

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 3646



Introduced by **HON. MIGUEL LUIS R. VILLAFUERTE**

EXPLANATORY NOTE

The Philippine government has made significant strides toward digital transformation, particularly in enhancing transparency, efficiency, and financial inclusion through electronic payments. Recognizing these advancements, the Bangko Sentral ng Pilipinas (BSP) has committed to shifting at least 50% of total retail transactions to digital and increasing financial account ownership among Filipino adults to 70% by 2023, as outlined in its Digital Payments Transformation Roadmap 2020–2023.¹ According to BSP reports, the share of digital payment transactions in the country reached 52.8% in 2023, surpassing the target. Merchant payments accounted for the largest share of monthly digital payment volume, followed by person-to-person transfers, and business-to-business supplier payments.² This upward trend continued in 2024, with digital payments comprising 57.4% of transaction volume, exceeding the Philippine Development Plan 2023–2028 target of 52–54%.³ The BSP is targeting to achieve a 60-70% share of digital payments over the total retail payment volume by 2028.

Despite encouraging developments, challenges remain in the adoption of digital payment systems across the country such as expanding access to reliable digital infrastructure, improving internet connectivity especially in remote areas, lowering the cost of digital payment fees, and promoting the widespread acceptance of digital payments.⁴

To address these challenges, this legislative measure seeks to institutionalize and accelerate the use of safe, interoperable, and efficient digital payments in all financial transactions involving all national government agencies, government-owned or -controlled corporations, and local government units. Here are some of the key provisions of the proposed measure:

- It mandates the use of digital payment platforms for collecting taxes, fees, tolls, imposts, other revenues, purchases, and public disbursements, as well as account-based disbursements that credit government payments directly to recipients' accounts.
- It authorizes government entities implementing digital payments to establish technical support units to coordinate with payment service providers, adopt and implement a comprehensive incentive framework for financial transactions, and allocate funds to cover compliance costs.

¹ Trinidad, Chester Carlo. 11 November 2024. *BSP promotes financial inclusion for vulnerable sectors through digitalization initiative*. Philippine Information Agency (PIA). <https://www.bworldonline.com/special-features/2023/07/03/531895/bsps-drive-towards-digitalized-payments/>

² Bangko Sentral ng Pilipinas (BSP). 23 July 2024. *Philippines hits target of digitalizing 50 percent of retail payments*. <https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=7182>

³ Business World Online. 8 July 2025. *Digital payments post steady increase*. <https://www.bworldonline.com/top-stories/2025/07/08/683728/digital-payments-post-steady-increase/>

⁴ Business World Online. 30 October 2024. *BSP sees some gaps in digital payment use*. <https://www.bworldonline.com/top-stories/2024/10/30/631527/bsp-sees-some-gaps-in-digital-payment-use/>

- It mandates the BSP to expedite adoption of the national QR code standard to enable interoperable QR-based payments and remove the need for multiple merchant and client accounts.
- It mandates LGUs to enact ordinances requiring merchants to install a functional digital payment system at their place of business and to extend assistance to small and micro-merchants to facilitate their adoption of digital transaction capability.
- It empowers the BSP, the Department of Trade and Industry, the Department of the Interior and Local Government, and the Department of Information and Communications Technology (DICT) to implement capacity-building initiatives.
- It directs the Department of Science and Technology and the DICT to improve access to and affordability of digital infrastructure, which are both crucial for the long-term sustainability of a fully digitized financial ecosystem.

The measure builds upon the legal framework established by Republic Act No. 11127, or the “National Payment Systems Act,” which provides the BSP with the authority to supervise and regulate payment systems in the country. It also aligns with RA No. 11032, or the “Ease of Doing Business and Efficient Government Service Delivery Act of 2018” by streamlining government services and expanding access to digital financial tools.

By accelerating the adoption of digital payments, this measure aims to enhance fiscal transparency, reduce transaction costs, broaden financial inclusion, and strengthen the digital economy, thereby ensuring that technological innovations serve not only the economy but also the everyday needs of Filipino citizens.

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



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Introduced by **HON. MIGUEL LUIS R. VILLAFUERTE**

**AN ACT PROMOTING THE ADOPTION 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. 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, the following terms shall mean:

- (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* refers to the monetary payment transaction between two 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 Systems Act”; and
- (e) *Payment service providers (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 or -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 shall 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 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 to 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 show 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 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.

The 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,