

[Bob Kinzel, VPR News](#)

The U.S. House is set to approve a major financial reform bill that will significantly change how banks operate in the future.

The legislation includes a provision authored by Congressman Peter Welch that gives small merchants additional protections when dealing with large credit card companies.

The legislation has been debated for months in Washington and it's been the focus of intense negotiations between the House, the Senate and the nation's financial services industry.

Congressman Peter Welch says he strongly supports the bill because this is an area where more government regulation is needed to protect taxpayers from the kinds of unscrupulous activities that have taken place in the past few years.

(Welch) "This implosion on Wall Street that was totally based on risky behavior and outsized pay resulted in the loss of literally trillions of dollars of wealth, much of that from our retirement funds, folks who'd worked hard and saved. And it also is the major reason why we've lost 8 million jobs. We can't allow that to happen again. We can't allow that to happen again."

(Kinzel) In 1999, Congress passed a law that allows banks to combine their commercial and investment operations. Welch says this bill requires banks to separate these functions in the future.

(Welch) "The banks were able to trade on borrowed money and put their depositor accounts at risk when the bets went south. They can't do that any more. So if banks want to set up a trading operation they can get money from investors and do it. But then it's like any investor, if the stock goes down, they lose. The taxpayer doesn't lose."

(Kinzel) Welch says the legislation also places the trading of complex unregulated securities, known as derivatives, under strict government control.

Welch is the prime sponsor of another key part of the bill that deals with credit cards. The amendment allows merchants to set a minimum charge of 10 dollars for all credit card purchases. Welch said many Vermont merchants have complained that they have to pay exorbitant fees to the credit card companies when a customer buys a cup of coffee with a debit card.

The plan also allows retailers to offer discounts to customers who pay with cash.

Welch says the most important part of his proposal is the regulation of transaction fees that big credit card companies charge individual merchants, the so-called swipe fee.

(Welch) "The Federal Reserve is going to be the cop on the beat for the merchant, so that VISA and MasterCard can't charge whatever they can impose. The charges have to be reasonable and proportionate."

(Kinzel) The Senate is expected to consider the bill after its Fourth of July recess.

For VPR News, I'm Bob Kinzel in Montpelier.