

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 a competitive rate and satisfying their fiduciary obligations.

Challenge

The customer had a \$5 million trust account and the only deposit option within the bank was to open a traditional Money Market Deposit Account (MMDA) on behalf of their customer through the 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 deposit rate.

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

"R&T's DDM program gave our trust company the tools we needed to fulfill our fiduciary duty while optimizing returns and simplifying administration."

– Head of Trust Operations

R&T Customer:

Federally Chartered Bank-Affiliated Trust Company

End Customer:

Trust and Estate Beneficiaries

Challenges:

- ▶ Fiduciary obligation to safeguard assets
- ▶ Limited insurance coverage through MMDA
- ▶ Pressure to improve client yields and operational transparency
- ▶ Need to support ongoing trust distributions without capital risk

Solution:

The Demand Deposit Marketplace® Program (DDM®)

Benefits:

- ▶ Provided access to up to \$60 million in FDIC insurance per customer identifier (e.g. TIN)
- ▶ Delivered improved rates compared to traditional MMDA accounts
- ▶ Supported trust liquidity needs with daily access to cash
- ▶ Streamlined operational oversight and reporting through integration with trust accounting systems
- ▶ Provided optional revenue share to offset operating expenses

Solution

The bank implemented the Demand Deposit Marketplace® (DDM®) program administered by R&T, whereby trust customer cash balances above \$250k are placed into a daily liquid sweep program that allocates deposits 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 customers with access to expanded deposit insurance on their funds, up to the relevant program limit.²

This option offered the trust company the flexibility to maintain a portion of deposits at a rate that meets their funding needs, while still being able to deliver a more competitive rate to the customer³. The combination of expanded access to FDIC insurance, competitive rates, and daily liquidity⁴ enabled the trust company to fulfill the objectives of their customer's investment policy while maintaining its primary relationship with the affiliate bank.

Deposit Balance	Account/ Program	Rate
\$250,000	DDA	2.00%
\$4,750,000	R&T DDM Program	4.25%
\$5,000,000		4.138%

Using the Demand Deposit Marketplace program, the firm retained full administrative oversight of trust accounts while eliminating the need for separate banking relationships. The DDM program also aligned with the trust company's fiduciary requirements and reporting obligations.

Results

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

- ▶ Offer customers access to expanded FDIC deposit insurance coverage across millions of dollars
- ▶ Eliminate the need to manually open accounts at multiple banks
- ▶ Maintain full visibility into account-level activity and performance
- ▶ Facilitate tax reporting and 1099 generation
- ▶ Earn incremental fee income while maintaining fiduciary compliance

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

¹ Under the DDM Program, your institution may be permitted to allocate your 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, CDMX, and RTID programs may, under certain circumstances, outperform cash alternatives, such as money market funds, the primary objective of the DDM, CDMX, and RTID programs 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, CDMX, and RTID programs, 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, CDMX, and RTID programs 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.

Contact us to learn more:

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Terms & conditions apply. Click [here](#) for R&T's list of insured receiving institutions in the DDM, CDMX and RTID programs. 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, CDMX and RTID programs, themselves, 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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