February 29, 2012

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Proposed MSRB Rule G-36

Ladies and Gentlemen:

On September 9, 2011, the Municipal Securities Rulemaking Board ("MSRB") withdrew Proposed Rule G-36 and a Proposed Interpretive Notice relating to the application of Proposed Rule G-36. Proposed Rule G-36 addressed fiduciary duties of municipal advisors to municipal entity clients. The MSRB indicated that upon the Securities and Exchange Commission's ("SEC") adoption of a permanent definition of the term "municipal advisor" under the Securities Exchange Act of 1934, the MSRB plans to resubmit the proposed rule. Zions First National Bank ("Zions Bank") would like to respond to the proposed rule while the rule is being reconsidered.

Proposed Rule G-36 provided that in the conduct of its municipal advisory activities on behalf of municipal entity clients, a municipal advisor shall be subject to a fiduciary duty, which shall include a duty of loyalty and a duty of care. The Proposed Interpretive Notice indicated that the Rule G-36 duty of loyalty would require the municipal advisor to deal honestly and in good faith with the municipal entity and to act in the municipal entity's best interests without regard to financial or other interests of the municipal advisor. The notice stated that G-36 would require a municipal advisor to make clear, written disclosure of all material conflicts of interest, such as those that might impair its ability to satisfy the duty of loyalty, and to receive the written, informed consent of officials of the municipal entity the municipal advisor reasonably believes have the authority to bind the municipal entity by contract with the municipal advisor. Such disclosure would be required to be made before the municipal advisor could provide municipal advisory services to the municipal entity or, in the case of conflicts discovered or arising after the municipal advisory relationship has commenced, before the municipal advisor could continue to provide such services.

The proposed notice also provided that a municipal advisor may not undertake an engagement if certain unmanageable conflicts exist, including (i) kickbacks and certain fee-splitting arrangements with the providers of investments or services to municipal entities, (ii) payments by municipal advisors made for the purpose of obtaining or retaining municipal advisory business other than reasonable fees paid to a municipal advisor for solicitation activities regulated by the MSRB, and (iii) acting as a principal in matters concerning the municipal advisory engagement (except for certain enumerated exceptions). While we support the general objective of Proposed Rule G-36, we take issue with the possible manner in which the proposed notice might implement the proposed rule. Specifically, our comments relate to the portions of

the proposed notice that seek to limit the ability of a municipal advisor to act as a principal in matters concerning the municipal advisory relationship.

To provide the appropriate backdrop for our comments, we believe it might be helpful to observe that, at its core, every municipal bond is essentially a promissory note — a written obligation of the municipality to repay moneys loaned or advanced to it. Municipal bonds take the forms they do primarily to satisfy debt limitations and requirements imposed on municipalities by their state constitutions and statutes. So, whether the lender is a retail or institutional investor — or even a bank — a municipality's written promise to repay, whether acquired through a public offering, a private placement, or a direct loan, will by law have to be in the same basic form as the specific type of municipal bond that has been designed to satisfy the constitutional and statutory restrictions and requirements that apply to the particular type of transaction. Of course, certain details of the written obligation can be revised, but the basic structural requirements imposed by applicable state law will still have to be met in order for the repayment obligation to be legally binding and enforceable under state law. As a consequence, when a bank makes a direct loan to a municipality, if the bank wants the municipality's written obligation to repay the loan to be legally binding and enforceable, that written obligation will generally have to be structured like, and thus will essentially look like, the type of municipal bond that has been designed to fit the type of loan involved.

This is one of the reasons why promissory notes received by banks from the municipalities to which they have loaned or advanced moneys are in the form of municipal bonds. It could be said that the banks have "purchased" such municipal bonds, in the same way it could be said that banks have "purchased" regular promissory notes they receive from other entities and individuals to whom they make loans. When Zions Bank makes a loan to a municipality, although it receives back a municipal bond as the municipality's written repayment obligation, the process the Bank has followed to make the loan to the municipality is essentially the same process it follows to make loans to other entities and individuals, and it considers the transaction just as much a loan as it considers the transactions with other entities and individuals as loans. Both kinds of transactions are entered into for Zions Bank's own loan portfolio and not for re-sale or distribution. To date, neither Zions Bank nor any of its wholly owned affiliates have ever transferred to a third party any of the municipal bonds they have received in return for such loans to municipalities. Zions Bank has been making loans to municipalities for more than a century.

Having been established by Brigham Young in 1873, Zions Bank has been one of the leading banks in the State of Utah since the territorial days before Utah achieved statehood. Zions Bank has provided and continues to provide a variety of traditional banking services to the State of Utah and its political subdivisions including deposit accounts, checking accounts, financial advisory services and loans.

Zions Bank and its wholly owned affiliated banks throughout the western United States play an active role in providing a wide range of banking services to their local municipalities. Zions has worked especially hard to establish the expertise and ability needed to provide such services to small, remote, and less affluent municipalities that don't have the financial wherewithal to routinely access the municipal bond markets to meet all of their financial needs, helping them to finance critical infrastructure projects such as schools; medical facilities, public safety facilities

like fire stations, police stations, emergency communication facilities, ambulances, fire trucks, and police cars; roads; bridges; street lighting; sidewalks; curbs and gutters; utility lines (including electric, water, and sewer); and the like. Zions frequently receives Community Reinvestment Act (CRA) credit from its federal banking regulators for financing these facilities because of the special benefits they often provide to low- and moderate-income people and families in the community. Congress has shown its desire for banks to assist the smaller communities they serve, through its adoption of CRA laws and the bank qualification provisions of Section 265(b)(3) of the Internal Revenue Code.

Often these municipalities are so geographically remote that they have relatively few alternative providers of financial services they can choose from, other than their local bank from whom they have been receiving banking services for decades, and who they know and trust. It would constitute an unnecessary and unfortunate intrusion into their financial affairs to tell these municipalities that they can use the local bank they know and trust to provide them banking services like deposit accounts and checking accounts, but that they must decide whether to use the bank they've chosen either for financial advisory services or loans, but not both. This is where we would take issue with possible interpretations of the Proposed Interpretive Notice. We believe that Rule G-36 when adopted, and the fiduciary duty it is intended to implement, should not be interpreted in any way that would eliminate a bank's ability to serve its municipal customers in a very necessary and useful way by providing those customers with a wide range of traditional banking services including deposit accounts, checking accounts, financial advisory services, and loans. If a bank can't be trusted to provide its municipal customers with fair and efficient services, then the federal or state banking regulatory agency that regulates the bank is the proper entity to evaluate and rectify the situation. And if a municipality doesn't have the expertise required to choose a bank to provide it with financial services, the state under whose laws and authority the municipality exists is the proper entity to institute appropriate corrective action for the municipality.

It would be profoundly paradoxical to say that if a bank isn't familiar with a municipality and the municipality isn't familiar with a bank, then the bank can make a loan to the municipality and the municipality can borrow from the bank, but if a bank and a municipality have established such a level of familiarity and trust that the bank provides a wide range of banking services to the municipality including financial advisory services, then the bank can't make a loan to the municipality and the municipality can't borrow from the bank.

Federal banking regulators have been established to, among other things, ensure the safety and soundness of the nation's banking system. Municipalities are often the best borrowing customers banks have. Defaults by municipalities occur at a far lower rate than defaults by individuals or other legal entities. During the recent financial downturn municipal loans have performed relatively well for many banks. Any proposal that might curtail the ability of banks to make loans to their municipal customers should therefore probably be closely scrutinized by the banking regulators.

Accordingly, if a municipality selects Zions Bank or any other bank to provide it with banking services including financial advisory services, the municipality should be free to borrow from the bank, and the bank should be free to make a loan to the municipality, if the municipality deems it

to be in its best interests to do so, subject of course to applicable federal and state banking requirements and restrictions. We recognize that it may be important for a bank to disclose any potential conflicts of interest and to receive any required consents from its banking customers. However, a complete ban on principal transactions between a bank and some of its best customers harm both the municipality and the bank. The municipality should be able to make an informed decision to enter into a transaction and the bank should be able to decide who it lends to and otherwise does business with. We strongly believe in our position and would welcome an opportunity to discuss this issue further. We hope that our comments will provide additional context and insight into an important and difficult issue.

If you have any questions concerning this letter or would like to discuss these observations further, please feel free to contact Gary Hansen at Zions First National Bank, Investment Division, One South Main, 17th Floor, Salt Lake City, Utah 84133; Telephone: 801-844-7762; E-Mail: Gary.Hansen@zionsbank.com. Given our broad background in municipal finance, we have many examples we could describe in detail, that would reflect our actual experience. We would welcome the opportunity to talk to you.

Very truly yours,

ZIONS FIRST NATIONAL BANK

By _____
W. David Hemingway
Executive Vice President