



March 29, 2019

Mr. Michael G. O'Grady
President and Chief Executive Officer
Northern Trust Corporation
50 South LaSalle Street
Chicago, Illinois 60603-1008

Dear Mr. O'Grady:

The Board of Governors of the Federal Reserve System (the Board) and the Federal Deposit Insurance Corporation (the FDIC) (together, the Agencies) have reviewed the resolution plan submission (2017 Plan) that Northern Trust Corporation (NTC) submitted in December 2017, as required by section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act¹ (Dodd-Frank Act) and the jointly issued Resolution Plan Rule.² The Agencies did not identify as a result of this review shortcomings or deficiencies in NTC's 2017 Plan.

The Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA),³ amended section 165 of the Dodd-Frank Act to increase the threshold of application of enhanced prudential standards to large bank holding companies. Eighteen months after the date of enactment of EGRRCPA, bank holding companies with total consolidated assets of less than \$250 billion will not be subject to section 165, provided that the Board may apply any enhanced prudential standard to a bank holding company with between \$100 billion and \$250 billion in

¹ 12 U.S.C. § 5365(d).

² 12 CFR Part 243 (Board) and 12 CFR Part 381 (FDIC).

³ Pub. L. No. 115-174, 132 Stat. 1296 (2018).

total consolidated assets if the Board determines that application of the prudential standard is appropriate to prevent or mitigate risks to the financial stability of the United States, or to promote safety and soundness. In addition, the Agencies intend to issue for notice and comment proposed revisions to the Resolution Plan Rule that would, among other things, adjust the scope and applicability of the resolution plan requirements for companies that remain subject to the resolution plan requirements.

If on December 31, 2019, NTC is not subject to the resolution plan requirements of section 165(d) of the Dodd-Frank Act, then NTC will not be required to file a resolution plan unless NTC again becomes subject to the requirements. The remainder of this letter lays out the expectations under the current resolution plan requirements.

As communicated in the letter sent to NTC on July 2, 2018, the Agencies have jointly determined that NTC's next resolution plan submission date will be extended to December 31, 2019. The Agencies are jointly issuing this letter to clarify expectations for the December 31, 2019, resolution plan (2019 Plan). NTC may comply with the Resolution Plan Rule requirements for its 2019 Plan by submitting information that is responsive to and consistent with this letter by December 31, 2019.

The Agencies' joint letter to NTC sent on March 24, 2017, identified three shortcomings in NTC's 2015 resolution plan submission related to transfer of uninsured and foreign deposits to the bridge bank, shared and outsourced services, and resolution liquidity. Based upon their review of the 2017 Plan, the Agencies have jointly decided that the 2017 Plan satisfactorily addressed the shortcomings. With respect to the shortcoming regarding the bridge bank, the 2017 Plan included an analysis demonstrating how the establishment of a bridge bank and the transfer to it of all of the subsidiary insured depository institution's assets and obligations,

including those to uninsured domestic depositors and to general creditors including foreign depositors, could be the least costly resolution alternative. Regarding the shared and outsourced services shortcoming, the 2017 Plan confirmed that NTC has identified critical vendors and critical shared services and completed a review of the associated contracts, which included updating contractual language to mitigate risks relating to contract assignment and continuing access in resolution to services and technology. With respect to the liquidity shortcoming, the 2017 Plan reflected demonstrable progress, including the development of related project plans and their partial completion. The Agencies expect full completion of these pending projects. The 2019 Plan should demonstrate their completion or, for any projects that cannot be completed by December 2019, should identify the remaining elements of these projects that are not fully completed, and specify timelines to achieve full completion. If the Agencies jointly determine that these matters are not satisfactorily addressed in the 2019 Plan, the Agencies may determine jointly that the 2019 Plan is not credible or would not facilitate an orderly resolution under the U.S. Bankruptcy Code.

The 2019 Plan should include pro forma balance sheets for each material entity at key junctures in the execution of the resolution strategy, beginning as of December 31, 2018. The pro forma financial statements should clearly evidence the losses or other stress event(s) leading to the bankruptcy filing and any other key assumptions underlying the plan, including the least cost analysis. In preparing the least cost analysis in the 2019 Plan, NTC should ensure that large variances in valuations of the same assets across different resolution strategies are sufficiently supported. For example, in the liquidation strategy discussion contained within the 2017 Plan's least cost analysis, NTC used receivership valuations, which typically reflect impairment, for certain non-impaired assets.

Except as described above, for the remaining elements of sections __.4(b) through .4(g) of the Resolution Plan Rule, the 2019 Plan should provide updated financial statements, describe any material changes⁴ to the information provided in the 2017 Plan pursuant to such sections, and incorporate by reference any such information that has not materially changed, with reference to the relevant chapter and page(s) of the 2017 Plan. The Agencies have exempted NTC from the remaining information requirements of section __.4 of the Resolution Plan Rule.⁵

The 2019 Plan must be divided into a confidential section and a public section. The public section should be submitted as a separate document and should contain an executive summary of the resolution plan that describes the business of NTC and includes, to the extent material to an understanding of NTC, the 11 informational elements required by subsection __.8(c) of the Resolution Plan Rule. Additionally, either the public section or the confidential section must detail compliance with subsection __.3(e) of the Resolution Plan Rule.

The 2019 Plan should assume that the Dodd-Frank Act Stress Test (DFAST) severely adverse scenario for the first quarter of 2019 is the domestic and international economic environment at the time of NTC's failure and throughout the resolution process. The 2019 Plan should also discuss any changes to the resolution strategy under the adverse and baseline scenarios to the extent that these scenarios reflect obstacles to a rapid and orderly resolution that are not captured under the severely adverse scenario.

If you have any questions about the information communicated in this letter, please contact Catherine Tilford, Assistant Director, Federal Reserve Board, at 202-452-5240 or

⁴ Material changes could include, for example, changes resulting from organizational restructuring or changes to resolution planning governance or resolution strategy.

⁵ NTC may also provide additional information that it believes would be helpful to the Agencies in their review of the 2019 Plan, including information regarding any improvements made to the firm's resolvability since its 2017 Plan.

catherine.a.tilford@frb.gov or Robert Connors, Associate Director, FDIC, at 202-898-3834 or rconnors@fdic.gov.

Sincerely,



Michael S. Gibson
Director
Division of Supervision & Regulation
Board of Governors
of the Federal Reserve System

Sincerely,



Doreen R. Eberley
Director
Division of Risk Management Supervision
Federal Deposit Insurance Corporation