ZIONS BANCORPORATION

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April 7, 2008

Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW, Room F-1066
Washington, DC 20429

RE: Large-Bank Deposit Insurance Determination Modernization Notice of Proposed Rulemaking (NPR)

To Whom it May Concern:

On behalf of Zions Bancorporation I wish to thank the FDIC for providing us with the opportunity to comment on the FDIC Insurance Modernization NPR's insurance determination process published in the Federal Register.

Zions Bancorporation is a $50.9 Billion bank holding company with banking offices located in Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Texas, Utah, and Washington. Four of the eight banking institutions held by Zions would meet the requirements outlined for the provisions covered in "Part 2" of the NPR.

In summary, Zions understands that there is inherent regulatory and financial burden associated with a proposal of this nature. Zions believes, however, that the current proposal fails to adequately distribute that burden based on the actual risk of bank failure and saddles covered institutions with the burden, creating a competitive disadvantage for institutions required to meet the standards of Part 2 as outlined in the NPR.

Determining the Risk of Failure

The NPR would establish the tightest controls based on the volume of accounts by *count and* amount. As noted *in* the proposal, the rules outlined in Part 2 would apply to nearly 70 percent of all domestic deposits. While this covers the majority of deposits, it is arguably focused on those deposits with the lowest risk of failure based on historical patterns, current trends, and the expertise of policy makers.

Historical Patterns

The FDIC website[1] identifies nearly 30 institutions that have failed since October 2000. It is significant to note that none of these institutions would have been held to the standards outlined in Part 2. The FDIC made note of the largest of these bank failures, Netbank, which still did not penetrate the requirements of Part 2. History illustrates that the deposits held at smaller institutions are at greatest risk.

1 <http://www.fdic.gov/bank/individual/failed/banklist.html>

Current Trends
As reported in the fourth quarter 2007 Quarterly Banking Profile, published by the FDIC, there were 76 institutions on the "Problem List." These institutions represent a cumulative $22.2 billion in assets. It is probable that none of these institutions would qualify for Part 2 with an average asset size of only $292 million, underscoring the notion that the current NPR imposes burdensome requirements based on the volume of accounts and not the actual risk of failure.

Expert Policy Makers
In "The Semiannual Monetary Policy Report to the Congress[2]," Federal Reserve Chairman Ben Bernanke commented on the likelihood of bank failures, and reported that he did not expect any serious problems among larger institutions. Once again, the burdens imposed under Part 2 are directed to the accounts with the lowest risk of failure.

It is plainly evident through historical patterns, current trends, and the expertise of policy makers that the risk of failure should be measured not by the volume of deposits, but by the risk of actual failure.

<u>Undue Burden</u>
The burden imposed under Part 2 requirements are cumbersome and resource consuming, without any meaningful benefit by way of real risk mitigation, since these institutions are least likely to fail. The specific burdens are outlined below:

Costs to Modify Systems
The proposed system modifications outlined in Part 2 would require new development at a substantial expense to the institution. Monitoring of the data feeds will also require resources, further saddling consumers with costs associated with maintaining the controls outlined in this system. It also unfairly burdens larger institutions, which again appear to be at a lower risk of failure.

Effects on Competition
Major system modifications would create a climate of unfair competition between these institutions and smaller institutions that would be less affected by the rule, even though they are most likely the institutions to become insolvent.

<u>Answers to Specific Questions</u>

Testing

- Contact point testing of every three to six-months seems overly burdensome. Zions would recommend adopting an ongoing maintenance approach that is based on the risk of failure and not arbitrarily imposed on larger institutions.

Provisional Holds

- Developing a system to automatically post multiple hold values across the entire deposit base would be significant.

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2 Report to the Committee on Banking, Housing, and Urban Affairs, February 28, 2008.

- Establishing a single threshold and ratio rather than two or three would simplify this process, but would still require a significant IT undertaking.

Posting the Insurance Determination Results and Removal of Holds

- Multiple functions such as removing provisional holds, adding replacement holds, debiting accounts, etc. may have to run in separate IT segmented jobs. An overnight processing may not be realistic given possible run times of each of these segments.

Summary

While the current NPR eliminates burdensome requirements published in prior proposals, it imposes burden on institutions representing the largest volume of deposits, and the lowest risk of failure. We would encourage the FDIC to seek alternative risk-based solutions that will be more impactful in hedging the process of bank failure and preserving trust in the banking system. Specifically, it would be meaningful for the FDIC to impose requirements on institutions presenting early warning signs of failure; to allow time to meet the requirements of Part 2 prior to reaching insolvency. The FDIC should place burden commensurate with the real risk of failure, and not apply rules in a broad manner while neglecting those deposits and consumers at greatest risk of a bank failure.

Zions recognizes the importance of maintaining the integrity of deposit insurance and the banking system is high, and applauds the FDIC's efforts to develop true risk mitigates where appropriate. On behalf of Zions, I thank you for providing us with an opportunity to comment on this NPR.

Sincerely,

Norman Merritt
Executive Vice President and Corporate Compliance Director