R&T DEPOSIT SOLUTIONS

USE CASE

Regional Bank Selects Insured Deposit Program to Better Protect Public Fund Depositors



Challenge

Public entities managing operating funds have traditionally relied on Local Government Investment Pools (LGIPs) for liquidity and capital preservation. However, changing market conditions, evolving risk considerations, and increased focus on principal protection have led many municipalities and public fund managers to re-evaluate their cash management processes.

A regional bank sought a solution for municipal and public-sector customers that addressed concerns around principal protection without sacrificing liquidity.

Many bank customers using LGIPs were exposed to:

- Uninsured pooled investment vehicles
- Net asset value (NAV) and market price risk
- Investment accounting requirements
- Portfolio liquidity dependent upon underlying securities
- Limited control regarding portfolio management and oversight

The bank wanted to offer a solution that emphasized deposit safety while remaining operationally simple for both customers and bank staff.

Solution

Working with R&T Deposit Solutions, the bank implemented the Demand Deposit Marketplace® (DDM®) program to provide public fund customers with access to expanded FDIC deposit insurance through a network of participating banks.

Unlike LGIPs, customer funds are placed into deposit accounts at participating banks, rather than pooled investment vehicles, providing:

- Access to up to $70 million in expanded FDIC insurance per customer[1]
- Same-day liquidity[2]
- Deposit-based accounting treatment
- No NAV or market price fluctuations
- No redemption gates or bid/ask spread considerations

R&T Client:
Regional Bank

End Customer:
Municipalities, school districts, and other public fund depositors

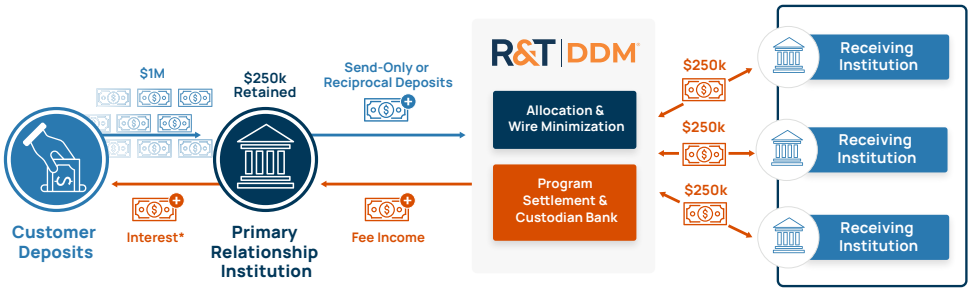
Challenges:
- Provide a secure alternative to LGIPs
- Preserve same-day liquidity
- Simplify operational process
- Reduce investment-related risk
- Strengthen principal protection

Solution:
The Demand Deposit Marketplace® (DDM®) Program

Benefits:
- Access to up to $70M in expanded FDIC deposit insurance coverage[1]
- Same-day liquidity[2]
- Cash-equivalent accounting treatment
- Simplified operational management

> "Our public fund customers wanted a solution that prioritized principal protection without giving up liquidity. The DDM program allowed us to deliver both while simplifying operations for our customers and staff."
>
> **– Treasury Manager**

The DDM program enabled customers to maintain liquidity while strengthening principal protection and simplifying cash management operations.



NOTES:
The DDM program allocates customers' funds to as many receiving institutions as necessary to provide access to deposit insurance coverage up to the program limit.

"Receiving Institutions" are the insured depository institutions that can receive your customers' funds under the DDM program. R&T offers the ability to place your customers' funds at (i) receiving banks only or (ii) receiving banks and/or eligible credit unions. Currently, under the DDM program, only credit unions that are designated as "low income credit unions" ("LICUs") can receive funds from sending institutions.

Results:

1 Improved Principal Protection

Customers transitioned deposits from pooled investment vehicles into FDIC-insured deposit accounts, reducing exposure to market fluctuations and NAV risk.

2 Maintained Daily Liquidity

Public fund customers retained same-day access to operating funds while eliminating concerns associated with portfolio security sales or bid/ask spreads.

3 Simplified Accounting

By utilizing deposit accounts instead of investment pools, customers benefited from straightforward cash-equivalent accounting treatment and reduced administrative complexity.

4 Enhanced Risk Management

Access to expanded FDIC deposit insurance, combined with the oversight of regulated depository institutions, strengthened customers' overall cash management strategy.

As public entities continue to prioritize the safety, accessibility, and efficient management of operating funds, financial institutions have an opportunity to offer solutions that address evolving treasury needs.

[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 (based on customer identifier), per account ownership category, per receiving institution, subject to approval and relevant agreements with R&T.

[2] 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:

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