

USE CASE

Municipality Simplifies Cash Management, Eliminates Collateral Burden, and Maximizes Safety with R&T

Challenge

A mid-sized city government needed to manage more than \$75 million in public funds. By regulation, these funds had to be fully insured or collateralized—a requirement that placed a heavy administrative burden on the treasurer's office.

The city faced three key challenges:

- 1 Regulatory Constraints:** Certain state laws required collateral to be posted for uninsured deposits (i.e., deposits in excess of the standard maximum deposit amount, currently \$250,000), creating complexity and tying up bank resources.
- 2 Operational Inefficiency:** Maintaining dozens of bank accounts across different institutions to stay within insurance limits required ongoing monitoring, reconciliation, and reporting.
- 3 Safety and Liquidity Concerns:** The city's leaders prioritized preserving capital and liquidity over yield, but were concerned about the counterparty risk posed by uninsured deposits.

R&T Customer:

Mid-Sized U.S. City Government

End Customer:

City residents and local programs funded by municipal deposits

Challenges:

- ▶ Regulatory constraints
- ▶ Operational inefficiency
- ▶ Safety and liquidity concerns

Solution:

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

Benefits:

- ▶ **Safety:** Access to expanded deposit insurance coverage without requiring collateral pledges
- ▶ **Administrative Efficiency:** No need to maintain multiple accounts across banks
- ▶ **Regulatory Compliance:** Deposits structured in a way that is designed to meet state and local requirements for public funds

“R&T’s solution allowed us to simplify our cash management, reduce risk, and free up valuable time and resources. Now we can focus on funding city programs instead of tracking collateral.”

– City Treasurer

Solution

The municipality's financial institution implemented the Demand Deposit Marketplace® (DDM®) program, administered by R&T, under a direct-source model, placing client cash balances into a sweep program that allocates deposits across a network of FDIC-insured institutions¹.

This solution offered the city government access to expanded deposit insurance coverage and competitive yields², providing better confidence and transparency.

Using the DDM program, the city retained full administrative oversight of its assets while eliminating the need for separate banking relationships. The DDM program also aligned with the municipality's fiduciary requirements and reporting obligations.

Results

By implementing the DDM program, the municipality:

- 1 **Consolidated \$75 million in deposits into a single banking relationship**
- 2 **Eliminated the need for collateralization and the associated administrative overhead**
- 3 **Accessed expanded deposit insurance coverage through the use of the DDM program's deposit network**
- 4 **Simplified cash flow planning by aligning liquid³ and term options with fiscal budget cycles**
- 5 **Reduced operating costs compared to traditional collateralized deposit approaches**

Benefits:

- ▶ **Access to expanded Deposit Insurance Coverage:** Without requiring pledges of collateral
- ▶ **Administrative Efficiency:** No need to maintain multiple accounts across banks
- ▶ **Regulatory Compliance:** Deposits structured in a way that is designed to meet state and local requirements for public funds
- ▶ **Flexible Liquidity Options:** Ability to place both term and liquid funds aligned with budget cycles
- ▶ **Cost Effectiveness:** Avoided the costs of collateralization and freed up pledged collateral for other liquidity strategies
- ▶ **Enhanced Security:** Reduced counterparty risk through diversified deposit distribution

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 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).

3 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.

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, 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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