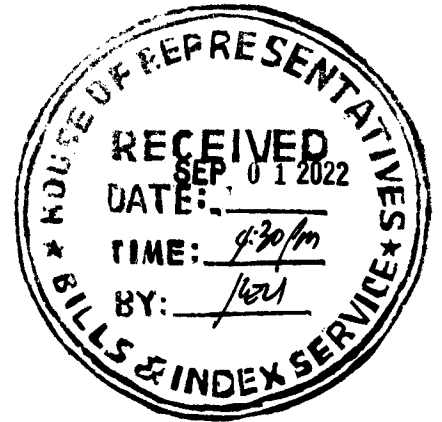




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

NINETEENTH CONGRESS
First Regular Session



House Bill No. 4344

Introduced by **HON. JOSEPHINE VERONIQUE “Jaye” R. LACSON - NOEL**
and **HON. FLORENCIO GABRIEL G. NOEL**

EXPLANATORY NOTE

The risk of COVID-19 is still very real, both nationally and globally. As of writing, the Department of Health (DOH) stated that there is a rise in COVID-19 cases in the country, with 36,190 active cases in the national level, with a foreseeable increase in the next few days.¹

The threat of the COVID-19 pandemic has urged the government, among others, to consider, promote and embrace the "new normal" which generally involves, stricter hygienic practices such as social distancing and discouraging physical contact in order to avoid the possible transmission of virus from an infected person to the other.

In order to adapt to the new normal, it is fitting for the government as well as all other merchants to adopt new policies and norms in terms of promoting contactless transactions for payments made to and from the taxpayers, clients, stakeholders, and other government agencies in order to protect its people. At the same time, this will prevent the delay of commerce on the part of the private sector, as well as government transactions and payment of taxes, contributions and other relevant remittances which serve as the government's lifeline in effectively responding to this health threat and supporting its constituents in difficult times as these.

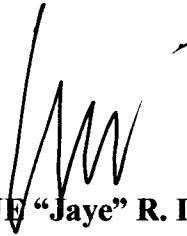
This concept has been embraced by the Banko Sentral ng Pilipinas (BSP), which stated in its BSP Digital Payments Transformation Roadmap 2020-2023 that with the sudden onset of the COVID-19 global pandemic, the shift towards digital payments has become an imperative as physical distancing rules become the norm under the “New Economy” environment. By using digital payments with due care and vigilance, Filipinos reduce the need for mobility and prevent health risks from face-to-face and over-the-counter (OTC) financial transactions. The greater usage of digital payments will also facilitate the growth of Fintech businesses engaged in e-commerce businesses as the consumption of goods and services is increasingly driven by online purchases.²

¹ <https://doh.gov.ph/covid19tracker>, accessed 17 August 2022

² BSP Digital Payments Transformation Roadmap 2020-2023: https://www.bsp.gov.ph/Media_And_Research/Primers%20Faqs/Digital%20Payments%20Transformation%20Roadmap%20Report.pdf, accessed 17 August 2022

This bill aims to promote efficiency and lessen person-to-person contact through the use of digital payments for financial transactions of the government and all merchants.

IN VIEW OF THE FOREGOING, approval of this bill is earnestly sought.



JOSEPHINE VERONIQUE “Jaye” R. LACSON - NOEL
Lone District, Malabon City



FLORENCIO GABRIEL G. NOEL
An Waray Party-list



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HOUSE OF REPRESENTATIVES
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House Bill No. **4344**

Introduced by **HON. JOSEPHINE VERONIQUE “Jaye” R. LACSON - NOEL**
and **HON. FLORENCIO GABRIEL G. NOEL**

AN ACT
PROMOTING THE USE OF DIGITAL PAYMENTS FOR FINANCIAL
TRANSACTIONS OF THE GOVERNMENT AND ALL MERCHANTS

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

SECTION 1. Short Title. - This Act shall be known and cited as the "**Promotion of Digital Payments Act.**"

SECTION 2. Declaration of Policy. - The State recognizes the vital role of information and communications technology in nation-building. The State also recognizes the need of promoting ease of doing business and efficient delivery of goods and services to the general public, and for developing safe and efficient modes for conveying payment for financial transactions. Towards this end, the State shall promote financial inclusion, optimize the use of technology and innovative payment systems for financial transactions, and promote the electronic conveyance of payment for various transactions with the government, to and among business entities and merchants, and among the general public.

SECTION 3. Objective. - This Act aims to facilitate transactions, arrangements, or exchanges of goods and services by promoting the universal use of safe and efficient digital payments in financial transactions of the government and the general public.

SECTION 4. Definition of Terms. - As used in this Act:

- (a) Access device refers to any card, plate, code, account number, electronic serial number, personal identification number, or other telecommunications service, equipment or instrumental identifier, or other means of account access that can be used to obtain money, goods, services, or any other thing of value or to initiate a transfer of funds other than a transfer originated solely by paper instrument;
- (b) Digital Payments refer to monetary payment transactions between two (2) parties through a digital payment instrument in which both the payer and the payee use an electronic channel;
- (c) Merchant refers to a person or entity engaged in buying and selling merchandise, purchasing goods and services, skills, or expertise, and leasing of goods and services. It also includes credit-granting entities, lending institutions, pawnshops,

remittance companies and other money service business, except financial institutions supervised by the Bangko Sentral ng Pilipinas (BSP), which shall be governed by specific BSP regulations and requirements on digital services;

(d) Payment system refers to the set of payment instruments, processes, procedures and participants that ensures the circulation of money or movement of funds which comply with the requirements set forth under Republic Act No. 11127, otherwise known as "The National Payment System Act"; and

(e) Payment Service Provider (PSP) refers to an entity that provides payment services to end-users, such as consumers, merchants, and billers, including government institutions.

SECTION 5. Use of Digital Payments. - All national government agencies (NGAs), government-owned and -controlled corporations (GOCCs), and local government units (LGUs) are hereby mandated to utilize safe and efficient electronic or digital means of receiving payment for taxes, fees, tolls, imposts and other revenues and for the payment of goods, services and other disbursements. To this end, government entities may be allowed to include in their respective budgets the amounts that will cover the cost of establishing and maintaining the infrastructure, system and process adjustments as well as transaction fees that they may shoulder in connection with the implementation of digital payments, including merchant discount rate, processing fees, cash out fees, administration fees: Provided, That the release of said budget may be conditioned on the actual adoption of digital payments by the concerned government entities.

To facilitate compliance with this Act, NGAs, GOCCs, and LGUs must adopt account-based disbursements whereby target recipients directly receive government payments into their transaction accounts. These government entities may create their respective digital payment technical support and maintenance service units which shall be responsible for troubleshooting and in maintaining coordination with the PSP partner for technical and other concerns within the agency. They shall also be responsible for ensuring the proper transition of their respective agency's payments and disbursement procedures and policies on digital payments. The creation of the technical support and maintenance service units shall be without prejudice to any technical support arrangement between the agency and the PSP partner pursuant to a contract or agreement: Provided, That, the contract or agreement shall be subject to the applicable regulations of the BSP.

The BSP shall accelerate the adoption by all PSPs of the national quick response (QR) code standard to hasten the interoperability of QR-driven payment services and eliminate the need for merchants and clients to maintain several accounts.

The Government Procurement Policy Board shall, in coordination with the BSP, issue guidelines to be observed when procuring the services of a PSP that provide digital payment: Provided, That, government entities shall avail only of interoperable digital payment solutions.

Notwithstanding any law to the contrary, a partner PSP of a government entity shall not be limited to government financial institutions.

SECTION 6. Digital Payment Capability of Merchants. - To accelerate the adoption of digital payment, LGUs shall, by ordinance, require merchants within their localities to establish or outsource arrangements or mechanisms that would enable them to receive payments from clients and make payments to creditors and suppliers in digital form as a pre-requisite for the approval or renewal of their business permits. No new or renewal of business permit shall be approved unless the merchant concerned shows to the satisfaction of the LGU that a functional digital payment system accessible by mobile phone or other access devices is installed or provided by a duly registered PSP in the merchant partner's place of business.

The LGUs shall ensure that merchants in their jurisdictions have access to appropriate digital payment solutions and have the capacity to effectively use the same, with due consideration to

small and micro-merchants, including market vendors, tricycle operators and food stalls. The LGU shall extend assistance to small and micro-merchants to facilitate their adoption of digital transaction capability. The BSP, Department of Trade and Industry (DTI), Department of the Interior and Local Government (DILG), and the Department of Information and Communications Technology (DICT) shall also facilitate measures to provide capacity building for the NGAs, GOCCs, LGUs, and merchants on the use of digital payments.

SECTION 7. Promotion of Digital Payment Transactions. -To optimize the benefits of this technological innovation, scale up financial inclusion, and promote sustainability, NGAs, GOCCs, and LGUs shall prioritize the use of safe and efficient digital payment in their financial transactions.

All NGAs, GOCCs, and LGUs shall also explore the feasibility of adopting a comprehensive incentive framework for selected financial transactions to encourage the availment of digital payments. Moreover, LGUs may impose reduced fees or grant other incentives for merchants providing efficient digital payment systems.

The BSP shall, in coordination with relevant stakeholders, promote measures on financial and digital literacy, and consumer protection to strengthen the public's trust in digital payment transactions.

The Department of Science and Technology and the DICT shall implement measures to further enhance the availability and cost of internet connection to support the government's program on the digitalization of financial transactions.

SECTION 8. Implementing Rules and Regulations. - The BSP shall, in coordination with the Department of Budget and Management, DTI, DICT, and DILG, promulgate the rules and regulations implementing the provisions of this Act within ninety (90) days from its effectivity.

SECTION 9. Separability Clause. - If for any reason, any part or provision of this Act is declared invalid or unconstitutional, the remaining parts or provisions not affected shall remain in full force and effect.

SECTION 10. Repealing Clause. -All laws, presidential decrees, executive orders, rules and regulations contrary to or inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SECTION 11. Effectivity. - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of national circulation.

Approved,