ZIONS BANCORPORATION

October 22, 2012

By electronic submission

Office of the Comptroller of the Currency
250 E Street, S.W., Mail Stop 1-5
Washington, D.C. 20219
RE: Docket ID OCC-2012-0008

Mr. Robert deV. Frierson
Secretary, Board of Governors of the Federal Reserve System
20th St. and Constitution Avenue, N.W.
Washington, D.C. 20551
RE: Docket No. R-1442; RIN No. 7100 AD 87

Mr. Robert E. Feldman
Executive Secretary
Attention; Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429
RE: RIN 3064-AD 95

Re: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, Transition Provisions, and Prompt Corrective Action

To Whom It May Concern:

Zions Bancorporation ("Zions") appreciates the opportunity to comment on the federal banking agencies' ("the agencies") proposed rulemaking regarding the Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, Transition Provisions, and Prompt Corrective Action ("NPR").

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Zions Bancorporation is a bank holding company that is the parent company of eight banks. Under local management teams and community identities, Zions operates over 500 full-service banking offices in Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Texas, Utah and Washington. In addition, Zions is a national leader in SBA lending, public finance advisory services, and agricultural finance. The company is included in the S&P 500 Index.

Zions acknowledges the need for refined capital standards. However, we have some concerns about the approach taken in the NPR. We are specifically concerned about these aspects of the proposed rulemaking:

- Restrictions on the payment of cash dividends on CET1 instruments.
- Limitation on inclusion in Tier 2 capital of allowance for loan and lease losses (ALLL) to 1.25% of risk-weighted assets.
- The proposed capital requirements do not take into consideration the cumulative effect of the many other recent financial reforms.
- The proposed timing of implementation of the NPR does not allow adequate time for banking organizations to prepare for the new requirements.

We respectfully request that the agencies consider these issues prior to the issuance of the final rule.

Restrictions on cash dividends

During times of financial stress, a banking organization should be allowed by regulators to maintain a common equity dividend, even a nominal dividend of $0.01 per share per quarter, and to continue to pay its preferred dividends despite incurring accounting losses by issuing common stock sufficient to cover the losses and dividends. This would allow the banking organization to continue to have access to public capital markets. If a banking organization is not able to maintain its dividend, its access to the capital markets would be limited or completely shut off, as many investors are not able to hold common and preferred stock that does not pay dividends.

Many state laws, including Delaware, and U.S. corporate law generally, permit the payment of dividends from surplus. Surplus arises from issuance of common stock at a price greater than par, which is typically a *de minimis* amount or even zero.

Permitting banking organizations to pay dividends out of surplus therefore allows shareholders to continue to support the company in a time of crisis, and in fact facilitates that support by creating a broader shareholder base. Allowing cash dividends to be paid out of surplus is also a self-regulating mechanism; when the shareholders and/or public capital markets no longer are willing to provide capital, the banking organization will need to find another solution to its needs. In other words, the banking organization is unlikely to be able to follow this course indefinitely and without evidence that its situation is improving or has stabilized.

Allowance for Loan and Lease Losses

The NPR proposes that the inclusion of ALLL in the definition of Tier 2 capital be limited to 1.25% of the bank's risk-weighted assets. We believe that the 1.25% cap is arbitrary and does not accurately reflect the nature of ALLL as the functional equivalent of loss-absorbing capital. When ALLL is recognized, capital is reduced by the entire amount via a charge to earnings, with the expectation that ALLL will offset losses in loans and leases. The cap of 1.25% effectively Limiting ALLL in capital to 1.25% or risk-weighted assets may discourage banks from prudently setting aside an appropriate reserve.

Cumulative effect of financial reforms

Regulators have a whole array of new tools at their disposal to ensure that banking organizations are adequately capitalized and operate in a safe and sound manner. The Dodd-Frank (Dodd-Frank) Wall Street Reform and Consumer Protection Act includes many provisions that grant authority to regulators to ensure financial stability of the banking system. For example, the Dodd-Frank Act created the Financial Stability Oversight Council, which has the authority to determine that any financial practice presents risks to the U.S. financial system, and can request that a regulator take steps to prevent or limit that activity. The agencies are also authorized to increase required capital levels on an institution-specific basis when they find that increased capital is required in light of the activities and assets of that institution. These and other increased financial regulation and scrutiny should be considered when determining appropriate capital levels for banking organizations needed for the organizations to operate in a manner that ensures their ongoing viability. Failure to do so may result in such a regulatory and capital burden that credit and many financial services are severely limited or no longer offered, harming customers and the economy.

Proposed timing

The NPR would require banking organizations to meet minimum capital requirements as soon as January 1, 2013. That is simply not enough time to adequately and efficiently ensure that these capital ratios can be attained. And, even if a banking organization could, if required, quickly access capital markets and adjust their capital structure, there is a reasonable possibility that the capital would be more expensive than it would be if the company had sufficient time. While additional capital would strengthen the company's loss absorbing capability, it would come at a cost, which would weaken its financial position.

Zions appreciates the opportunity to provide feedback on the proposed rulemaking and would be happy to discuss our view further at your convenience.

Sincerely,

Doyle L. Arnold
Vice Chairman and Chief Financial Officer