## ZIONS BANCORPORATION

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Letter of Comment No: File Reference: EITF03-1A

October 29, 2004

Mr. Lawrence Smith
Director and Chairman of the Emerging Issues Task Force
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856

Re: Proposed FASB Staff Position, EITF Issue 03-1-a

Dear Mr. Smith:

Zions Bancorporation appreciates the opportunity to comment on the proposed Staff Position issued on September 15, 2004 by the Financial Accounting Standards Board (FSP 03-1-a). We also appreciate the fact that FASB delayed the effective date of this rule to allow more time for input from those in the industry that will be impacted by the proposed rule.

Zions Bancorporation is a financial services holding company headquartered in Salt Lake City, Utah. It has assets of approximately \$31 billion and, among other holdings, owns six banks in the western United States serving residents in eight rapidly growing states. It operates approximately 400 branches located in those eight states.

Although we can appreciate FASB's intent to ensure company financial statements accurately reflect the condition of a company, we feel the proposed interpretation of paragraph 16 of EITF 03-1 regarding the impairment of debt securities due to interest rate and/or sector spread increases does little to assist an investor or reader of a financial statement in understanding the true picture of an institution's financial condition. EITF 03-1-a, while adding minimal if any benefit to disclosure, would interfere with a bank's ability to practice day to day, prudent balance sheet and asset/liability management.

Financial institutions maintain investment portfolios in order to provide liquidity for the business of banking. Available for Sale ("AFS") securities should be available to be sold in the event funds are needed in the normal course of business or if funds should become needed for other purposes without having to worry about tainting the value of other AFS securities remaining in the portfolio. It is not our position that the recognition of impairment should be eliminated, but that the sale of a single "under water" AFS security should not force the permanent impairment and write down of all similar securities remaining in the AFS portfolio when "loss of value" is due to interest rate increases and the bank has the ability to hold the security into the future.

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Within the past few months, several accounting firms have interpreted EITF 03-1 in a manner that would result in limited sales of under water AFS securities, tainting other similar securities in the AFS portfolio. This interpretation would cause the write down of similar securities still in the portfolio even though there is no present intent to sell the remaining securities. This write down would be reflected in current earnings, discouraging the sale of AFS securities even if such sale were prudent from a business perspective, thus increasing the difficulty in prudently managing the portfolio and the business of the company.

In summary, we see the proposal in EITF 03-1-a as simply creating more rules with little positive result while negatively impacting the ability to prudently make funding and investment decisions.

We would recommend the following:

- 1. Since SFAS 115 currently deals with the issues, allow the continued unrestricted sale of AFS securities. Declines in value of debt securities that are solely due to increases in interest rate should be excluded from EITF 03-1.
- 2. If the proposal remains as is, the "intent to hold" debt securities should be excluded from the exemption. The notion of "intent to hold" conflicts with SFAS 115 "available for sale". "Ability to hold" the security should be the only test for the exemption.
- 3. If changes are required of banks as a result of the rule, the earliest effective date should be one year from when the rule becomes effective. This time is necessary to develop systems, Sarbanes-Oxley controls, etc.
- 4. A one time window for repositioning out of available for sale into either held to maturity or trading should be permitted.

Again, thank you for the opportunity to provide comment. If you should have questions, please feel free to contact me at (801)524-4640.

Sincerely

Doyle L. Arnold 7

**Executive Vice President** 

Zions Bancorporation