



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

20th CONGRESS
1st Regular Session

HOUSE BILL NO. 8661



Introduced by **REPRESENTATIVE JENNIFER A. LAGBAS**

EXPLANATORY NOTE

The rapid advancement of financial technology has fundamentally transformed how economies operate, enabling faster, safer, and more transparent monetary transactions. Across the globe, governments and private sectors have embraced digital payment systems not only as a matter of convenience but also as a critical driver of economic growth, financial inclusion, and good governance. The Philippines, with its large unbanked population and growing digital infrastructure, stands at a pivotal moment to accelerate this transformation.

Despite the Bangko Sentral ng Pilipinas (BSP) setting a target to shift the volume of retail payment transactions to digital channels, a significant portion of financial transactions, particularly those involving government agencies, local government units, and small merchants, remain cash-based. This reliance on cash entails inherent inefficiencies, including risks of corruption, leakage in government disbursements, difficulty in tracking payments, and barriers for Filipinos to access financial services.

This bill seeks to address these gaps by mandating all national government agencies (NGAs), government-owned or -controlled corporations (GOCCs), and local government units (LGUs) to adopt safe and efficient electronic or digital payment systems for receiving revenues and disbursing funds. It also requires merchants, as a prerequisite to the approval or renewal of their business permits, to install functional digital payment systems accessible by mobile phones or other access devices provided by duly registered payment service providers (PSPs).

The measure recognizes the vital role of digital payments in promoting ease of doing business, reducing transaction costs, and bringing more Filipinos into the formal financial system. By mandating account-based disbursements, it ensures that government payments directly reach their intended recipients, minimizing opportunities for graft and corruption. The bill further

provides for a technical support framework within government entities to manage the transition to digital payments, and enables incentive mechanisms to encourage merchant compliance.

The passage of this bill is not merely a legislative step toward modernization, it is a decisive action toward achieving a more inclusive, transparent, and efficient economy for all Filipinos. By institutionalizing the use of digital payments in government and commerce, the Philippines can significantly reduce the shadow economy, strengthen tax collection, and ensure that public funds are disbursed with accuracy and accountability.

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



HON. JENNIFER A. LAGBAS
Representative
First District, Misamis Oriental



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

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

SECTION 1. *Short Title.* - This Act shall be known as the “*Promotion of Digital Payments Act.*”

SEC. 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.

SEC. 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.

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

- (a) *Access device* shall refer to any card, place, 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* shall refer to monetary payment transactions between to (2) parties through a digital payment instrument in which both the payer and the payee use an electronic channel;
- (c) *Merchant* shall refer 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* shall refer 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 know as “*The National Payment Systems Act*”; and
- (e) *Payment service provider (PSP)* shall refer to an entity that provides payment services to end-users, such as consumers, merchants, and billers, including government institutions.

SEC. 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, cashout 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 provides 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.

SEC. 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 payment 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.

SEC. 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, 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.

SEC. 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.

SEC. 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.

SEC. 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.

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

Approved,