



*Association for
Financial Professionals*

**SURVEY OF CORPORATE
PRACTICES USING THE BAI
CODES INFORMATION
REPORTING STANDARD**

Key Results

June 2010

Survey of Corporate Practices using the BAI Codes Information Reporting Standard

Introduction

The current BAI Version 2 (BAI II) standard is over 20 years old. Most organizations rely on this reporting standard to receive important information about the cash management and treasury services provided by their banks and other vendors.

In April 2010, the Association for Financial Professionals (AFP) conducted a survey to help identify changes to update this standard. These survey results will be used by a group that has been working with the ANSI X9 standards body to update the BAI Version 2 standard. This group, which includes AFP, banks, corporate practitioners, vendors, and SWIFT, intends to convert the old BAI codes to an X9 standard and thus make it more compatible with other global industry standards like ISO 20022, as well as provide best practices and implementation guidelines. The group plans to have the first draft of the new standard available for review in the fall of 2010.

This report summarizes the results from that survey. The results presented in this report reflect responses from corporate (i.e., non-financial institutional) practitioners.

Survey Findings

Organizations use several methods for receiving BAI reporting, but the most popular method is downloading to an e-banking platform or Internet portal (57 percent). Fifty-five percent of corporate practitioner respondents to the survey report that their organizations use a direct file transfer while seven percent use a secure e-mail. Less than five percent of organizations receive BAI reporting via the U.S. postal service or from other departments within their organizations. Additional methods cited by respondents include FTP/FTPS, eTX, or a third party vendor.

Organization's Method of Receiving BAI Reporting
(Percent of Respondents)

Download from e-banking platform/Internet portal	57%
Direct file transfer	55
Secure e-mail	7
Mail	4
From other divisions or departments within company	2
Other	5

Organizations use BAI reporting for a variety of products and services. Eighty-seven percent of corporate practitioners use it for information reporting and 72 percent use it for controlled disbursements/account reconciliation. Fifty-four percent of corporate respondents use the reporting for lockbox/receivables while another 29 percent use it for liquidity management. Additional products and services cited by respondents include account analysis, cleared check review and electronic fund transfers.

Products/Services Used as a Result of BAI Reporting
(Percent of Respondents)

Current day/previous day information reporting	87%
Controlled disbursements/Account reconciliation	72
Lockbox/receivables	54
Liquidity management	29
Other	8

When organizations receive BAI information, most feed it into a back-office application such as a treasury workstation or ERP system, either automatically or manually. Sixty-five percent of corporate respondents automatically feed the information into one of these back-office applications while another 28 percent manually upload the information. Twelve percent of respondents re-key the information into an Excel spreadsheet while just ten percent convert it into a different format using middleware. Other uses mentioned by survey respondents include uploading into a custom database or conducting a visual review.

Organization's Use of BAI Information Upon Receipt
(Percent of Respondents)

Automated feed into a TW, ERP systems of other back-office applications	65%
Manually upload it into a treasury workstation or ERP system	28
Re-key it into an Excel spreadsheet	12
Convert it into a different format using middleware	10
Other	7

The current BAI II file specifications provide for a "continuation record," generally called field 88, which allows additional data to be included when the standard length of any particular record used is not sufficient. Most organizations have been able to program their BAI reporting systems to automatically post information from field 88. Fifty-six percent of corporate practitioners indicate this is the practice. However, 30 percent of corporate respondents indicate their organizations handle the information as an exception and manually review it. Most of the remaining 14 percent report they are unaware of what the field is used for or do not use the information in the field.

Organizations' Handling of Information in Field 88
(Percent Distribution)

Programmed my system to take in the information to post what it can	56%
Handled as an exception and manually reviewed	30
Other	14

Survey results indicate that respondents would like to see several changes to the BAI code reporting process in the future. An overwhelming majority (84 percent) of corporate respondents would prefer the format and implementation guide standardized across all banks. Forty-four percent would like the tags and XML descriptions standardized so that the information can be more easily read by

machines and humans. Other changes include “provide structure/specifications to field 88” (37 percent) and “minimize the customizations in 900-series codes” (25 percent). Six percent of corporate respondents feel that no changes are necessary.

Desired Changes to BAI Codes and Format
(Percent of Respondents)

Standardize the format and implementation guide across all banks	84%
Standardize the tags and descriptions like XML—make the information machine and human readable	44
Provide structure/specifications to field 88	37
Minimize the customization in 900-series codes	25
No changes are necessary	6
Other	5

The survey gave respondents an opportunity to propose new codes for information reporting. Less than ten percent of the respondents provided suggestions, but among those suggestions are a number of new types of codes for further identifying and segregating the information organizations receive:

- Adjustments
- Merchant deposits including segments such as gross settlement, returns, and card fees
- LC Fees
- SEPA transactions
- Inter-company transactions, including escrow and sub-account indicators to allow tracking
- AML Reporting
- International US\$ wire, wire drawdown, F/X rate or other foreign rate codes
- e-Payments
- Investment sweep credits and debits for US bank accounts/Prior Day Loan Sweep Balances
- Back-valuation
- IAT/Global ACH vs. Domestic ACH
- Remote Deposit Capture deposit (for image cash letter)
- Standardize as many of the 900 codes used by banking institutions as possible
- Standard use of a code for counterfeit currency items
- Current-day ACH settlement items
- Common balance and transaction reporting fees
- Current availability, 1 day float, 2 day float for deposits

Some respondents ask for simplification, including one respondent who suggested “Less BAI codes/choices. Over 1,000 codes need to be assigned a transaction type.”

Respondents also had the opportunity to specify the top three challenges their organizations

experience with current BAI reporting. The challenge cited most often by the respondents is the inconsistency of reporting BAI code information across banks, which makes it difficult to automate their internal systems and processes. Other top challenges include timeliness or errors received in data transmissions, confusion about codes that were similar in definitional usage, problems importing data, human readability, and difficulty integrating information from field 88.

Conclusions

Over the past 20 years the payments industry has evolved to the point where the current BAI information reporting standard is no longer an effective one. The level of customization now implemented across banks has resulted in large disparities between banks that make it very difficult for organizations to automate the data importation process and application to internal systems—the central purpose of the standard. Therefore, changes to BAI information reporting will eliminate confusion over outdated codes and bring greater consistency under a new standard are clearly warranted.

The majority of organizations receive their information via a file transfer or from their bank's web portal or e-banking platform, although a significant number also receive data via secure e-mail. These and other delivery channels that support electronic processing should all be considered when developing the new standard. Also to be considered is the fact that a comprehensive array of products and services are reported using this standard, and corporate practitioners generally want an even larger set of codes/services to be included. Therefore, the file and data structure should balance the need for flexibility in accommodating service variety while providing enough structure to ensure that the application of data received from multiple banks can be fully automated by corporate practitioners.

The current BAI information reporting services provided to organizations do not meet their needs. The sheer volume of responses to this survey as well as specific answers to questions underlines that point. An update to the standard is timely and important. Once the standard is in place, banks and other service providers can expect organizations to push them to adopt the new standard with a sense of urgency.

About the Survey

In April 2010, the Research Department of the Association for Financial Professionals (AFP) surveyed 6,300 of its members about reporting standards that are relied on to receive important information about the cash management and treasury services provided by their banks and other vendors. The survey generated responses from 1,116 financial professionals. The results presented in this report reflect responses from corporate practitioners (i.e., non-financial institutional).