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BAI2

BAI2 files are a cash management reporting standard. They are widely accepted by banks across the United States for exchanging data regarding balances and transactions.

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Banks need to keep track of large volumes of transactions, as millions of people send and receive money electronically via payment methods like ACH, RTP, and wire transfer. BAI2 files help them do so, by providing specialized sets of codes that identify the account activity or balance being reported. This data is then used to update bank statements and give customers visibility into available funds, pending transactions, and more.

As long as bank accounts have existed, customers have wanted transparent insight into what goes in and out of their account. In the past, banks developed custom formats to import their customers' bank statements into the system and reconcile payments and receipts, allowing individuals to compare their personal account records with the bank's records.

To ensure that customers had a consistent experience from bank to bank, the Bank Administration Institute (BAI) developed a standardized data format to

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avoid incompatibility when comparing statements from different banks.

Each transaction, summary, or balance classification is assigned a uniform type code. The three-digit type code identifies the activity or balance being reported. Banks can then pull this information programmatically, using code, to display account activity to users.

Who uses BAI2 files?

BAI2 files are primarily used by banks to share information to customers or account holders. Typically, banks import a new BAI2 file every day with posted transactions, and additionally throughout the day with pending transactions. As a result, they are able to display accurate information about account activity to their users on a consistent basis.

Accounting systems like Enterprise Resource Planning (ERP) and software tools like Modern Treasury also rely on BAI2 files for insight into transactions and account activity. For example, say Popcorn Bank sends BAI2 files to an account holder named Butter. Butter can then import the files to their bookkeeping application, read the data, and perform bank reconciliation if necessary. Butter can also use this information to display relevant account information to their customers.

It's important to note that these use cases are among the most common, considering BAI2 files are not particularly readable or useful for everyday consumers.

The origins of BAI Files

In 1971, the BAI created the Lockbox Communications Standards for Banks, a reporting standard exclusive to lockbox services—or services designed to expedite paper-based payments and provide timely payment information to update account records.

This standard was not updated consistently, paving the way for the original BAI format in 1980. In collaboration with various U.S. banks, the Bank Administration Institute released the BAI1 Cash Management Balance Reporting Specification. While some banks still use this standard, it was mostly discontinued after 1990.

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In 1987, the original specifications for the BAI1 file format were replaced by BAI2—and this file format has evolved throughout the years to include new codes for different transactions. It is now widely accepted by banks across the country.

How does Modern Treasury use BAI2 Files?

Throughout the day, Modern Treasury communicates directly with banks to request BAI2 files. Once the bank sends the files, Modern Treasury imports them to their own system and pulls relevant data about account activity to display to clients.

BAI2 files enable accuracy to give merchants processing payment transactions—not to mention their customers—the most accurate data possible.

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File Standards

File Standards are the payment reporting formats used by banks and payment industry bodies.

1 BAI2

2 NACHA files

3 ISO 20022

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