

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE AND
DEPARTMENT OF TRADE AND INDUSTRY

JOINT DEPARTMENT ADMINISTRATIVE ORDER NO. 02
Series of 2006

SUBJECT: GUIDELINES IMPLEMENTING R.A. 8792 ON ELECTRONIC PAYMENT AND COLLECTION SYSTEM (EPCS) IN GOVERNMENT

Pursuant to Section 27 of R.A. 8792, otherwise known as the “Electronic Commerce Act of 2000” and Section 37 of its Implementing Rules and Regulations, this Joint Department Administrative Order (JDAO) is hereby prescribed for the compliance, information, and guidance of all concerned.

I. DECLARATION OF POLICY

The State recognizes the vital role of information and communications technology (ICT) in nation-building.

It is the policy of the State to promote government use of electronic data messages, electronic documents and electronic signatures in the acceptance and filing of documents in connection with the payment and settlement of fees, charges, assessments and other obligations to the government.

It is further the policy of the State to require and/or accept payments and issue receipts acknowledging such payments through systems using electronic data messages or electronic documents.

II. ROLE OF GOVERNMENT

Government shall promote a stable legal environment, allow a fair allocation of scarce resources and protect public interest. Such role shall be no more than essential and shall be clear, transparent, objective, non-discriminatory, proportional, and flexible. Mechanisms for private sector input and involvement in policymaking shall be promoted and widely used.

III. OBJECTIVES

This JDAO is issued to prescribe policies and guidelines in the adoption of Electronic Payment and Collection System (EPCS) in government transactions.

The guidelines are expected to bring about more efficient and effective payment and collection services for the transacting clients and amongst the government offices through any authorized electronic payment and collection system, allowing the government to better manage its financial resources, thereby improving its revenue generation capability.

IV. PRINCIPLES OF IMPLEMENTATION

The EPCS to be used by the Government Entity must comply with the following basic principles:

1. Technology Neutrality
2. Interoperability
3. Operational Efficiency (Elimination of Red Tape)
4. Information Availability, Security, Privacy and Integrity
5. Auditability

V. SCOPE

This JDAO shall apply to all Government Entities that intend to use or which have existing EPCS for the collection of fees, charges, assessments and revenues.

The EPCS should be able to accommodate various modes and channels of electronic payments such as, but not limited to, credit cards, Automated Teller Machines (ATMs), debit cards, stored-value cards, mobile wallet payments and kiosks.

VI. DEFINITION OF TERMS

For purposes of this JDAO, the following terms are defined as follows:

AUTHORIZED AGENT BANK (AAB) refers to a bank with Bangko Sentral ng Pilipinas (BSP)-approved internet banking facility and authorized as such by the concerned Government Entity and the Department of Finance (DOF). An AAB designated as a Collecting Bank can only receive electronic payments and act as intermediary or pass through entity. It can only maintain a Clearing Account or a hinged account for its collections in the name of the Government Entity/Treasurer of the Philippines (TOP).

AUTHORIZED GOVERNMENT DEPOSITORY BANK (AGDB) refers to a bank where Government Entities are allowed by law to deposit their funds and maintain depository accounts, or by way of exception, a bank authorized by the DOF and the Monetary Board (MB) to be a government depository bank.

BACK END SYSTEM refers to an EPCS application system and underlying infrastructure which stores, retrieves, manages, abstracts, transforms and otherwise processes data and information.

BUSINESS CONTINUITY PLAN (BCP) AND DISASTER RECOVERY PLAN (DRP) refers to the systematic planned procedures and facilities designed and deployed to allow the continuous operation of the EPCS in the event of a system failure. The BCP and DRP shall include, but is not limited to: remote server facilities, automated remote data back-up facilities, automated transaction roll-back/roll-forward mechanisms, and server/storage/connectivity redundancies.

CLEARING ACCOUNT refers to a settlement account opened and maintained by the Government Entity/Treasurer of the Philippines (TOP) with an AAB, which is zeroed out at the end of the period which is acceptable to the Bureau of the Treasury and credited to a liability account of the TOP with the designated AGDB.

COLLECTING BANK refers to any AGDB or AAB authorized to accept electronic payments for NC.

ELECTRONIC ARCHIVE refers to a long-term storage medium where copies of electronic documents in their usable form are stored for back-up/retention purposes.

ELECTRONIC OFFICIAL RECEIPT (EOR) refers to a proof of payment generated/issued through an EPCS with unique or sequential reference numbers that can be validated using the same system.

ELECTRONIC PAYMENT refers to the transfer of money or equivalent electronic representations of legal tender, for purposes of payment, solely through electronic means as opposed to the use of cash or physical notes to accomplish the same.

ELECTRONIC PAYMENT AND COLLECTION SYSTEM (EPCS) refers to a system that accepts and processes Electronic Payments, authenticates the payor and payee, validates availability of the funds, and executes the appropriate debit and credit instructions for the fund source and destination accounts, generates and forwards electronic proof of payment or EOR to the payor, or allows secure access thereto and creates, retains and safeguards the resulting detailed electronic transaction records which are accessible by authorized personnel.

ELECTRONIC PAYMENT GATEWAY PROVIDER (EPGP) refers to a bank or non-bank entity which operates and/or maintains an electronic payment and collection system.

FRONT END SYSTEM refers to the primary interface between the system's customers, which may be citizens transacting on their own behalf, or the interface to other systems which connect to the EPCS.

GOVERNMENT ELECTRONIC PAYMENT AND COLLECTION SYSTEM EVALUATION TEAM (GEPSET) refers to an inter agency team mandated to evaluate, accredit and recommend the adoption of an EPCS by a Government Entity.

GOVERNMENT ENTITY refers to National Government Agencies (NGAs), Local Government Units (LGUs), Government Owned and/ or Controlled Corporations (GOCCs), or State Universities and Colleges (SUCs) which are required by law to remit their collections to the National Treasury.

INTERBANK FUND TRANSFER refers to an unconditional order to a bank to pay a fixed or determinable amount of money to a beneficiary upon receipt or on a date stated in the order that is transmitted by electronic means.

NATIONAL COLLECTIONS (NC) refer to all fees, charges, assessments, and revenues collected by the Government Entity that are remitted to the BTr pursuant to law, rules, and regulations.

NATIONAL TREASURY refers to the Bureau of the Treasury mandated under Executive Order No. 449, s. 1997 to act as principal custodian of the financial assets of the National Government, its agencies and instrumentalities and manage the cash resources of the government, among others.

SERVICE AGREEMENT refers to an agreement entered into by the Government Entity with any Collecting Bank and/or EPGP and AGDB concerning the use of EPCS.

VII. MINIMUM REQUIREMENTS OF EPCS

A. **TECHNICAL REQUIREMENTS** - The EPCS must have the following technical components:

1. **FRONT END SYSTEM** – The EPCS must have a front-end system which may be maintained by the Government Entity, connected to a Collecting Bank, or through an EPGP.

The EPCS front-end system shall serve as the primary interface between the Government Entity and its clients, or other systems connected to the EPCS. The front-end system communicates through user interfaces or standard communication protocols to collect the data required and issue EOR to complete the transaction.

2. **BACK END SYSTEM** – The EPCS back-end system may be maintained directly by the Government Entity itself, EPGP or a Collecting Bank. This component must be able to:
 - a. Maintain record of transactions;
 - b. Provide the following daily reports to the BTr in electronic format as a result of payment and collection transactions:
 - i. List of Deposited Collections, via email, File Transfer Protocol (FTP), and such other secured electronic means, with an option to download from the e-payment site;
 - ii. Copies of automated deposit slips or their equivalent for validation; and
 - iii. Other reports that may be required for financial management and/ or auditing purposes.
 - c. Provide a facility for viewing, downloading and generating prescribed reports to the concerned Government Entities and BTr for all electronic payment and collection transactions.

3. **INFORMATION SECURITY MANAGEMENT SYSTEM** - The confidentiality, privacy, integrity, and availability of electronic information shall be based on the Philippine National Standards on Information Security Management System (ISMS) as approved by the Bureau of Product Standards. The EPCS shall comply with ISMS through the use of:
 - a. Physical security measures and procedures to protect the EPCS, related electronic system and physical plant, and equipment from hazards and any unauthorized access and intrusions;
 - b. Technical security measures that protect the EPCS and its access control;
 - c. Administrative security procedures to provide for levels of access by select officials, personnel, and other persons authorized to access, maintain, develop, or inspect the EPCS; and
 - d. Independent vulnerability assessment shall be conducted for the EPCS prior to the launching of operations and periodically as may be recommended by the GEPCSET. Results of such assessment should be favorable and acceptable to the GEPCSET.

The EPCS shall also conform to DTI Department Administrative Order (DAO) No. 8, signed on 21 July 2006, “Prescribing Guidelines for the Protection of Personal Data in Information and Communications System in the Private Sector”.

4. **BUSINESS CONTINUITY PLAN (BCP) AND DISASTER RECOVERY PLAN (DRP)** – The EPCS shall be supported by a BCP/ DRP that is operational, satisfactorily tested, and approved by the GEPCSET.

5. **SUPPORT SERVICES.** The EPCS shall be supported by a 24/7 Technical Support and a Customer Help Desk.

- B. **LEGAL AND DOCUMENTARY REQUIREMENTS** - The Government Entity adopting an EPCS shall designate and authorize a Collecting Bank and/ or EPGP, to receive and process electronic payments for fees, charges, assessments, and revenues

due to the Government Entity. In the case of EPGP, its partner bank must be an AGDB or an AAB.

The concerned Government Entity shall:

1. Enter into a Service Agreement with a designated Collecting Bank and/or EPGP that collects the NC in its behalf. The Service Agreement must be consistent with Sections 16 to 26, and 30 to 32 of the Electronic Commerce Law and must contain dispute resolution mechanisms or procedures.

For purposes of this JDAO the AGDB and AAB shall have the following duties and responsibilities:

a. The AGDB shall:

- i. Accept Electronic Payments and remittances of NC and credit all collections to the account of the TOP.
- ii. Maintain a deposit account in the name of the TOP to which NCs are credited.
- iii. Validate all deposits and remittances of NC.
- iv. Reconcile collection remittance data with the Government Entity and the Bureau of the Treasury (BTr) as often as necessary or as may be required by the BTr.
- v. Ensure that data/ information obtained in connection with the performance of its duties shall be treated with utmost confidentiality.
- vi. Notify the Government Entity and the BTr when the transaction cannot be completed as a result of systems failure, the client(s) account has no sufficient fund, and all other circumstances that will prevent the consummation of the transaction.
- vii. Submit daily to the BTr the List of Deposited National Collections via email, File Transfer Protocol (FTP), or through such other secured electronic means.
- viii. Consolidate all branch reports and issue/deliver a credit advice to the BTr for all deposited collections.
- ix. Provide the BTr with viewing access of real time account for the purpose of monitoring cash flow.
- x. Provide Interbank Fund Transfer facility when necessary for efficient and effective service.

b. The AAB shall:

- i. Accept electronic payments of clients and credit all collections to the Clearing Account of the Government Entity/TOP. All collections deposited at the Clearing Account shall be credited to the liability account due the TOP with the designated AGDB in accordance with the period acceptable to the Bureau of the Treasury.
- ii. Maintain a Clearing Account in the name of the Government Entity/TOP where all collections of fees, charges, assessments and revenues due to the Government Entity shall be credited.

- iii. Validate all deposits and collections of fees, charges, assessments and revenues due to the Government Entity.
 - iv. Reconcile collection remittance data with the concerned Government Entity and the Bureau of the Treasury (BTr) as often as necessary or as may be required by the BTr.
 - v. Notify the Government Entity and the BTr when the transaction can not be completed as a result of systems failure, the clients account has no sufficient funds, and all other circumstances that will prevent the consummation of the transaction.
 - vi. Submit daily to the Government Entity validated transactional data/reports on payments and collections of fees, charges, assessments and revenues due to the Government Entity.
 - vii. Provide the Government Entity and the BTr with viewing access of real time account.
 - viii. Consolidate all branch reports and issue/deliver a credit advice to the BTr for deposited collections remitted to the account of the TOP with the designated AGDB.
 - ix. Provide Interbank Fund Transfer facility when necessary for efficient and effective service.
2. Agree on the Collection and Settlement Procedures applicable to all cases involving itself, its clients, and the Collecting Bank. The procedures shall not be made applicable to those issues and cases pertaining to reconciliation and validation of its remittances to the Bureau of the Treasury. It shall be actually and exclusively responsible in reconciling and validating the Abstract of Deposits/Remittances against its records.
 3. Require the Collecting Bank and/or EPGP to secure the necessary consent/approval, license or permit from the Department of Finance, the Bangko Sentral ng Pilipinas, and other appropriate regulatory bodies for its electronic payment services.
 4. Show proof that the designated Collecting Bank is authorized to act as intermediary or depository of NC.
 5. Present a copy of the User Acceptance Certificate pertaining to the EPCS which it has issued to the Collecting Bank or the EPGP.

VIII. GOVERNMENT ELECTRONIC PAYMENT AND COLLECTION SYSTEM EVALUATION TEAM (GEPCSET)

- A. For purposes of this JDAO, an inter-agency GEPCSET shall be created composed of representatives from the Department of Finance (DOF), Department of Trade and Industry (DTI), Bureau of the Treasury (BTr), National Computer Center (NCC), and the Bangko Sentral ng Pilipinas. It shall convene on a specified date, time, and place to conduct the appropriate evaluation, accreditation and recommend the approval of applications to adopt EPCS or components thereof. It shall maintain a list of accredited EPCS providers which may be referred to by a Government Entity intending to implement an EPCS.

The GEPCSET shall be composed of the following members:

Chairman: DOF

Vice Chairman: DTI

Members: Two (2) representatives each from DOF, DTI, and NCC
Four (4) representatives from BTr.

Each member agency shall designate permanent representatives to the GEPCSET. These representatives shall render service to the GEPCSET for at least three (3) years.

The Bangko Sentral ng Pilipinas (BSP) shall designate a permanent representative to the GEPCSET in an advisory capacity.

The GEPCSET may form into clusters, subject to the discretion of the GEPCSET Chairman.

- B. Consistent with applicable laws, rules and regulations, the GEPCSET shall have the authority to formulate its own criteria and operating guidelines in evaluating, accrediting, and approving the adoption of the EPCS, including the authority to prescribe and collect a reasonable schedule of fees sourced from its activities. It shall exclusively at the first instance decide all legal, policy, technical, and other issues relative to its function.
- C. DOF and DTI in coordination with the BTr must provide the GEPCSET with scholarships, training, and workshops to improve its members' core competencies in information and communications technology, legal and compliance, and banking and economics.
- D. The GEPCSET shall conduct post system evaluation of an approved EPCS.
- E. All fees assessed and collected by the GEPCSET in the performance of its function pursuant to this JDAO shall be deposited in a special account created for such purpose as authorized by the Permanent Committee created under Presidential Decree No. 1177 entitled, "Revising the Budget Process in Order to Institutionalize the Budgetary Innovations of the New Society", composed of the Secretary of Finance as Chairman and the Commissioner of the Budget and the Chairman, Commission on Audit, as members. The committee was authorized to issue rules and regulations concerning Special, Fiduciary and Trust Funds as well as monitor and evaluate the activities and balances of all Funds of the national government other than the General Fund.

The special account shall be administered and managed by the GEPCSET, subject to usual accounting and auditing rules and regulations.

- F. The DOF and the DTI shall request the Congress to allocate Five Million Pesos from the E-Government Fund as seed fund for the initial operation, training and acquisition of supplies and equipment of the GEPCSET. The GEPCSET will exist for three (3) years, after which, its functions shall be transferred to the DOF.

IX. DATA RETENTION PERIOD

All EPCS data, reports, records, documents, receipts and correspondence in their final form must be kept in the active file of the Government Entity for a minimum period of sixty (60) days. Thereafter, these shall be kept in Electronic Archives for a minimum period of ten (10) years.

X. CONFIDENTIALITY

Except as otherwise allowed under existing laws, electronic data messages or electronic documents of Government Entities shall not be disclosed to any third party.

XI. TRANSITORY PROVISIONS

Government Entities with existing electronic payment and collection systems shall conform to the provisions of this JDAO within two years from its issuance.

For monitoring purposes, the DTI and DOF will jointly submit to the Congressional Oversight Committee for the E-Commerce Law the implementation status of this JDAO whenever required.

XII. SEPARABILITY CLAUSE

In the event that any of the provision of this JDAO is hereby declared invalid or unconstitutional, all the provisions not affected thereby shall remain valid and with legal effect.

XIII. OTHER PROVISION

A technical IRR shall be issued within sixty (60) days after the effectivity of the guidelines.

XIV. EFFECTIVITY

This Order shall take effect fifteen (15) days after publication of its full text in the Official Gazette or two (2) newspapers of general circulation.

The GEPCSET shall issue its operations guidelines within ninety (90) days after effectivity of this JDAO.

Done this 25th day of October 2006 in Metro Manila, Republic of the Philippines.

DEPARTMENT OF FINANCE

DEPARTMENT OF TRADE AND INDUSTRY

(Sgd.) **MARGARITO B. TEVES**
Secretary

(Sgd.) **PETER B. FAVILA**
Secretary