



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, DC 20551

October 17, 2018

Diana E. McCarthy, Esq.
Drinker Biddle & Reath LLP
One Logan Square
Suite 2000
Philadelphia, Pennsylvania 19103

Dear Ms. McCarthy:

This is in response to your request on behalf of Northern Funds and Northern Institutional Funds (each a “Trust” and, collectively, the “Trusts”), both affiliates of The Northern Trust Company (“TNTC”), Chicago, Illinois, a state member bank, and Northern Trust Corporation (“NTC” and, together with TNTC, “Northern”), Chicago, Illinois, a financial holding company, for an exemption from the prohibitions of the Depository Institution Management Interlocks Act (“Interlocks Act”)¹ and the Board’s Regulation L² to permit Ms. Ingrid LaMae Allen de Jongh to become a trustee on the board of trustees of each Trust, while at the same time serving as a director on the board of directors of Bank Leumi USA (“Bank Leumi”), New York, New York, a state nonmember bank.

The Interlocks Act and Regulation L prohibit a management official of a depository institution or a depository holding company with total assets exceeding \$2.5 billion (or of any affiliate of such an organization) from serving at the same time as a management official of an unaffiliated depository organization with total assets exceeding \$1.5 billion (or of any affiliate of such an organization), regardless of the location of the depository organizations (“major assets prohibition”).³ As of June 30, 2018, TNTC, NTC, and Bank Leumi each had assets that exceeded the applicable thresholds of the major assets prohibition.

¹ 12 U.S.C. § 3201 *et seq.*

² 12 CFR part 212.

³ 12 U.S.C. § 3203; 12 CFR 212.3(c).

Ms. de Jongh became a director of Bank Leumi in 2017. Earlier this year, after an extensive search, the boards of trustees of the Trusts identified Ms. de Jongh as the best qualified candidate to fill an anticipated vacancy on each of the boards. The boards each intend to appoint Ms. de Jongh as a trustee following a meeting of the Trusts' shareholders in October 2018. The Trusts seek a general exemption to permit Ms. de Jongh to serve as a trustee on the boards of each of the Trusts while also serving as a director of Bank Leumi.

Under the general exemption provision of Regulation L, the Board may permit an interlock that otherwise would be prohibited by the Interlocks Act and Regulation L if the Board determines that the interlock would not result in a monopoly or in a substantial lessening of competition and would not present safety and soundness concerns.⁴ The Board has delegated to the General Counsel, in consultation with the Director of the Division of Supervision and Regulation ("Director"), authority to grant exemptions under this provision of Regulation L.

The interlocks between the Trusts and Bank Leumi would not result in a monopoly or in a substantial lessening of competition. Northern and Bank Leumi have overlapping operations in five U.S. banking markets.⁵ If the proposed interlocks were evaluated as if Bank Leumi were merging into Northern, with the latter as the surviving entity, the competitive effects of the combination in the five banking markets, as measured by the Herfindahl-Hirschman Index ("HHI"), and the combined market share in each market, would be consistent with Board precedent and within the thresholds of the Department of Justice Bank Merger Competitive Review guidelines.⁶ In addition, the interlocks would not have any substantial effect on competition with respect to the nonbanking activities of Northern and Bank Leumi.⁷

The interlocks also do not present safety and soundness concerns. The Trusts have indicated that Ms. de Jongh has a range of business and financial skills, including commercial and investment banking experience, needed for a trustee. The Trusts represent that her service on their boards would be beneficial

⁴ 12 CFR 212.6(a).

⁵ The five markets are: Los Angeles, California; San Francisco-Oakland-San Jose, California; Miami-Fort Lauderdale Area, Florida; Chicago, Illinois; and Metro New York City, New York-New Jersey-Connecticut-Pennsylvania.

⁶ Department of Justice, Bank Merger Competitive Review – Introduction and Overview, <http://www.justice.gov/sites/default/files/atr/legacy/2007/08/14/6472.pdf> (current as of September 2000). The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points.


⁷ All of Bank Leumi's nonbanking subsidiaries are currently inactive.

to the Trusts' shareholders. In addition, her continued service as director of Bank Leumi would provide managerial continuity for Bank Leumi.

Based on all the facts of record and for the reasons discussed above, the General Counsel, acting pursuant to authority delegated by the Board and after consultation with the Director, has granted an exemption to allow Ms. de Jongh to serve as a management official of each of the Trusts while also serving as a management official of Bank Leumi.

The Board reserves the right to revoke the exemption should the interlocks result in a monopoly or a substantial lessening of competition or present safety and soundness concerns.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Ann E. Misback", followed by a horizontal line extending to the right.

Ann E. Misback
Secretary of the Board