Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

NINETEENTH CONGRESS
First Regular Session

House Bill No. 3944

HOUSE OF REPRESENTATIVES
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Introduced by Representative Midy N. Cua
Lone District, Quirino

AN ACT CREATING A BANGKO SENTRAL DIGITAL PESO (BSDP) AS A MEDIUM OF EXCHANGE OR AS MONEY FOR USE ON ALL DIGITAL MEANS, APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES

EXPLANATORY NOTE

The continued development of information technology is driving rapid change in various sectors of society, including commerce and finance. In recent years, countries all over the world have become less reliant on physical currency and have initiated their respective efforts to move towards a "cashless" society.

The many conveniences afforded by the digitalization of commerce has led to the increased popularity of electronic money and digital modes of payment. This was on full display during the height of the COVID-19 pandemic, wherein many face-to-face transactions were replaced by transactions conducted with the use information technology and digital payments. As the world continues to digitize, sovereign or central bank-backed digital currencies will be particularly valued for the security and stability it represents.

At present, there is no sovereign digital currency in national circulation. In its place is a patchwork of digital payment platforms and electronic money systems regulated by the Bangko Sentral ng Pilipinas but operated by private entities. This measure is proposed to fill the gap by mandating the creation, adoption, and perfection of a Bangko Sentral Digital Peso (BSDP).

The BSDP is the digital equivalent of the paper peso and possesses all its characteristics and attributes. It is valid legal tender that can be used to purchase goods and services as well as settle financial obligations such as debts and taxes. Under this bill, the BSDP will be recognized as the only digital legal tender in the country. It is a risk-free, durable, secure, and portable fiat currency accessible to the public even as the use of paper money declines and new forms of privately issued digital money become more widespread.

As a central bank-backed digital currency, the BSDP is in line with the BSP's thrust of promoting financial inclusion. It overcomes some of the challenges faced by individuals with limited access to traditional financial touch points bank branches, automated teller machines (ATMs), and remittance centers, among others. It reduces transaction costs and enables seamless payments between parties physically separated from each other. Further, it supports the government's efforts to combat financial crimes and corruption due to the ability of its underlying technology to record the flow of money.

The proposed bill was first filed by Representative Junie E. Cua of the Lone District of Quirino in the 18th Congress. By refiling this measure, the conversation on the BSDP can continue and hopefully proceed further. A convenient, accessible, and secure digital currency will enable more transactions, boost economic growth, and move our country forward.

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

MIDY N. CUA
Representative
Lone District, Quirino

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Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

Section 1. *Title* – This Act shall be known as the "Bangko Sentral Digital Peso (BSDP) Act."

Section 2. *Declaration of Policy* – It is hereby declared the policy of the State to create, regulate, and provide legal tender, which can be used as a medium of exchange for the purchase of goods and services.

Section 3. *Nature of BSDP* – The BSDP is the digital equivalent of the paper peso. All rights, obligations, attributes, and characteristics accruing to the paper peso shall also accrue to the BSDP. The BSDP is legal tender, and a valid and legal payment for debts, taxes, goods and services, and the like.

Being a legal tender, the BSDP cannot therefore be denied as a valid mode of payment.

Section 4. *Use of Transaction Ledger* – The BSDP shall use a transaction ledger system to assure its authenticity, as security against counterfeiting, and as a guard against double or multiple bookings of a single transaction. The transaction ledger system is to be called a log chain. Each newly minted BSDP will have its own unique log chain. Each log chain will be divisible in synchrony with its mother BSDP denomination.

The best such log chain technology at the time of minting shall be determined by the Bangko Sentral ng Pilipinas (BSP). Such technology may be adopted, purchased, or developed in-house by the BSP. In addition, the BSP may consider the use of peer-to-peer data processing for a part or all the data processing requirements of BSDP.

Section 5. *Limitation on BSDP Retirement* – Until the BSP has gained four (4) years of operational experience, the BSDP in circulation will be retired upon their being received at any bank and with their log chain showing that they have completed at least twice as many transactions as their paper peso counterparts.

The limitation may be extended by the BSP after this period, if deemed appropriate by its technical staff and Governing Board.

Section 6. *Initial Minting* – The initial amount to be minted shall be determined by the BSP within one (1) year from the effectivity of this Act.

Section 7. *Condition for Subsequent Minting* – No other minting shall occur for a period of four (4) years, and only if the BSP ascertains that the BSDP technology is proven secure. The BSP shall define and publish what "secure" means, in consultation with the Oversight Committee created under Section 15 of this Act.

Section 8. *Exclusivity of BSDP* – Only the BSDP shall be recognized as the digital legal tender in the Philippines.

Section 9. *Availability of BSDP* – The BSP shall promote the availability of BSDP in all channels.

Section 10. *Requirement on Business Establishment* – No business establishment shall be allowed to have official electronic payment or money transfer system unless denominated in BSDP.

Section 11. *Technology to be Used* – The BSP shall explore and study the technology of blockchain and post-blockchain cryptocurrencies to expand its knowledge base, which it will use in deciding which technology or combination of technologies is suitable for the BSDP. Provided, that a peer-to-peer system will be used to verify the log chain of BSDP.

Section 12. *Choice of System* – The BSP will choose a system which uses peer-to-peer processing of the log chain. It shall exert its utmost to leverage existing hardware being used by the other leading cryptocurrencies.

The BSP may, in complementation and augmentation of peer-to-peer processing, establish its own hardware centers for the processing of log chain data, provided, that it helps to lower the BSDP's cost.

Section 13. *Promotion of BSDP* – The BSP shall, for a period of five (5) years, renewable by the Oversight Committee, promote through television, radio, print media, and online advertising the use and virtues of the BSDP.

Section 14. *Use for International Transaction* – The BSDP shall be allowed and encouraged for international transactions, even if it involves exchange with other currencies.

Section 15. *Congressional Oversight Committee* – There is hereby created a Congressional Oversight Committee to oversee, monitor, and evaluate the implementation of this Act. The Oversight Committee shall be composed of three (3) members each from the House of Representatives and Senate of the Philippines. The members of the House shall come from the Committee on Banks and Financial Intermediaries while the members of the Senate shall come from the Committee on Banks, Financial Institutions, and Currencies. The Oversight Committee shall be co-chaired by the Chairpersons of the House Committee on Banks and Financial Intermediaries and the Senate Committee on Banks, Financial Institutions, and Currencies.

Section 16. *Separability Clause* – If any provision of this Act is declared invalid or unconstitutional, the other provisions thereof not affected thereby shall continue in full force and effect.

Section 17. *Repealing Clause* – All laws, presidential decrees, executive orders, rules, and regulations or part thereof, which are inconsistent with this Act or with the rules and regulations issued pursuant thereto are hereby repealed or modified accordingly.

Section 18. *Effectivity* – This Act shall take effect after fifteen (15) days following its publication in the Official Gazette or in any newspaper of general circulation.
Approved,