ZIONS BANCORPORATION

March 25, 2009

Mr. Russell Golden Technical Director Financial Accounting Standards Board 401 Merritt 7 Norwalk, Connecticut 06856-5116 director@fasb.org File Reference: Proposed FSP FAS 115-a, FAS 124-a and EITF 99-20-b



Dear Mr. Golden,

Zions Bancorporation ("Zions") appreciates the opportunity to comment on the exposure draft FSP FAS 115-a, FAS 124-a, and EITF 99-20-b. We commend the FASB and the FASB staff for their efforts to clarify this complex accounting issue.

Broadly speaking, we support the changes proposed in this FSP and in the related FSP FAS 157e. We believe that the overarching objective of financial reporting should be to provide useful information to users of financial statements, particularly investors and creditors.

However, we are very concerned that the proposal negates a key feature of the held-to-maturity ("HTM") portfolio by creating a new category of OCI on HTM securities first impaired after March 2009. We agree with recording the non-credit impairment of AFS securities in OCI, as such securities are always carried at fair value. For HTM securities, however, the fair value should be shown in the footnotes to the financial statements. Only recording the credit-related impairment for HTM securities is more consistent with the concept of HTM.

In this letter, we comment on some operational issues and make suggestions relating to some potential unintended consequences of the proposed standard changes as written.

1. The adoption of the proposed FSP will result in OTTI accounting that differs from that in the past. In particular, a new OCI category will be created and securities that the entity does not intend to sell and for which it is more likely than not that it will not have to sell before recovery of value will be accounted for differently than similar securities deemed OTTI in past reporting periods. This will create an inconsistency across reporting periods and across OTTI securities. The proposed FSP could also result in inconsistencies across reporting entities; institutions that were more conservative and took greater amounts of OTTI prior to the standard change will not be on an even footing with those that were less conservative and started later to recognize OTTI. These inconsistencies will result in unnecessary confusion among users of financial statements. We believe this is an unintended consequence of the proposed FSP.

Also, under the proposed FSP, some securities with trades that are above zero could be written down to a cost basis of zero. For example, Zions has a security with a current cost basis of 30.0 (using a dollar price convention) due to a December 2008 OTTI of 70.0. The December 31, 2008 OTTI of 70.0 was split between a credit component of 22.0, with the remaining 48.0 relating to illiquidity. The March quarter-end credit component of OTTI is 63.0 and the fair value is 16.0. Under the proposed FSP, the incremental credit component of 41.0 (63.0 - 22.0) would be deducted from the cost basis of 30.0, resulting in a negative (or zero) cost basis, even though the fair value is 16.0. We believe this is an unintended consequence of the proposed FSP.

These unintended consequences can be easily remedied by making the previous OTTI accounting consistent with that in the FSP. The FSP should require that OTTI taken in previous reporting periods that would have been included in the new OCI category under the proposed FSP (i.e., the non-credit component) be removed from Retained Earnings and placed in the new OCI account. This adjustment would not flow through earnings. Neither capital nor total shareholders equity would change. The cost basis of each security should also be adjusted. Operationally, the March 31, 2009 credit component and the non-credit component would be used to determine the adjustment. Financial reporting including footnote disclosure and MD&A would be greatly simplified and the resultant financial statements will be more consistent and readily interpretable.

2. The proposed FSP doesn't solve the market illiquidity problem on the balance sheet that is a consequence of fair value accounting. Like many financial institutions, Zions did not elect to adopt Statement 159 on the liability side of the balance sheet. The assets in HTM were all investment grade and the possibility of OTTI was assessed to be remote. The recent market downturn has been far worse than anyone modeled and that assessment turned out to be incorrect. The inconsistent treatment of assets and liabilities is causing a severe erosion of capital.

We propose that the Board reopen the window for the adoption of Statement 159. Statement 159 states that the FASB has a long-term objective of expanding the use of fair value measurement and that the purpose of Statement 159 is to "improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently..." Those objectives would be achieved by allowing reporting entities to reconsider adopting Statement 159 for assets and liabilities that have similar underlying credit exposure. Users of financial statements would be provided with a better view of the true financial state of the company. Asset and Liability Management groups would be able to manage fair value risk in much the same way they manage interest rate risk. As at the original adoption date of Statement 159, the marks would go directly to retained earnings.

3. This comment relates to question four contained in the Notice for Recipients of This *Proposed FASB Staff Position*. The proposed FSP creates a new category within OCI for

the non-credit portion of OTTI for HTM securities. That impairment is then prospectively amortized over the remaining life of the security. The proposed FSP is operationally difficult as no commercially available securities tracking software has the ability to track HTM securities consistent with the proposed FSP. The accounting proposed in the FSP is more similar to the accounting for AFS securities. We propose that the FSP provide a black-and-white safe harbor for the transfer of HTM securities that have been deemed to be OTTI into AFS, where the systems can track the securities. The cost basis of securities moved from HTM to AFS under the safe harbor would be the previous cost basis less the portion of the impairment related to credit. While we believe that under FASB Statement No. 115 paragraph 8(a) such a transfer of HTM securities to AFS should be allowed due to the significant deterioration in the creditworthiness of the issuer, a specific safe harbor would remove any doubt and facilitate the tracking of the securities and the components of impairment.

We appreciate your consideration of these comments and suggestions.

Sincerely,

W. David Hemingway

Executive Vice President

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