# ZIONS BANCORPORATION

Via E-mail

Doyle L. Arnold Vice Chairman Chief Financial Officer

August 24, 2009

Mr. Russell Golden Technical Director Financial Accounting Standards Board 301 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Via e-mail: director@fasb.org

File Reference Number 1700-100: Exposure Draft of a Proposed Statement of Financial Re: Accounting Standards: Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses

Dear Mr. Golden:

Zions Bancorporation ("Zions") appreciates the opportunity to provide comments and observations on the Financial Accounting Standards Board's ("FASB") Exposure Draft of a Proposed Statement of Financial Accounting Standards, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses ("ED"). Our input is based on our role as a preparer of financial statements and as a regional bank that utilizes several third-party-supported loan accounting systems.

Although we support the FASB's desire to improve the financial reporting of the credit quality of financing receivables for users of financial statements, we do not believe that the ED as currently drafted meets those objectives. Rather, we are concerned that certain of the proposed amendments will result in less reliable, comparable, and meaningful financial reporting for commercial banks if the ED is implemented for the 2009 annual reporting period. We have two substantive comments at this time:

## 1. Delay the effective date for two years

Most significantly, we disagree with the decision to implement the disclosure requirements for fiscal years ending after December 15, 2009. Our Company utilizes over 10 vendor-supplied loan systems and we are very concerned we will be unable to complete the upgrade, testing, and implementation of internal controls for these loan systems in time to meet the ED disclosure requirements. We are dependent on our loan accounting system vendors to upgrade and test the systems. One of our major loan system vendors tells us it would take at least nine months to upgrade and test the loan system to meet the new reporting requirements. The impact of upgrading loan systems would require us to review and redesign internal controls after the vendors deliver the updated systems so we can ensure that an effective control environment exists for the required disclosures. In connection with this transition, it may take us at least a year using some manual processes to determine that the system upgrades are functioning properly.

Our Company would not be able to comply with the proposed Standard if it is adopted with an effective date of December 15, 2009. If the proposed Statement is adopted, we recommend that its effective date be delayed until December 15, 2011.

# 2. Reissue a new ED for additional comment

After reviewing the ED during this short comment period in the middle of a financial crisis, we recommend that more time and thought be dedicated to the substance of these proposed new disclosure requirements. The ED raises a number of substantive issues that warrant additional scrutiny. An additional exposure draft incorporating comments from financial statement preparers would be helpful to all users of the financial statements. Following are just two points that we think warrant more deliberation:

## Tabular disclosure

We disagree with the ED presentation of the tabular disclosure example in Appendix A due to our concern that the example would become the standard requirement. Each commercial bank has a unique loan portfolio and credit quality profile, and standard tabular disclosure requirements may result in disclosures that do not reflect relevant information regarding the credit quality profile of a commercial bank.

Further, internal risk ratings for loans are driven in part by regulatory metrics. Definitions provided by regulators for adversely graded credits are not interpreted or applied consistently among the regulatory agencies. For example, the FDIC does not apply special mention categories consistently with the other banking regulators. The ED tabular disclosure example for internal risk ratings would not be comparable among banks that have differing banking regulators. We believe that preparers of financial statements should determine the relevant internal risk rating disclosures for their unique loan portfolios.

## Fair value disclosures

We believe the proposed requirement to disclose the fair values of credit receivables at the segment level is superfluous. We note that with the nature of small and middle market business and commercial real estate banking, for nearly all individual loans there can be no "Level 1" or even "Level 2" fair value determinations. There is no active market for the vast majority of loans that Zions holds, and therefore, there can be no market-derived fair value. All fair value determinations made by Zions will of necessity be based on "Level 3" models. Given the other disclosure requirements in the ED, financial statement users will have all the information they need to make their own informed judgments of portfolio fair values. The managements of Zions and other regional and community banks generally do not estimate and do not use for any purpose any estimate of credit portfolio fair values, except for loans individually valued under FASB No. 141(R), *Business Combinations*. Therefore, the disclosure of such fair values is not meaningful to investors. This part of the ED should be dropped completely.

We thank the Board for its consideration of our recommendations and would be pleased to discuss these issues in more detail with the Board or staff at your convenience.

Sincerely,

Doyle L. Arnold

Vice Chairman and Chief Financial Officer

Zions Bancorporation