

USE CASE

Bank-Affiliated Trust Company Strengthens Client Confidence and Boosts Operational Efficiency with R&T

A federally chartered trust company affiliated with a regional U.S. bank faced a common challenge: They needed to protect a large customer's cash balance and maintain sufficient liquidity to support beneficiary distributions, while earning their customer a competitive rate.

Challenge

The customer had a \$5 million trust account and the only deposit option at its affiliated bank was to open a traditional Money Market Deposit Account (MMDA) on behalf of its customer as its affiliate bank. This provided access to the liquidity they needed, but offered limited principal protection for balances that exceeded the current \$250k FDIC insurance limit. In addition, due to the bank's strong liquidity position, it did not have a need for deposit funding at the time and therefore offered a less competitive interest rate for its customers.

The trust company needed a solution that could meet all of its objectives: accessing higher levels of deposit insurance, providing same-day liquidity, and avoiding the operational friction of managing multiple deposit account relationships across other institutions—all while preserving administrative control and earning competitive rates for its customer's cash. At the same time, the bank wanted to find a way to maintain its primary deposit account relationship with this valuable customer, while managing its funding costs.

“The DDM program gave our trust company the tools we needed to provide competitive returns and simplify administration.”

— Head of Trust Operations

R&T Customer:

Federally Chartered Bank-Affiliated Trust Company

End Customer:

Trust and Estate Beneficiaries

Challenges:

- ▶ Preserving and safeguarding customer assets
- ▶ Limited deposit insurance coverage through a single MMDA at the affiliated bank
- ▶ Pressure to maintain customer yields and operational transparency
- ▶ Need to support ongoing trust distributions without capital risk

Solution:

The Demand Deposit Marketplace[®] (DDM[®]) Program

Benefits:

- ▶ Provided access of up to \$60 million in FDIC insurance per customer identifier (e.g., TIN)
- ▶ Delivered competitive rates to the customer
- ▶ Supported trust liquidity needs with daily access to cash
- ▶ Streamlined operational oversight and reporting through integration with trust accounting systems
- ▶ Provided the trust company with fees to help offset operating expenses

Solution

The trust company implemented the Demand Deposit Marketplace® (DDM®) program administered by R&T, whereby trust customer cash balances are placed into a daily liquid sweep program that allocates these balances across a network of participating institutions in increments of up to \$250K per customer identifier (e.g., TIN)¹, per receiving institution. This enabled the trust company to provide its customer with access to expanded deposit insurance on their funds, up to the relevant program limit.²

The DDM program offered the trust company the flexibility to maintain a portion of deposits at its affiliated bank at a rate that met the customer's funding needs, while still being able to deliver a more competitive rate to the customer³. The combination of accessing expanded FDIC insurance, competitive rates³, and daily liquidity⁴ enabled the trust company to help fulfill the objectives of their investment policy while ensuring its customer maintained its primary relationship with the affiliate bank.

Deposit Balance	Account/ Program	Rate
\$250,000	MMDA at Affiliated Bank	2.00%
\$4,750,000	DDM Program	4.25%
\$5,000,000		4.138%

¹ Under the DDM Program, a sending institution may be permitted to allocate its customers' funds to participating receiving institutions in increments of up to \$250K per customer identifier (e.g., TIN), per account ownership category, per receiving institution, subject to approval and relevant agreements with R&T.

² Subject to the DDM Program Customer Terms & Conditions. Any funds placed into the DDM Program above the program limit (being excess funds) are placed into deposit accounts at excess receiving institutions and are not eligible for access to deposit insurance coverage (subject to FDIC/NCUA laws and regulations, which may permit access).

³ While interest rates obtained on funds placed at receiving institutions under the DDM program may, under certain circumstances, outperform cash alternatives, such as money market funds, the primary objective of the DDM program is to provide customers with convenient access to expanded deposit insurance coverage on their funds (and not for investment enhancements or higher rates of returns or profits).

⁴ Under the DDM program, funds are deposited into demand deposit accounts (DDAs) or money market deposit accounts (MMDAs) at receiving banks or share draft accounts or share accounts at receiving credit unions. While your customers' funds are held in MMDAs or share accounts, the return of your customers' funds from the DDM program may be delayed as, under federal regulations, the receiving institution is permitted to impose a delay of up to seven days on any withdrawal request from an MMDA or share account.

Using the DDM program, the trust company retained full administrative oversight of its trust accounts while eliminating the need for separate banking relationships. The DDM program also aligned with the trust company's reporting obligations.

Results

Through its partnership with R&T, the bank-affiliated trust company was able to:

- ▶ Offer its customers access to expanded deposit insurance coverage up to \$60 million per customer identifier (e.g., TIN)
- ▶ Eliminate the need to manually open accounts at multiple banks to access that coverage
- ▶ Maintain full visibility into account-level activity and performance
- ▶ Facilitate tax reporting and 1099 generation
- ▶ Earn incremental fee income

With R&T's scalable deposit sweep solution, the bank-affiliated trust company solidified its role as a trusted partner to its customers.

Contact us to learn more:

866-237-2752 | info@rnt.com | www.rnt.com

Terms & conditions apply. Click [here](#) for R&T's list of insured receiving institutions in the DDM program. R&T is not an FDIC or NCUA-insured institution. FDIC and NCUA insurance only covers the failure of an FDIC or NCUA-insured institution, respectively. Certain conditions must be satisfied for pass-through deposit insurance coverage to apply. The DDM program itself, as well as R&T's other services are not insured by the FDIC or NCUA, are not deposits and may lose value. Click [here](#) for additional legal disclosures.

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