ZIONS BANCORPORATION

1 S. Main St, 15th floor
Salt Lake City, Utah 84133

September 26th, 2011

RE: Consolidated Reports of Condition and Income, 3064-0052

Ladies and Gentlemen:

First and foremost, Zions recognizes that the number of comment periods afforded to this topic exceeds the norm and we appreciate the opportunity to voice our concerns about the current rules for Leveraged Loans and Securities, Subprime Consumer Loans, Refinancing and Renewal (for subprime, leveraged, and non-traditional mortgages) and Deferred Tax Assets Calculation Frequency for Average Tangible Equity which are scheduled to take effect on 10/1/11.

Zions is one of the institutions who participated in the preparation for the ABA lead discussion with the FDIC on September 12, 2011. Zions fully supports the concepts and strategies recommended in that hearing.

Our intent in providing you with these comments is to:

- Express our concerns,
- Express the impact the proposed rule, as it presently exists, will have on our institution, and
- Provide a recommendation which, we believe, will enhance the rule

I. Leveraged Loans and Securities

The rules to be implemented October 1, 2011 does not properly measure risk in newly originated or refinanced loans or securities, nor do they provide a level of consistency across LBP banks. The conflict of definitions between this rule and the OCC definition and instructions makes it extremely difficult to provide accurate information to both regulatory bodies consistent with their rules and instructions.

Recommended Definition

FDIC reported leveraged loans and securities will include:

1) All commercial loans (funded and unfunded) with an original amount greater than **$5 million** that meets either of the following conditions at origination, (real estate loans excepted):
   a) All of the following:
      i. The original purpose of the debt was to finance a material buyout (equity buyout or ESOP), acquisition (merger or tender offer), or recapitalization (dividends, stock repurchase, or cash-out); **and**
      ii. The borrower's total or senior debt to trailing twelve-month EBITDA (*i.e.*, operating leverage ratio) was greater than 4 or 3 times, respectively; **and**
      iii. The borrower is not fully secured on a conforming basis per standard industry norms for the collateral taken;

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b) **Or** the debt is designated as a highly leveraged transaction (HLT) by a syndication agent using the same criteria as (a) above.
c) A provision to allow de-listing of a leverage loan when conditions have changed and the loan is no longer leveraged as defined in (a) and (b) above.

2) All securities issued by a commercial borrower that meet either condition (a) or (b) above at either origination or renewal, except securities classified as trading book; and
3) All securitizations that are more than 50 percent collateralized by assets that meet either condition (a) or (b) above at either origination or renewal, except securities classified as trading book.

II. Subprime Loans:

The rules to be implemented October 1, 2011 do not properly measure risk in newly originated or refinanced loans or securities, nor do they provide a level of consistency across LBP banks. There is presently not an efficient way in place to provide and track this information. Manual tools will have to be put in place to review all credit reports until the reporting agencies are able to provide, not only automated reporting, but consistent reporting across the reporting agencies. When a standard among the reporting agencies is in place, then we can map and capture the information.

The rule on DSC groups strong financially capable borrower such as LLC or Trusts into a category that is not accurate for the transaction or the risk.

Recommended Definition:

Zions is in agreement with the LBP banks that gathered in the month of September to arrive at a common definition to accurately and consistently define subprime consumer loans. Consumer loans should be reported in their retail portfolios stratified by the 12-month probability of default (PD) at origination as determined by a credit scoring algorithm or system (developed either internally or by a recognized third party vendor), segregated by distinct product categories..

We anticipate that further discussions would be needed to develop a PD mapping model. Zions is ready to work with the FDIC to accomplish this goal.

III. Refinancing and Renewal (Subprime, Leveraged, Non-Traditional Mortgages):

The definition as clarified is so broad that it will end up including all default mitigation arrangements as a refinance or renewal which will result in double counting the exposure. The exposure would be reported in the 'subprime', 'leveraged' or 'non-traditional mortgage' lines, and then also in the 'criticized and classified' lines. The cost to ensure it is only reported once is extensive and, at present, would have to be done manually. A manual approach of this type would increase the opportunity for error.

Recommended approach

Zions recommends the removal from the rules of "refinancing" and "renewal" for "higher-risk assets." We believe the intent of capturing 'subprime', 'leveraged', and 'non-traditional mortgage' data is to measure the creation of risk at origination rather than the evolution of risk in the existing portfolio. Ongoing grading of the loans will capture changes in seasoned loan risk.

IV. Proposed Implementation Plan:

If these recommendations are accepted, the transition guidance should be continued until first quarter 2012. Should these recommendans not be accepted, the transition guidance should remain in place until second quarter 2012 which allows time to do the additional work to comply with this FDIC request.

Providing this extension will ensure that the operational processes which need to be created to supply this information to the reporting layer are as automated as possible so as to minimize error that is inherent in manual processes. There is also significant training that will be required across many departments.

V. Deferred Tax Assets Calculation for Average Tangible Equity:

In the July 27, 2011 joint notice and request for comment it states; *"Month-end averaging for tangible equity in the FDIC's final rule was not intended to impose a fully GAAP compliant requirement for monthly updating of loan loss allowances and deferred tax calculations for months other than quarter-end. However, the agencies believe that it is a sound practice to accrue provision for loan and lease losses expense and income tax expense on some reasonable basis during the first two months of a quarter and then ''true-up'' these expenses for the quarter on a GAAP-compliant basis at quarter-end, rather than ignoring these expenses until the final month of the quarter. Therefore, although the agencies acknowledge that institutions' ''provision/allowance and deferred tax calculations'' may not be updated at month-ends prior to quarter-end by recording amounts determined in full compliance with GAAP, it would not be acceptable to recognize no provision or income tax expense in the months before quarter-end when an institution reasonably expects that some amount will need to be recognized for the quarter."*

Zions is not required to do the full GAAP compliant calculation of DTA each month and does not use it for any existing external reporting purpose. It would be a significant effort to do this on a monthly basis and would require more staff. We believe that the benefit does not outweigh the cost nor does it preserve consistency among LBP reporting banks.

Recommended strategy:

We recommend that banks be permitted to report at each month-end of the quarterly reporting period a pro-rated, one-third estimate of the quarter-end reported amount of deferred tax assets. As was stated in a comment letter from another entity, and referenced in the July 27, 2011 notice, Zions asks that if this recommendation is accepted that it be clearly stated in the call report instructions.

We thank you for the opportunity to comment on the proposed revisions and appreciate your consideration of our recommendations.

Should you have any questions please contact:

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Regards,

Donald Walk