINARY PROVISIONS

Section 1.1 Title. The rules ("Rules") contained herein shall be known and cited as the Implementing Rules and Regulations (IRR) of EO No. 170.

Section 1.2 Purpose. These Rules are issued and promulgated under the authority of the Department of Finance (DOF) to formulate, in coordination with the Bangko Sentral ng Pilipinas (BSP), Commission on Audit (COA), Department of Budget and Management (DBM), Bureau of the Treasury (BTr), Bureau of Internal Revenue (BIR) and other relevant government agencies, such rules and regulations as may be necessary to implement the objectives of EO No. 170. These Rules are also provided pursuant to the exercise of such other powers as may be necessary or incidental to attain the same objectives.

Section 1.3 Declaration of Policy. It is hereby declared the policy of the State to:

- a. Promote efficient delivery of government services, expedite government transactions, boost revenue and reduce the risk of graft and corruption;
- b. Enable the use of digital payment services across various sectors for a fast, convenient, secure and transparent mode of delivering government services and transacting business;
- c. Facilitate effective, expedient and transparent distribution of financial assistance to beneficiaries;
- d. Build an inclusive digital finance ecosystem that makes formal financial services accessible to the vulnerable and underserved sectors of the country;
- e. Develop human resources capable for the information age that are skilled in the use of information and communications technology (ICT) and a population capable of operating and utilizing electronic appliances and computers; and
- f. Bridge digital infrastructure gaps, facilitate the transfer and promotion of technological emerging capabilities and platforms, and ensure network security, connectivity, and neutrality of technology for the national benefit.

Section 1.4 Coverage. All departments, agencies, and instrumentalities of the Executive Branch, including state universities and colleges, government-owned or -controlled corporations (hereafter, "Covered Agencies"), are covered by the rules and regulations prescribed herein. Local government units (LGUs) are enjoined to be guided by the same guidelines for their respective disbursements and collections. The Philippine Embassies

and Consulates, through the Department of Foreign Affairs, are likewise covered by the rules and regulations prescribed herein.

Section 1.5 Definition of Terms. For the purposes of the IRR, the following terms shall mean:

- a. *Advice to Debit Account (ADA)* - refers to an authorization issued by the government entity that serves as an instruction to Government Servicing Banks to debit a specified amount from its available account balance for payment of creditors/payees.
- b. *Authorized Government Depository Bank (AGDB)* - refers to banks where National Government Agencies/ State Universities and Colleges/ Government-Owned or Controlled Corporations / Government Financial Institutions / Government Instrumentalities with Corporate Powers / Government Corporate Entities / and Local Government Units are allowed by law to deposit government funds and maintain depository accounts, or by way of exception, a bank allowed by the DOF and the Monetary Board to hold government deposits subject to prescribed rules and regulations.
- c. *Digital collection* – refers to a mode of payment wherein a government entity receives payments from businesses, citizens and other individuals through digital devices (e.g., mobile phones, Point of Sale or computers) and where payments can be made through bank transfers, electronic money and payment cards (e.g., credit, debit or prepaid cards);
- d. *Digital disbursement* – refers to a mode of payment wherein a government entity disburses money or any equivalent electronic representations of legal tender, for purposes of paying government expenditures, by crediting the target recipient's transaction account through Advice to Debit Account (ADA) or Electronic Fund Transfer (EFT) facilitated by the Government Servicing Bank, or any other digital payment instruments allowed by existing laws and regulations;
- e. *Digital payment* – refers to a monetary payment transaction between two (2) parties through a digital payment instrument in which both the payer and the payee use an electronic channel;
- f. *Electronic Fund Transfer* – refers to transfer of funds between two (2) transaction accounts in the same or in different financial institutions supervised by the BSP, which are initiated and received using electronic devices and channels to transmit payment instructions;
- g. *Electronic money (e-money)* – refers to electronically-stored monetary value which is issued in accordance with the BSP regulations;
- h. *Electronic Money Issuers (EMIs)* - refers to BSP-supervised financial institutions that engage in the operations of e-money business in accordance with the BSP regulations;
- i. *Government Servicing Bank (GSB)* – refers to banks authorized, upon accreditation by the Monetary Board, to accept government deposits and perform banking services on behalf of government entities, including Authorized Government Depository Banks, as defined by regulations of the DOF;
- j. *Merchant Discount Rate* – refers to the percentage fee charged by a Payment Service Provider to a collecting entity for processing payment transactions;

- k. *National Retail Payment System (NRPS)* – a policy and regulatory framework that aims to establish a safe, efficient, and reliable retail payment system in the Philippines;
- l. *Payment Service Provider (PSP)* – refers to an entity such as a bank or non-bank electronic money issuer, that provides payment services to end-users such as consumers, merchants, and billers, including government institutions; and
- m. *Transaction account* – a bank account or e-money account held with a BSP-supervised financial institution that can be used to store, send, and receive funds.

RULE II
DIGITAL PAYMENTS FOR GOVERNMENT DISBURSEMENTS

Section 2.1 Guiding Principle. All Covered Agencies shall utilize safe and efficient digital disbursement in the payment of goods, services, and other disbursements, including in the distribution of financial assistance, as well as in the payment of salaries, wages, allowances, and other compensation to employees. Covered Agencies shall be allowed to disburse funds directly into the transaction accounts of recipients or beneficiaries, whether held in government or private financial institutions.

Section 2.2 Responsibilities of the Covered Agencies. All Covered Agencies shall have, among others, the following obligations:

- a. Develop and implement streamlined internal procedures for digital payment of government disbursements, such as through an Advice to Debit Account (ADA) and interoperable Electronic Fund Transfers (EFT). Internal procedures shall include a process to verify the correctness of the transaction account and account number to ensure that the same belongs to the intended recipient;
- b. Prepare and be accountable in the accuracy of payment instructions, with all necessary details, including the name of the beneficiary, details of the transaction account, and amount involved;
- c. Establish a public assistance mechanism for the efficient handling of inquiries and concerns regarding the digital disbursement, as well as requests for assistance in opening a transaction account from unbanked recipients and beneficiaries;
- d. Disburse the full amount of cash assistance into the transaction account of the recipient/ beneficiary. Covered Agencies may top-up the disbursement with a maximum of P50.00 per beneficiary, and up to a maximum amount of P100 for beneficiaries located in Geographically Isolated and Disadvantage Areas (GIDA). Provided, there is appropriation or other legal funding source. The top-up amount is intended to be used by the beneficiary to cover any cash out fees that he or she may incur (e.g., ATM withdrawal fees, and agent cash-out fees) in receiving the cash assistance;
- e. Develop policies, procedures, and guidelines for establishing and maintaining the accuracy of the database containing the transaction account details of



recipients and beneficiaries, including procedure for the reversal of wrongly credited payment, in coordination with the GSB; and

- f. Perform other functions as may be prescribed by the Technical Working Group of EO No. 170.

Section 2.3 Responsibilities of the GSBs. The GSBs shall have, among others, the following obligations:

- a. Execute payment instructions in accordance with the settlement periods to be provided under the service level agreement for ADA, and in accordance with the processing time for EFT services set out under the rules of the Automated Clearing House (ACH) and regulations prescribed by the BSP;
- b. Submit to the government entity disbursing the fund a verified list of successful or failed fund transfers, together with all relevant details. At the minimum, the report should have the following basic information:
 - 1. Recipient or beneficiary information such as name, transaction account details such as name of bank and branch or e-money issuer and account number; and
 - 2. Amount Due.

Reports on successful or failed fund transfers should be transmitted to the government entity disbursing the fund two business days after the disbursement.

- c. Subject to service level agreements, which may be guided by standard provisions to be defined by the Technical Working Group of EO No. 170, GSBs may be allowed to collect fees from Covered Agencies for EFT services; and
- d. Notify the government entity disbursing the fund of any expected service disruption which may cause delays in disbursing funds to recipients and beneficiaries. Likewise, GSBs shall issue a public notice in relevant channels, including social media, to provide proper guidance to those expecting the disbursements.

Section 2.4 Rights of the recipients and beneficiaries. The recipients and beneficiaries are entitled to the following:

- a. Right to choose and nominate the transaction account into which Covered Agencies will disburse the funds, which may be held in a government or private financial institution, provided that the institution is a participating receiving entity of an interoperable EFT scheme;
- b. Right to rectification of the inaccuracy or error in their transaction account details and have it corrected immediately and accordingly, unless otherwise unreasonable. If the transaction account detail has been corrected, the Covered Agencies shall ensure the accessibility of both the new and the retracted information and the simultaneous receipt of the new and the retracted information by the GSBs; and

- c. Access to adequate information regarding digital payment of government disbursements, including distribution of financial assistance.

Section 2.5 Public Service Continuity Plan. All Covered Agencies shall provide in its Public Service Continuity Plan the policies and procedures that will be followed in times of calamities or other emergencies when payments through digital means may not be fulfilled after exhausting all possible means. In these cases, non-digital payout channels may be considered by Covered Agencies in the exigency of service.

Section 2.6 Compliance with Data Privacy Act. Covered Agencies and GSBs shall ensure that the provisions of RA No. 10173 or the "Data Privacy Act of 2012," its Implementing Rules and Regulations, and all relevant issuances of the National Privacy Commission, shall be observed in the implementation of EO No. 170 and this IRR.

RULE III

DIGITAL PAYMENTS FOR GOVERNMENT COLLECTIONS

Section 3.1 Guiding Principle. All Covered Agencies are mandated to offer a digital mode of collecting payments for taxes, fees, tolls, and other charges and impositions. Acceptance of cash and other traditional modes of payment shall not be discontinued and shall be offered in addition to digital modes of payment.

Section 3.2 Procurement of PSP. Covered Agencies shall utilize secure payment processing solutions to ensure that various digital payment methods are accepted. For this purpose, Covered Agencies may engage the services of established Payment Service Providers, provided that only interoperable digital payment solutions which are compliant with the National Retail Payment System Framework shall be availed.

Subject to existing laws, rules and regulations, the partner PSP of Covered Agencies shall not be limited to Government Servicing Banks.

Section 3.3 Responsibilities of the PSP. The PSP shall have, among others, the following obligations:

- a. Define process and ensure issuance of Acknowledgement Receipts for payment/s made through digital platform;
- b. Process personal and sensitive personal information in the system in accordance with the provisions of the Data Privacy Act of 2012, its Implementing Rules and Regulations, and all relevant issuances of the National Privacy Commission;
- c. Perform the responsibilities and functions as set out in the Standard Terms of Reference or Standard Minimum Terms and Conditions to be issued by the Technical Working Group of EO No. 170 which shall include, among others, standards on timely processing of payments and appropriate recourse and support for issues and concerns encountered by Covered Agencies and the transacting public.
- d. Remit or deposit intact the full amount of collections due to the government to the appropriate account in the AGDB (Authorized Government Depository

Bank) within the next banking day from the collection date or within the period as may be prescribed by TWG.

- e. Provide a reporting facility where government agencies can view and download details of collection in real-time.

Section 3.4 Responsibilities of the Covered Agencies. All Covered Agencies shall have, among others, the following obligations:

- a. Define process for electronic issuance of invoice and/or billing number for on-time and late payments of taxes, fees, tolls, and other charges and impositions;
- b. Ensure that their payment channels are adequate, visible, available and accessible to the transacting public;
- c. Promote and encourage use of the digital payment channels and provide adequate support to the transacting public;
- d. Ensure compliance with existing applicable regulations on electronic collection; and
- e. Perform such other functions as may be prescribed by the Technical Working Group of EO No. 170.

RULE IV

TECHNICAL WORKING GROUP ON THE ADOPTION OF DIGITAL PAYMENTS

Section 4.1 Composition of the Technical Working Group (TWG) on the Adoption of Digital Payments. Pursuant to Section 5 of EO No. 170, a TWG shall be constituted composed of representatives from the following agencies and offices:

- a. DOF;
- b. DBM;
- c. BTr;
- d. BIR; and
- e. Government Procurement Policy Board (GPPB) Technical Support Office.

Section 4.2 Designation of Permanent and Alternate Representatives to the TWG. To ensure representation and facilitate coordination and collaboration on all matters relative to the functions of the TWG, a senior official with a rank not lower than an Assistant Secretary or its equivalent of each member agency shall be designated by the head of agency to be a permanent representative in the TWG within fifteen (15) days from the effectivity of this IRR. Alternate representatives, with a rank not lower than Director IV or its equivalent, shall also be duly endorsed by the head of the agency.

The permanent and/or alternate representatives shall be responsible for overseeing their respective agency's overall efforts in the implementation of EO No. 170 and this IRR.

Section 4.3 Functions. The TWG shall have the following powers and functions:

- a. Develop and drive implementation of strategy and programs to ensure effective and cost-efficient procurement of PSP and other digital collection services in the government, including the LGUs. This may include review and/or negotiation of the transaction fee/s and standard merchant discount rate for all government payments. This information will be used to determine the proper Approved Budget for the Contract (ABC), if necessary;
- b. Provide guidance on the standard provisions in the service level agreement or memorandum of agreement between GSBs and Covered Agencies with respect to digital disbursements;
- c. Oversee and monitor the procurement of digital payment solutions by Covered Agencies and ensure that the same is in accordance with existing laws, rules and regulations;
- d. Consider the formulation of standard terms and conditions for PSPs, in consultation with the BSP and COA. Pursuant to its mandate to formulate and amend public procurement policies, rules and regulations in accordance with Section 63 of Republic Act no. 9184, the GPPB may also issue specific procurement guidelines for the engagement of PSPs, if necessary;
- e. Develop principle-based guidelines which should cover, among others, the following areas:
 - i. Standardization of reports on the successful or failed fund transfers for ease of reconciliation
 - ii. Consumer assistance and complaints handling
 - iii. Rules on generation, issuance and recognition of electronic official receipt
 - iv. Preparation of payment instruction
 - v. Measures to prevent double disbursements
 - vi. Progress reports of covered agencies on their respective collection and disbursements.
- f. Resolve issues relative to the implementation of this Order, without prejudice to the individual member-agencies resolving such concerns pursuant to their respective mandates;
- g. Develop and utilize operational readiness criteria and capability assessment for the adoption of digital payments for government collections of all Covered Agencies;
- h. Develop and implement a communication and advocacy plan, in coordination with the Communication Working Group of the Financial Inclusion Steering Committee, to: (a) brief Covered Agencies on the goals and requirements of the EO No. 170; and (b) educate the public on the necessity and benefits of owning a transaction account and using digital payments, through information and awareness campaigns and financial literacy programs;
- i. Call on any department, agency or office under the Executive Branch for the effective implementation of this Order;

- j. Develop, recommend and/or implement appropriate mechanism to enforce full compliance of all Covered Agencies with the provisions of EO No. 170 and this IRR; and
- k. Perform such other functions as may be directed by the President.

Section 4.4 Structure and Organization. The TWG shall be chaired by the permanent representative of the BTr while the members shall be comprised of the permanent and alternative members of the other member agencies. The BTr shall also serve as the TWG Secretariat. For its Secretariat role, the BTr may request the assistance of the BSP and other agencies on the agenda setting and coordination with the financial services industry and other stakeholders for the TWG meetings.

Section 4.5 Responsibilities and function of the TWG Secretariat. The TWG shall provide technical and administrative support services, and undertake the following:

- a. Liaise and coordinate the activities of the TWG in the performance of its functions;
- b. Prepare and recommend the agenda, resolutions, minutes, and other similar documents for the TWG meetings;
- c. Receive and consolidate submissions of transition plans by Covered Agencies;
- d. Develop and maintain a monitoring and evaluation system on the status of the approval and implementation of the transition plans to be submitted by the Covered Agencies;
- e. Maintain the documents and records of the TWG, furnish copies thereof to the TWG members in a timely manner; and
- f. Perform such other tasks as may be directed by the TWG.

Section 4.6 Advisory Body. There shall be an Advisory Body to the TWG, which shall include but not be limited to the following:

- a. Commission on Audit (COA);
- b. Department of Information and Communications Technology (DICT);
- c. Department of the Interior and Local Government (DILG); and
- d. Philippine Payments Management, Inc. (PPMI).

The TWG may consult the Advisory Body in its regular meetings and other activities. However, no voting rights shall be granted to the members of the Advisory Body.

Section 4.7. Meetings and Quorum. The regular meeting of the TWG shall be held at least once every quarter. Should special circumstances arise to warrant the holding of another meeting, a special meeting may be convened by any of the member agencies of the TWG subject to the concurrence of the Chairman. Representation from three out of five member agencies shall be required to determine a quorum and call the meeting into order.