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September 17, 2020

VIA ELECTRONIC DELIVERY

Timothy Henseler, Esq.
Chief, Office of Enforcement Liaison
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Re: **In the Matter of Northern Trust Hedge Fund Services LLC and Northern Trust Global Fund Services Cayman Ltd.**
Northern Trust Corporation – Waiver Request of Ineligible Issuer Status Under Rule 405 of the Securities Act of 1933 (the “Securities Act”)

Dear Mr. Henseler:

This letter is submitted on behalf of our client, Northern Trust Corporation (“NTC” or the “Corporation”), a reporting company with a class of securities registered under Section 12 of the Securities Exchange Act of 1934 (the “Exchange Act”), in connection with the resolution of the above-captioned administrative proceeding by the U.S. Securities and Exchange Commission (the “Commission”) regarding Northern Trust Hedge Fund Services LLC (“NTHFS”) and Northern Trust Global Fund Services Cayman Ltd. (“NTGFSC”) (collectively the “Respondents”)¹. NTHFS and NTGFSC are both indirect, wholly-owned subsidiaries of the Corporation and part of its Hedge Fund Services North America (“HFS”) business. The proposed resolution includes the entry of a cease-and-desist order against each of the respondents (the “Order”), which is described below.

Pursuant to Rule 405 promulgated under the Securities Act, NTC hereby respectfully requests that the Commission or the Division of Corporate Finance (“Division”), pursuant to delegated authority, determine that for good cause shown it is not necessary under the circumstances that the Corporation be considered an “ineligible issuer” under Rule 405 and therefore waive the disqualification that will result when the Commission enters the Order.

¹ The resolution referenced in this letter will not become final until the terms are memorialized and approved by the Commission.



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We believe that the relief from the ineligible-issuer provision is appropriate for the reasons set forth below, including (i) the violative conduct described in the Order has no connection to the Corporation's role as an issuer of securities; (ii) the violation is non-*scienter* based; (iii) the Corporation's subsidiaries involved in the conduct described in the Order are not involved in the Corporation's issuance of securities or in the Corporation's filings with the Commission; (iv) the Respondents have undertaken significant remedial measures to remediate the issues identified in the Order and enhance the HFS business' necessary policies and procedures to prevent a recurrence of the conduct; and (v) the Corporation's loss of its status as a Well-Known Seasoned Issuer ("WKSI") would harm shareholders by unfairly and needlessly interfering with the Corporation's ability to raise capital and conduct its operations.

BACKGROUND

The Respondents have submitted an offer of settlement ("Offer") consenting to the entry of the Order without admitting or denying the matters set forth therein (other than those relating to the jurisdiction of the Commission over them and the subject matter solely for purposes of that action).

The Order does not charge either of the Respondents with *scienter*-based violations of the federal securities laws. To the contrary, the Order contains findings, neither admitted nor denied, that (i) from approximately January 2016 through August 2017, the Respondents performed fund administration services for the LR Global Frontier Master Fund, Ltd., the LR Global Frontier Fund, Ltd. and the LR Global Frontier Fund LP (collectively, the "Funds") and L-R Managers, LLC (the "Manager" and collectively, with its principal, Donald LaGuardia, the "Advisers") after inheriting the business from a prior fund administrator; (ii) the Respondents' personnel failed to adequately escalate concerns identified regarding the Advisers prior to beginning to provide fund administration services; (iii) the Respondents permitted the Advisers to withdraw approximately \$211,000 from the Funds without support and followed the Advisers' instructions to account for the withdrawals as part of a receivable "due from" L-R Managers to the Funds; (iv) Respondents, at the direction of the Advisers, accounted for certain receivables, a promissory note and a "true-up" as assets of the Funds, despite information that should have caused them to question whether L-R Managers would be able to repay those amounts, which materially inflated the capital account balances and returns on the statements Respondents provided to investors; and (v) the Respondents did not obtain sufficient pricing support for a significant purported holding of the Funds in a private company affiliated with the Manager. As a result, the Order will require that the Respondents each cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 206(4) of the Investment Advisers Act of 1940 and Rule 206(4)-8 thereunder. The Order will also require NTHFS to pay disgorgement of \$15,076, along with prejudgment



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interests of \$2,553. Respondents will also be jointly and severally liable to pay a civil money penalty in the amount of \$150,000.

However, the Order will also note that in May 2017, the Respondents began an internal review of the Funds and subsequently contacted the staff of the Division of Enforcement (“Staff”) to disclose issues it had identified in connection with its review. The Respondents cooperated with the Staff over the course of its investigation and retained custody of certain assets, keeping them secure, during the pendency of the Staff’s investigation. Finally, the Order will state that the Respondents voluntarily engaged in a number of remedial acts to improve the HFS business and its fund administration policies and procedures. While NTC did not undergo any remedial measures itself because, as explained above, the conduct described in the Order did not involve NTC, NTC supported, monitored and assessed the remedial steps taken by the Respondents to ensure the sufficiency of those actions.

Effective December 1, 2005, the Commission reformed and revised the registration, communications and offering procedures under the Securities Act.² As part of these reforms, the Commission created a category of issuer defined under Rule 405 as a WKSI. A WKSI is eligible under the rules, among other things, to register securities for offer and sale under an “automatic shelf registration statement,” as so defined. A WKSI is also eligible for the benefits of a streamlined registration process including the use of non-term sheets in registered offerings pursuant to Rules 164 and 433 under the Securities Act. These benefits, however, are unavailable to issuers defined as “ineligible issuers”³ under Rule 405.

NTC understands that, under Rule 405, as a result of the entry of the Order, it will become an “ineligible issuer” for a period of three years, precluding it from qualifying as a WKSI and having the benefits of automatic shelf registration and other reforms available to WSIs, among other things.⁴ It will also be ineligible to take advantage of all of the free writing prospectus reforms of Rules 164 and 433. Notwithstanding the foregoing, the definition provides that an issuer “shall

² Securities Offering Reform, Securities Act Release No. 8591, Exchange Act Release No. 52,056, Investment Company Act Release No. 26,993, 70 Fed. Reg. 44,722, 44,790 (Aug.3, 2005)

³ An issuer is an “ineligible issuer,” as defined under Rule 405, if, among other things, “[w]ithin the past three years . . . the issuer or any entity that at the time was a subsidiary of the issuer was made the subject of any judicial or administrative decree or order arising out of a governmental action that: (A) Prohibits certain conduct or activities regarding, including future violations of, the anti-fraud provisions of the federal securities laws; (B) Requires that the person cease and desist from violating the anti-fraud provisions of the federal securities laws; or (C) Determines that the person violated the anti-fraud provisions of the federal securities laws.” Rule 405(1)(vi).

⁴ This request for relief is not intended to be limited solely for the purpose of continuing to qualify as a WKSI, but for all purposes of the definition of “ineligible issuer” under Rule 405.



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not be an ineligible issuer if the Commission determines, upon a showing of good cause, that it is not necessary under the circumstances that the issuer be considered an ineligible issuer.”⁵ Consistent with the framework outlined in the Division’s Revised Statement on Well-Known Seasoned Issuer Waivers (the “Revised Statement”), issued on April 24, 2014,⁶ NTC respectfully requests that the Commission or the Division of Corporate Finance, by delegated authority pursuant to 17 CFR 200.30-1(a)(10), determine that it is not necessary for the Corporation to be considered an ineligible issuer as a result of the Order.

REASONS FOR GRANTING A WAIVER

NTC believes that, for the reasons described below, good cause exists such that it is not necessary under the circumstances that it be considered an ineligible issuer. Applying the ineligibility provisions to the Corporation would be disproportionately and unduly severe.

a. Nature of Violation and Whether the Violation Casts Doubt on the Ability of the Issuer (NTC) to Produce Reliable Disclosures to Investors.

Importantly, the conduct that will be described in the Order does not pertain to activities undertaken by the Corporation in connection with its role as an issuer of securities or in its filings with the Commission. NTC will not be found to have been a violator of the federal securities laws. The conduct related to disclosures that will be described in the Order did not involve material misstatements or omissions in NTC’s public disclosures and did not materially impact NTC’s financial statements.

In addition, the Order will not find any weaknesses or violations associated with disclosure and other internal controls and procedures maintained by NTC in connection with its preparation and review of its financial statements and Commission filings. The Order will not state that NTC, its officers or directors had any involvement in the conduct at issue. Likewise, the Order will not find that any NTC employee involved in or who had influence over NTC’s disclosures or the preparation of NTC’s financial statements participated in, knew or should have known about or ignored any red flags with respect to the misconduct described in the Order.

Rather, the Order will state that all of the conduct occurred at the Respondents as part of the Corporation’s HFS business. The conduct at issue relates to that business’ administration of one client’s funds.

⁵ Rule 405(2)

⁶ See <http://www.sec.gov/divisions/corpfin/guidance/wksi-waivers-interp-031214.htm> (the “2014 Statement”).



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b. Non-Scienter Nature of the Order

The Order will not state that NTC engaged in any conduct involving a criminal conviction and does not charge NTC with *scienter*-based violations. As such, NTC is not subject to a heightened burden to show good cause that a waiver is justified.

c. Persons Responsible for and Duration of the Conduct

As mentioned above, all of the conduct that the Order will describe occurred within the Corporation's HFS business, and there will be no findings in the Order or otherwise that NTC's officers, directors, or employees participated in or condoned any claimed misconduct. The conduct at issue in the Order has nothing to do with NTC's ability to file reliable reports with the Commission. None of the findings underlying the Order pertain to activities undertaken by NTC, its executives or its employees in connection with the Corporation's role as an issuer of securities or to NTC's filings with the Commission. Instead, the Order relates to the failure of Respondents' personnel to adequately escalate concerns related to the diligence and administration of the Funds from approximately August 2015 through August 2017. None of the individuals within the HFS business involved in the conduct at issue have any connection with NTC's role as an issuer or its reports to the Commission. The Corporation's issuance of securities is handled by a multi-disciplinary team consisting of members of certain of its corporate support functions, including its Treasury and Legal Departments and its Financial Reporting function – this multi-disciplinary team is separate from, and unrelated to, the HFS business. As a result, the findings in the Order do not call into question the reliability of any of the Corporation's current or future disclosures as an issuer of securities.

In fact, NTC notes that in August 2017, it contacted the Staff to disclose issues it had identified in connection with its own review of the Funds. Shortly thereafter, the Respondents also notified investors of the identified issues with the Funds. The Respondents also provided investors with information regarding how to contact the Staff upon request and fully cooperated with the Staff's investigation, including keeping certain assets secure during the pendency of the investigation.

d. Remedial Steps

As noted above, the conduct described in the Order occurred within the Corporation's HFS business and does not impact NTC's disclosures. NTC led the remedial efforts and has taken significant measures to improve the ability of the Respondents and the HFS business' ability to identify, escalate and address the types of warning signs that existed with the Adviser and the Funds. Once the issues with the Frontier Funds and the Manager were elevated to senior management at NTC in Summer 2017, NTC and the Respondents immediately began to undertake



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remedial measures within the HFS business. These efforts continued into 2019 and include significant enhancements in the following areas:

- conducting due diligence of potential new clients;
- monitoring whether funds are managed consistent with the funds' governing documents;
- determining the appropriate accounting for clients' funds, including with respect to loans and borrowings;
- evaluation of potential illiquid assets and manager-provided valuations;
- determining what should be disclosed to investors in periodic account statements, including disclosures related to loans, receivables and affiliated holdings;
- communications with clients, auditors and others about clients' possible failure to comport with fund governing documents and possible inaccurate account statements;
- whether to retain or dismiss clients who engage in conduct possibly detrimental to the client's investors; and
- detecting and addressing fraud.

NTC led the Respondents in a comprehensive and risk-based approach to compliance program enhancements, while at the same time addressing each of the aforementioned areas. The preventative and detective controls and other enhancements made by NTC within the HFS business were specifically designed to work in concert with each other and provide the Corporation with the tools necessary to better monitor, detect, and prevent potential fraudulent activity, misappropriation, and/or other misconduct. These enhancements explicitly address the prevention and/or identification of potential risks, fraud, or misconduct throughout the life cycle of client relationships including the identification of possible client integrity issues even before the sales process is complete.

e. Prior Actions

NTC has previously been granted a waiver regarding its ineligible WKSI status in the following matter related to the Municipalities Continuing Cooperation Initiative: *In the Matter of The Northern Trust Company*, (June 18, 2015) (the "Northern Trust Company Order"). The conduct cited in the Northern Trust Company Order does not relate in any way to the conduct of the Corporation or the Respondents in this matter.

f. Impact on NTC if the Request is Denied

As an ineligible issuer, NTC would, among other things, lose the ability to:



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- i. file automatic shelf registration statements to register an indeterminate amount of securities;
- ii. offer additional securities of the classes covered by a registration statement without filing a new registration statement;
- iii. include certain information omitted from the registration statement at the time of effectiveness through the filing of prospectus supplements or incorporated Exchange Act reports; and
- iv. make use of the “pay as you go” filing fee payment process.

NTC is a global financial institution that has historically relied on automatic shelf registration statements in conjunction with its capital-raising transactions. For NTC, the automatic shelf registration process provides an important method of accessing the capital markets, which is an essential source of funding for its global operations, in a timely and efficient manner. NTC first utilized the automatic shelf registration process in 2008. Since that time, the Corporation has availed itself of the benefits of the automatic shelf registration process in conjunction with 14 public offerings of securities, raising \$7.55 billion in total capital, including \$900 million in total capital in 2019 and \$1 billion thus far in 2020.

As a large, global financial institution, the Corporation’s ability to respond quickly to market conditions in order to raise capital on acceptable terms is critical. While the availability of a standard shelf registration statement subject to a declaration of effectiveness by the Commission preserves flexibility for the Corporation to respond to market conditions under most circumstances, it is an imperfect substitute for an automatic shelf registration statement. For instance, if the Corporation becomes an ineligible issuer and has to transition to a non-automatic shelf registration statement, it is possible that it may experience a window prior to the effective date of its replacement shelf registration statement, during which it will be unable to swiftly access capital markets if required. Recent market and economic volatility related to the ongoing novel coronavirus pandemic exemplifies the speed with which unexpected circumstances may develop and could potentially require the Corporation to access the capital markets quickly.

The impact on NTC of a denial of this request would result in a disproportionate hardship on the Company since the violations described in the Order involving the Corporation’s HFS business did not concern NTC’s financial disclosure, were not based on criminal conduct or scienter, and have been fully remediated. Applying ineligible issuer status to NTC would be unnecessary to achieve the purpose of the Order and would be unduly severe.



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CONCLUSION

In light of these considerations, subjecting Northern Trust Corporation to ineligible status is neither necessary nor appropriate under the circumstances, is not in the public interest, and would not serve the Commissions mission to protect investors and promote capital formation. Accordingly, we respectfully request that the Commission, or the Division, pursuant to its delegated authority, determine that it is not necessary for the Corporation to be considered an ineligible issuer under Rule 405 as a result of the anticipated Order in this matter.

Please do not hesitate to contact me if you should have any questions regarding this request.

Sincerely,

DLA PIPER LLP (US)

A handwritten signature in blue ink, appearing to read 'Katrina A. Hausfeld', with a stylized flourish at the end.

Katrina A. Hausfeld