

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

20th CONGRESS
First Regular Session

HOUSE BILL NO. 5489



Introduced by. **REP. JUAN CARLOS "ARJO" C. ATAYDE**

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

EXPLANATORY NOTE

The increasing digitalization of economic activity driven by increasing financial technology (fintech) adoption, is profoundly reshaping how financial transactions are executed worldwide. The Philippines, with its expanding digital economy and young, tech-savvy population, stands to gain greatly from adopting secure, efficient and accessible digital payment systems by both the public and private sectors which validates the core premises of its national development agenda.

According to the 2024 e-payments measurement conducted by the Bangko Sentral ng Pilipinas (BSP), digital retail payments accounted for 57.4% of total transaction volume. This marks a significant year-on-year increase of 4.6 percentage points, highlighting the continued momentum in the country's shift toward electronic payment channels¹. Despite significant progress, many government transactions and private commercial exchanges in the country remain dependent on cash-based systems. This reliance not only slows down service delivery but also increases the risk of operational shortcomings, management lapses or inefficiency. The lack of a unified digital payment framework likewise limits financial inclusion, particularly for

¹ https://www.bsp.gov.ph/PaymentAndSettlement/2024_Report_on_E-payments_Measurement.pdf

individuals and micro, small, and medium enterprises (MSMEs) operating in remote or underserved areas.

Digitalization is recognized internationally not merely as an efficiency measure but as a structural component of inclusive national development strategies. In a report conducted, it emphasizes that governments which promote inclusive and sustainable digitalization have a dual opportunity: to boost overall productivity and innovation while simultaneously reducing economic inequality.²

This bill seeks to promote the adoption of digital payments for financial transactions of the government and all merchants, both to modernize public financial management and to stimulate a more inclusive digital economy. By mandating the use of safe and efficient electronic payment channels, this measure aims to streamline government collections and disbursements, improve transparency, and provide the public with more convenient options to transact with government institutions.

This proposed measure is **patterned after House Bill No. 8262 of the 19th Congress**, entitled "*An Act Promoting the Adoption of Digital Payments for Financial Transactions of the Government and All Merchants*,". The re-filing of this measure underscores the continuing commitment of Congress to advancing digital transformation in government financial systems and private commerce alike.

Through the institutionalization of digital payment systems, this bill aims to foster financial inclusion, promote transparency and accountability in public financial management, reduce operational inefficiencies, and support the broader goal of a digitally empowered and innovation-driven economy.

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



REP. JUAN CARLOS "ARJO" C. ATAYDE

² <https://www.adb.org/adpr/editions/digital-transformation>

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

3 **SECTION 1. Short Title.** – This Act shall be known and cited as the “*Promotion*
4 *of Digital Payments Act.*”

5 **SEC. 2. Declaration of Policy.** – The State recognizes the vital role of
6 information and communications technology in nation-building. The State also
7 recognizes the need of promoting ease of doing business and efficient delivery of
8 goods and services to the general public. Towards this end, the State shall promote
9 financial inclusion, optimize the use of technology and innovative payment systems
10 for financial transactions, and promote the electronic conveyance of payment for
11 various transactions with the government, to and among business entities and
12 merchants, and among the general public.

13 **SEC. 3. Objective.** – This Act aims to facilitate transactions, arrangements, or
14 exchanges of goods and services by promoting the universal use of safe and efficient
15 digital payments in financial transactions of the government and the general public.

1 **SEC. 4. Definition of Terms.** – As used in this Act:

- 2 (a) **Access device** - refers to any card, plate, code, account number, electronic serial
3 number, personal identification number, or other telecommunications service,
4 equipment or instrumental identifier, or other means of account access that can
5 be used to obtain money, goods, services, or any other thing of value or to
6 initiate a transfer of funds other than a transfer originated solely by paper
7 instrument;
- 8 (b) **Digital payments** - refer to monetary payment transactions between two
9 parties through a digital payment instrument in which both the payer and the
10 payee use an electronic channel;
- 11 (c) **Merchant** - refers to a person or entity engaged in buying and selling
12 merchandise, purchasing goods and services, skills, or expertise, and leasing of
13 goods and services. It also includes credit-granting entities, lending
14 institutions, pawnshops, remittance companies and other money service
15 business, except financial institutions supervised by the Bangko Sentral ng
16 Pilipinas (BSP), which shall be governed by specific BSP regulations and
17 requirements on digital services;
- 18 (d) **Payment system** - refers to the set of payment instruments, processes,
19 procedures and participants that ensures the circulation of money or
20 movement of funds which comply with the requirements set forth under
21 Republic Act No. 11127, otherwise known as “The National Payment Systems
22 Act”; and
- 23 (e) **Payment service provider (PSP)** - refers to an entity that provides payment
24 services to end-users, such as consumers, merchants, and billers, including
25 government institutions.

26 **SEC. 5. Use of Digital Payments.** – All national government agencies (NGAs),
27 government-owned or -controlled corporations (GOCCs), and local government units
28 (LGUs) are hereby mandated to utilize safe and efficient electronic or digital means of
29 receiving payment for taxes, fees, tolls, imposts, and other revenues and for the
30 payment of goods, services, and other disbursements. To this end, government entities
31 may be allowed to include in their respective budgets the amounts that will cover the

1 cost of establishing and maintaining the infrastructure, system and process
2 adjustments as well as transaction fees that they may shoulder in connection with the
3 implementation of digital payments, including merchant discount rate, processing
4 fees, cash out fees, administration fees: Provided, That the release of said budget may
5 be conditioned on the actual adoption of digital payments by the concerned
6 government entities.

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

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

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

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

28 **SEC. 6. Digital Payment Capability of Merchants.** – To accelerate the adoption of
29 digital payment, LGUs shall, by ordinance, require merchants within their localities
30 to establish or outsource arrangements or mechanisms that would enable them to

1 receive payments from clients and make payments to creditors and suppliers in digital
2 form as a pre-requisite for the approval or renewal of their business permits. No new
3 or renewal of business permit shall be approved unless the merchant concerned show
4 to the satisfaction of the LGU that a functional digital payment system accessible by
5 mobile phone or other access devices is installed or provided by a duly registered PSP
6 in the merchant partner's place of business.

7 The LGUs shall ensure that merchants in their jurisdictions have access to
8 appropriate digital payment solutions and have the capacity to effectively use the
9 same, with due consideration to small and micro-merchants, including market
10 vendors, tricycle operators and food stalls. The LGU shall extend assistance to small
11 and micro-merchants to facilitate their adoption of digital transaction capability. The
12 BSP, Department of Trade and Industry (DTI), Department of Interior and Local
13 Government (DILG), and the Department of Information and Communications
14 Technology (DICT) shall also facilitate measures to provide capacity building for the
15 NGAs, GOCCs, LGUs, and merchants on the use of digital payments.

16 **SEC. 7. Promotion of Digital Payment Transactions.** – To optimize the benefits of
17 this technological innovation, scale up financial inclusion, and promote sustainability,
18 NGAs, GOCCs, and LGUs shall prioritize the use of safe and efficient digital payment
19 in their financial transactions.

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

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

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

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

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

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

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

13 Approved,