March 31, 2011

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Via e-mail: director@fasb.org

Re: FASB File Reference No. 2011-150 Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities: Impairment

Dear Technical Director:

Zions Bancorporation ("Zions") appreciates the opportunity to provide comments and observations on the Financial Accounting Standards Board's ("FASB") Supplementary Document Financial Instruments: Impairment/Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities: Impairment ("SD"). Our input is based on our role as a preparer of financial statements and as a regional bank that is a user of community bank financial statements.

Zions is one of the largest regional bank holding companies in the Western United States, consisting of eight banks and about $50 billion in assets. Zions operates its banking businesses under local management teams and community identities through approximately 500 offices in ten Western and Southwestern states: Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Texas, Utah and Washington. The vast majority of our earning assets are loans, and 80% of those loans are to small businesses, other commercial and corporate businesses, real estate developers and commercial real estate investors in communities within those states.

We support the FASB’s desire to improve financial accounting and reporting for financial instruments, and we believe that any change to the current incurred loss model should result in a model that is

- less pro-cyclical than the current model,
- grounded on contingency accounting principles,
- based on intuitive economic principles that are straightforward to explain,
- applied consistently across financial institutions, and
- straightforward to implement.

We do not believe that the SD as currently drafted meets those objectives. Rather, we are concerned that the proposed amendments would result in less reliable, less comparable, and less
useful financial statements for the financial services industry, and that the proposed amendments may actually alter in a fundamentally undesirable way the business of banking.

We support the FASB’s efforts to converge US accounting standards with the provisions of the International Financial Accounting Standards (“IFRS”). However, we feel that that the FASB and IASB should reconsider some of the requirements of the current exposure draft. In particular, we would like to bring to your attention the following concerns:

Additional time is required to study the impact of the proposed impairment model

The public comment period from January 31, 2011, through April 1, 2011, coincided with the filing of our 10-K on March 1, 2011, and has thus allowed us an insufficient amount of time to thoroughly study the proposed SD. However, we have performed some limited modeling of the proposed methodology. Our preliminary results indicate that the expected loss model will introduce more variability and pro-cyclicality into the Allowance for Loan Loss than the “incurred loss model”.

We agree that the “incurred loss model” inherently can result in outcomes that are “too little too late” and pro-cyclical. However, neither we, nor the financial services industry, fully understand the proposed impairment model and how it addresses the weaknesses of the “incurred loss model”. It is important to keep in mind that at the beginning of the 2007 financial crisis few, if any, financial models fully predicted the magnitude of the losses incurred by investors and firms. What guarantees do stakeholders have that this proposed model will prove any better in predicting the “right amount of losses” for the next financial crisis? As noted, our limited attempt to apply retrospectively the proposal to Zions during the recent crisis indicates that it would have resulted in greater rather than reduced pro-cyclicality. More work is required to develop a “better” impairment model.

The proposed impairment model does not follow contingency accounting principles

We agree with and support the accounting principle of contingency accounting for losses. A loss exists when an entity reasonably expects not to collect all payments of a financial instrument, and such a loss should be recognized. However, the proposed impairment model incorporates certain accounting views of the FASB and IASB that are not fully supported by the contingency accounting principles. An allowance “floor” for all loans does not meet the basic contingency accounting principle of a “reasonably estimable loss”. Additionally, a “time-proportional approach” to recognize credit losses also is deviation from the principle to recognize a “reasonably estimable loss” in the financial statements when such a loss has been determined.

We agree that the “incurred loss model” does not adequately take into account the natural turns of the credit cycle. The proposed model attempts to reflect these credit cycle turns through an allowance floor methodology and a time-proportional recognition approach methodology. The allowance floor and time-proportional recognition are mere compromises with the basic
contingency accounting principles in an effort to publish a proposed impairment model that supports the goal of accounting convergence.

The final impairment model needs to incorporate the inherent contingency credit cycle risk that the financial services industry has faced throughout history since the days of the Medicis. As history has shown, this inherent risk increases throughout a credit cycle until the end of the cycle when credit contracts. Additionally, this risk is not tied to every financial instrument equally. More work needs to be done to develop an impairment model that is consistent with the contingency accounting principles, and which captures the inherent contingency credit cycle risks.

We recommend that the FASB and IASB perform field testing of the proposed impairment model at small, mid-size, and large banks to fully understand the financial statement impact and the practical challenges surrounding the implementation of the model

The preliminary results of our limited testing indicate that the proposed impairment model is not less pro-cyclical than the current “incurred loss model”, is not based on intuitive economic principles associated with the business risks of lending, and is not easy to explain to our stakeholders (investors, auditors, banking regulators, etc). Additionally, we believe that this proposed impairment model would not be straight forward to implement. It would increase the complexity of the calculation for Allowance for Loan Losses, and make the quality assurance of such a calculation more difficult. The final impairment model should not increase the risk of error and it should be feasible for banks of all sizes to implement. It should also be practical for auditors to examine, and be acceptable to government regulators.

The proposed model will result in less comparable financial statements

The SD introduces several new concepts such as “foreseeable future” and “good/bad book”, but does not provide sufficient definition of these terms in order for them to be applied consistently across the banking industry. We believe that various stakeholders in the industry need a clearer understanding of these concepts. In their present form they can be widely interpreted reducing the comparability of financial statements published by different companies.

The recent public discourse between U.S. bank regulators and the accounting community has revealed a significant gap in their interpretations of the current “incurred loss model”. If the “foreseeable future”, “good/bad book”, and “expected life” concepts are included in a future impairment model, these concepts should be strictly defined by the accounting standards in order to close this gap.

The proposed model may fundamentally alter the banking industry

If “foreseeable future” and “expected life” remain very broad and undefined concepts, they may result in long-term loans requiring higher reserves than short-term loans and fixed rate loans
requiring higher reserves than variable rate ones with otherwise similar terms. This may result in banks offering a smaller selection of loan products, as well as in higher borrowing costs to customers.

We thank you for reviewing our recommendations and would be pleased to discuss these issues in more detail with you or your staff at your convenience.

Sincerely,

[Signature]
Alexander J. Hume
Senior Vice President and Corporate Controller
Zions Bancorporation