

ZIONS BANCORPORATION

CORPORATE COMPLIANCE
One South Main Street, Suite 500
Salt Lake City, Utah 84111
(801) 524-8991
FAX (801) 524-2277

April 13, 2006

Mr. Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

RE: Large-Bank Deposit Insurance Determination Modernization Proposal

Dear Mr. Feldman:

Thank you for providing us with the opportunity to comment on the advanced notice of proposed rulemaking related to the FDIC's insurance determination process published in the Federal Register on December 13, 2005.

Our institution is a \$44 billion bank holding company with banking offices located in Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Texas, Utah and Washington. Our institution is included the Large Bank definition as described in the proposed rules and would be affected by the implementation of Options one and two.

We have reviewed in detail both options and have strong reservations about both. However, if faced with a decision between the two, would prefer the second option. Our reasoning is listed below:

Improbability of Bank Failure

Quoting an FDIC press release, "No BIF-insured or SAIF-insured institutions failed during 2005—making it the first calendar year in FDIC's history with no failure activity. The contingent liability for anticipated failures for both deposit insurance funds remain at or near historically low levels given the current and projected health of the banking and thrift industries."¹ In the years 2003 and 2004 there were only three bank failures each², none of which were in the well-managed large-bank group that is targeted by this proposal.

Costs to Modify Systems

The proposed system modifications under each of these options, but particularly option one, are costly. We estimate that it would likely cost our institution millions of dollars to implement and maintain such a program that would only be used in the unlikely event of a bank failure. Multiplying these costs across the 145 institutions targeted by the proposal, and weighing the results against the probability of failure illustrates the extreme burden of this proposal. As the proposal states, the FDIC is upgrading its systems to improve its ability to process a large

¹ FDIC PR-25-2006, March 3, 2006

² Federal Deposit Insurance Corporation – Annual Report 2005, page 20

³ Federal Deposit Insurance Corporation – Annual Report 2005, page 10

number of accounts and provide timely customer support. Current systems used by these large banks should be able to provide enough data to make the initial insurance determination.

Contrary to Regulatory Burden Reduction Initiatives

Regulatory agencies, including the FDIC, have been conducting outreach meetings to discuss regulatory reduction. The FDIC's Annual Report states that "The agencies must also eliminate unnecessary regulations to the extent possible"³, but banks continue to be faced with new proposed regulations.

Effects on Competition

The undue burden imposed on these large institutions to make major system modifications would create a climate of unfair competition between these institutions and smaller institutions who would not be affected by the rule, and are more likely to enter insolvency based on historical patterns. If one of these options was to be implemented, it would have to be effective for all insured institutions to maintain fair competition. The NCUA has not proposed any such rules for its insured credit unions.

Again, thank you for providing us with an opportunity to comment on this proposed rule. If you have any questions concerning our comments, please contact the undersigned at nmerritt@zionsbank.com.

Sincerely,

Norman Merritt
Director of Corporate Compliance

¹ FDIC PR-25-2006, March 3, 2006

² Federal Deposit Insurance Corporation – Annual Report 2005, page 20

³ Federal Deposit Insurance Corporation – Annual Report 2005, page 10