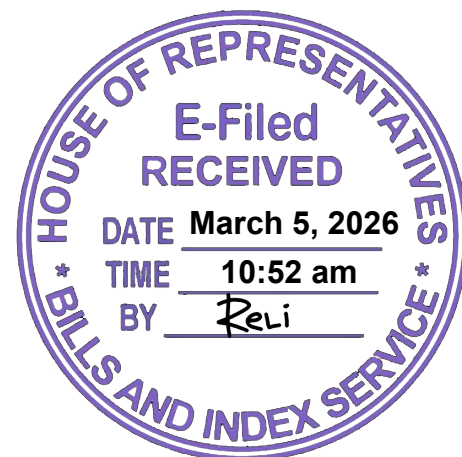


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 8295



Introduced by **Representative Ryan S. Recto**

EXPLANATORY NOTE

This bill seeks to promote and institutionalize a secure, efficient and universally accessible digital or electronic system for the conveyance of payments in all transactions, arrangements or exchanges of goods and services involving the government and the public. This provision explains that the Local Government Units (LGUs) are mandated to promote the adoption of digital payments at the local level, and that, through ordinances, merchants will be able to receive their payments digitally.

A 2023 report by the *Bangko Sentral ng Pilipinas* showed that only 56% of Filipinos have formal bank accounts, while the other 76% have internet access and own mobile phones. Notably, digital payments serve as a pivotal technological innovation that can enhance productivity and reduce transaction costs. Available data indicates that, as early as 2022, approximately 40% of payments were already conducted online. This preference is largely driven by convenience and efficiency of digital platforms for routine financial activities such as bills payments, fund transfers to family, friends and account deposits.

Studies indicate that the use of electronic payment systems has significantly increased in recent years. This shift has been further accelerated by the COVID-19 pandemic, which underscored the need to minimize unnecessary physical contact. During the pandemic, there was a rampant use of contactless payment methods such as QR-based transactions, online banking transactions and the use of mobile wallets which enabled consumers to pay for essential goods and services without exchanging cash or physically touching point-of-sale devices. In light of these matters, the use of contactless payments during the pandemic is evidence that the economy can still prosper while introducing a shift toward a digitally enabled payment ecosystem. It can be noted that through this move, the move toward digital transactions promotes transparency, curbs opportunities for corruption and strengthens mechanisms for fund monitoring and accountability.

Given these advantages, the enactment of the Digital Payments Act becomes essential in advancing a more inclusive, efficient and future-ready Philippine economy. This measure likewise aligns with national priorities to accelerate digital transformation, stimulate economic development and enhance the delivery of public services.

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



Ryan S. Recto
Representative
6th District, Batangas

Republic of the Philippines
HOUSE OF REPRESENTATIVES
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TWENTIETH CONGRESS
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HOUSE BILL NO. 8295

Introduced by **Representative Ryan S. Recto**

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:

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

3
4 Sec. 2. *Declaration of Policy.* – The State recognizes the vital role of information
5 and communications technology in nation-building. The State also recognizes the need
6 of promoting ease of doing business and efficient delivery of goods and services to
7 the general public. Towards this end, the State shall promote financial inclusion,
8 optimize the use of technology and innovative payment systems for financial
9 transactions, and promote the electronic conveyance of payment for various
10 transactions with the government, to and among business entities and merchants, and
11 among the general public.

12
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.

16
17 Sec. 4. *Definition of Terms.* – As used in this Act:

18
19 (a) *Access device* refers to any card, plate, code, account number, electronic
20 serial number, personal identification number, or other telecommunications service,
21 equipment or instrumental identifier, or other means of account access that can be
22 used to obtain money, goods, services, or any other thing of value or to initiate a
23 transfer of funds other than a transfer originated solely by paper instrument;

24
25 (b) *Digital payments* refer to monetary payment transactions between two (2)
26 parties through a digital payment instrument in which both the payer and the payee
27 use an electronic channel;

1
2 (c) *Merchant* refers to a person or entity engaged in buying and selling
3 merchandise, purchasing goods and services, skills, or expertise, and leasing of goods
4 and services. It also includes credit-granting entities, lending institutions, pawnshops,
5 remittance companies and other money service business, except financial institutions
6 supervised by the Bangko Sentral ng Pilipinas (BSP), which shall be governed by
7 specific BSP regulations and requirements on digital services;
8

9 (d) *Payment system* refers to the set of payment instruments, processes,
10 procedures and participants that ensures the circulation of money or movement of
11 funds which comply with the requirements set forth under Republic Act No. 11127,
12 otherwise known as "The National Payment Systems Act"; and
13

14 (e) *Payment service provider (PSP)* refers to an entity that provides payment
15 services to end-users, such as consumers, merchants, and billers, including
16 government institutions.
17

18 Sec. 5. *Use of Digital Payments.* – All national government agencies (NGAs),
19 government-owned or-controlled corporations (GOCCs), and local government units
20 (LGUs) are hereby mandated to utilize safe and efficient electronic or digital means of
21 receiving payment for taxes, fees, tolls, imposts, and other revenues and for the
22 payment of goods, services, and other disbursements. To this end, government
23 entities may be allowed to include in their respective budgets the amounts that will
24 cover the cost of establishing and maintaining the infrastructure, system and process
25 adjustments as well as transaction fees that they may shoulder in connection with the
26 implementation of digital payments, including merchant discount rate, processing
27 fees, cash out fees, administration fees: *Provided,* That the release of said budget
28 may be conditioned on the actual adoption of digital payments by the concerned
29 government entities.
30

31 To facilitate compliance with this Act, NGAs, GOCCs, and LGUs shall adopt
32 account-based disbursements whereby target recipients directly receive government
33 payments into their transaction accounts. These government entities may create their
34 respective digital payment technical support and maintenance service units which shall
35 be responsible for troubleshooting and maintaining coordination with the PSP partner
36 for technical and other concerns within the agency. They shall also be responsible for
37 ensuring the proper transition of their respective agency's payments and disbursement
38 procedures and policies to digital payments. The creation of the technical support and
39 maintenance service units shall be without prejudice to any technical support
40 arrangement between the agency and the PSP partner pursuant to a contract or
41 agreement: *Provided,* That, the contract or agreement shall be subject to the
42 applicable regulations of the BSP.
43

44 The BSP shall accelerate the adoption by all PSPs of the national quick response
45 (QR) code standard to hasten the interoperability of QR-driven payment services and
46 eliminate the need for merchants and clients to maintain several accounts.
47

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

5
6 Notwithstanding any law to the contrary, a partner PSP of a government entity
7 shall not be limited to government financial institutions.

8
9 *Sec. 6. Digital Payment Capability of Merchants.* - To accelerate the adoption
10 of digital payment, LGUs shall, by ordinance, require merchants within their localities
11 to establish or outsource arrangements or mechanisms that would enable them to
12 receive payments from clients and make payments to creditors and suppliers in digital
13 form as a pre-requisite for the approval or renewal of their business permits. No new
14 or renewal of business permit shall be approved unless the merchant concerned shows
15 to the satisfaction of the LGU that a functional digital payment system accessible by
16 mobile phone or other access devices is installed or provided by a duly registered PSP
17 in the merchant partner's place of business.

18
19 The LGUs shall ensure that merchants in their jurisdictions have access to
20 appropriate digital payment solutions and have the capacity to effectively use the
21 same, with due consideration to small and micro-merchants, including market
22 vendors, tricycle operators and food stalls. The LGU shall extend assistance to small
23 and micro-merchants to facilitate their adoption of digital transaction capability. The
24 BSP, Department of Trade and Industry (DTI), Department of Interior and Local
25 Government (DILG) and the Department of Information and Communications
26 Technology (DICT) shall also facilitate measures to provide capacity building for the
27 NGAs, GOCCs, LGUs, and merchants on the use of digital payments.

28
29 *Sec. 7. Promotion of Digital Payment Transactions.* – To optimize the benefits
30 of this technological innovation, scale up financial inclusion, and promote
31 sustainability, NGAs, GOCCs and LGUs shall prioritize the use of safe and efficient
32 digital payment in their financial transactions.

33
34 The NGAs, GOCCs, and LGUs shall also explore the feasibility of adopting a
35 comprehensive incentive framework for selected financial transactions to encourage
36 the availability of digital payments. Moreover, LGUs may impose reduced fees or grant
37 other incentives for merchants providing efficient digital payment systems.

38
39 The BSP shall, in coordination with relevant stakeholders, promote measures
40 on financial and digital literacy and consumer protection to strengthen the public's
41 trust in digital payment transactions.

42
43 The Department of Science and Technology and the DICT shall implement
44 measures to further enhance the availability and cost of internet connection to support
45 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
6 SEC. 9. *Separability Clause.* – If for any reason, any part or provision of this Act
7 is declared invalid or unconstitutional, the remaining parts or provisions not affected
8 shall remain in full force and effect.

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

13
14 SEC. 11. *Effectivity.* – This Act shall take effect fifteen (15) days after its
15 publication in the Official Gazette or in a newspaper of national circulation.

16
17 *Approved,*