

REPORT ON FRAUDS AND FORGERIES IN THE NIGERIAN BANKING INDUSTRY FOR THE PERIOD, JANUARY-MARCH 2007.

A total of seventy three (73) returns were received from the banks by FITC in the first quarter of 2007. A break down shows that 24, 24, and 25 returns were filed in during the months of **January, February and March**, 2007 respectively. Of these returns, 57 (78.08%) recorded cases of frauds and forgeries, while 16 (or 21.92%) had no such record.

Analysis of the returns as regards the volume of frauds and forgeries in banks depicts a sharp increase. From a total of 239 cases in the previous quarter to 349 cases (or a 46.03% increase) in the period under review. Fraud and forgeries were perpetrated through various channels; the most prominent cases recorded were those of fraudulent withdrawals, foreign exchange fraud and telex fraud, which accounted for 35.52%, 23.50% and 15.75% of the cases respectively. Other types of frauds experienced during the same period included falsification of accounts, clearing fraud and theft of cash etc. **See Appendix I for details.**

In terms of value, the total amount of money involved in the frauds and forgeries cases reported increased significantly from N794.3million to N4.22 billion, which represents over 400% increase when compared with the last quarter. A total sum of N1.50 billion could be traced to fraudulent withdrawals,

representing 35.52 % of the entire amount involved. This makes fraudulent withdrawals the major channel through which frauds and forgeries were perpetrated this quarter, while foreign exchange fraud at N992.2million, representing 23.50%, ranked second. A substantial loss could also be linked to robberies, which accounted for 7.27% of the entire amount.

Further analysis of the returns shows that N594.03million (or 14.21%) of the total amount involved were actually lost to frauds, while the balance were recovered through the ability of the banks to either frustrate or abort the attempt of the fraudsters. A closer look at **Appendix III** reveals that the largest portion of the amount actually lost to fraud could also be traced to fraudulent withdrawals valued at N204.59million or 34.44% of the actual/expected loss. It further shows that huge sums were lost to robberies and forged cheques, both covering N302.1 million (or 47.82%).

With regards to the involvement of persons, the study indicates that outsiders were most culpable, they were involved in 224 (or 64.18 %) of the cases, while banks' staff accounted for 121 (or 34.67%). On the other hand, cases where perpetrators collided with bank' staff totaled 4 (or 1.72 %).

On grounds of frauds and forgeries, the returns indicate that 61 bank staffers were either dismissed or had their appointments terminated during the period under review.

From the chart in **Appendix IV**, it is obvious that the banks are more vigilant and, thus, more successful in aborting many cases of fraudulent withdrawals. But same could not be said of other fraud types such as theft of cash, cashiering fraud and forged cheques. It is, therefore, expedient that the banks intensify their efforts in combating frauds in these other areas as they constituted major avenues of huge financial losses in the period under review.

N.B: Please see the appendices (attached) for details of the cases of frauds and forgeries covered by this report.

APPENDIX I
FRAUDS AND FORGERIES IN THE NIGERIAN BANKING INDUSTRY
1ST QUARTER OF 2007

Types of Fraud	Total No. Of Cases Reported	Involving Bank Personnel Only	Involving Outside Persons Only	Collusion	Involvement of Persons Not Specified	Amount Involved (N)	Actual/Expected Loss (N)	Percentage of Expected Loss against Amount Involved
Cashiering Fraud	27 (7.7)	25 (20.7)	2 (0.9)	0	0	50,824,987.30 (1.20)	24,887,027.30 (4.19)	48.97
Falsification of Account	5 (1.4)	1 (0.8)	4 (1.8)	0	0	113295750 (2.68)	5,450,000 (3.9)	4.81
Forged cheques With Forged Sign	40 (11.5)	2 (1.7)	38 (17.0)	0	0	214,149,308.41 (5.07)	120,911,707.00 (17.32)	48.06
Printing of Bank Document illegally	2 (0.6)	0	2 (0.9)	0	0	127,350.00 (0.003)	0	0
Clearing Frauds	24 (6.9)	0	24 (10.7)	0	0	130,163,497.47 (3.08)	12,453,719.00 (2.10)	9.57
Computer Fraud	6 (1.7)	0	6 (2.7)	0	0	164,602,800.00 (3.90)	25,604,505.00 (4.31)	15.56
Telex Fraud	2 (0.6)	1 (0.8)	1 (0.4)	0	0	664,658,811.38 (15.75)	181,300 (0.03)	0.03
Foreign Exchange Fraud	2 (0.6)	2 (1.7)	0	0	0	992,174,069.00 (23.50)	0	0
Cross Firing of Cheque & kite flying	0	0	0	0	0	0	0	0
Theft of Cash	7 (2.0)	5 (4.1)	2 (0.9)	0	0	4,601,775.00 (0.11)	4,433,475.00 (0.75)	96.34
Suppression of	25	18	6	1		79,820,330.87	32,335,961.97	

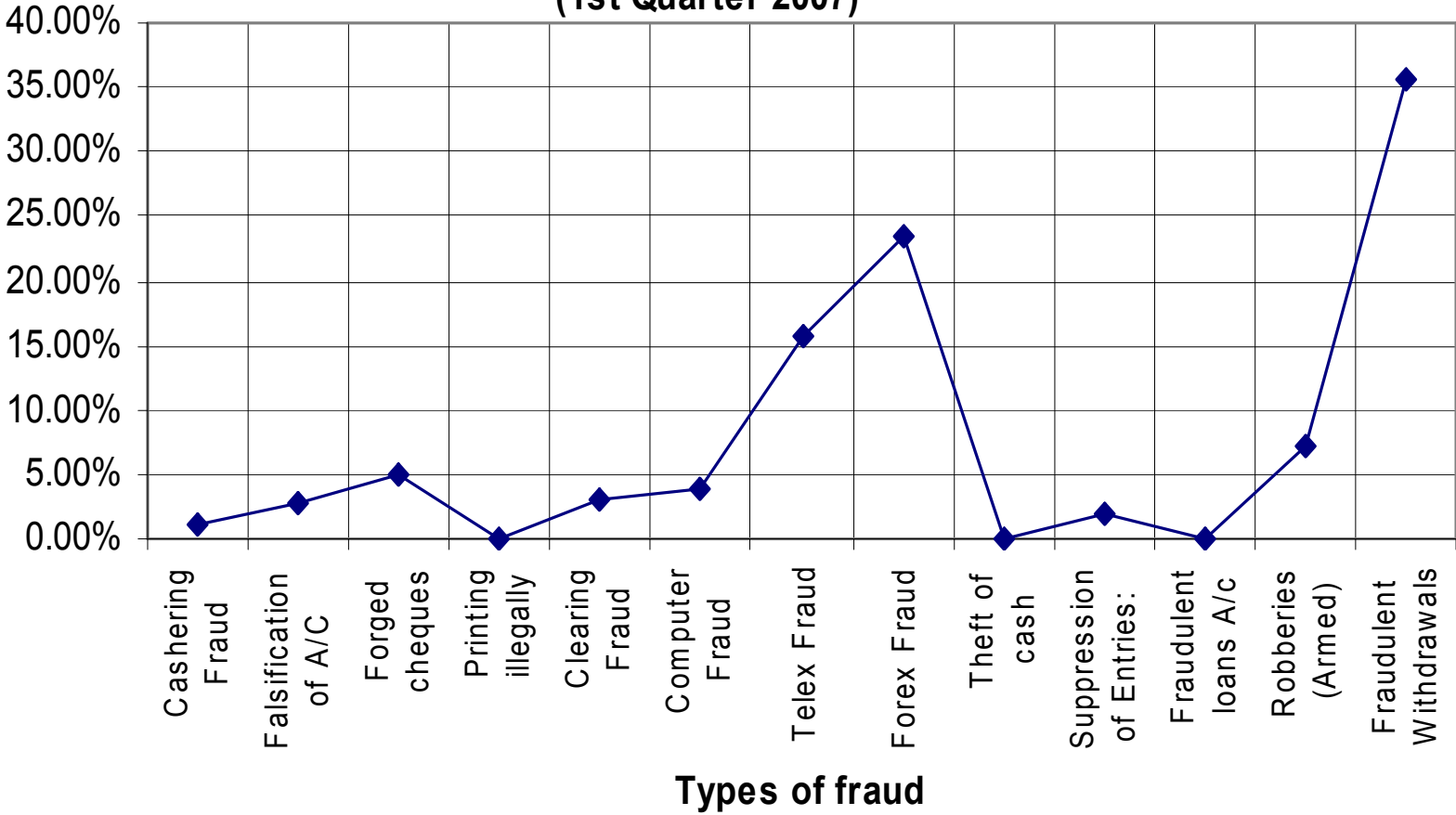
Entries: Cash/Cheque	(7.2)	(14.9)	(2.7)	(25)		(1.89)	(5.44)	40.51
Opening & Operating Fraudulent Loans Account	1 (0.3)	1 (0.8)	0	0	0	169,100 (0.004)	0	0
Over-invoicing of Service to the Bank	0	0	0	0	0	0	0	0
Robberies (Armed)	27 (7.7)	0	27 (12.1)	0	0	307,042,127.50 (7.27)	181,192,118.90 (30.50)	59.01
Fictitious Bank Branches	0	0	0	0	0	0	0	0
Miscellaneous and Other Types of Frauds	6 (1.7)	6 (5.0)	0	0)	0	0	0	0
Fraudulent Withdrawals	175 (50.1)	60 (49.6)	112 (50.0)	3 (75.0)	0	1,499,587,291.62 (35.52)	204,584,025.78 (34.44)	13.64
Total	349	121	224	4	0	4,221,217,198.5 5	594,033,839.95	14.21

Source: Frauds and Forgeries Returns from banks

- ❖ Figures in parenthesis are percentages
- ❖ Frauds involving foreign currencies were converted to Naira at the official rate

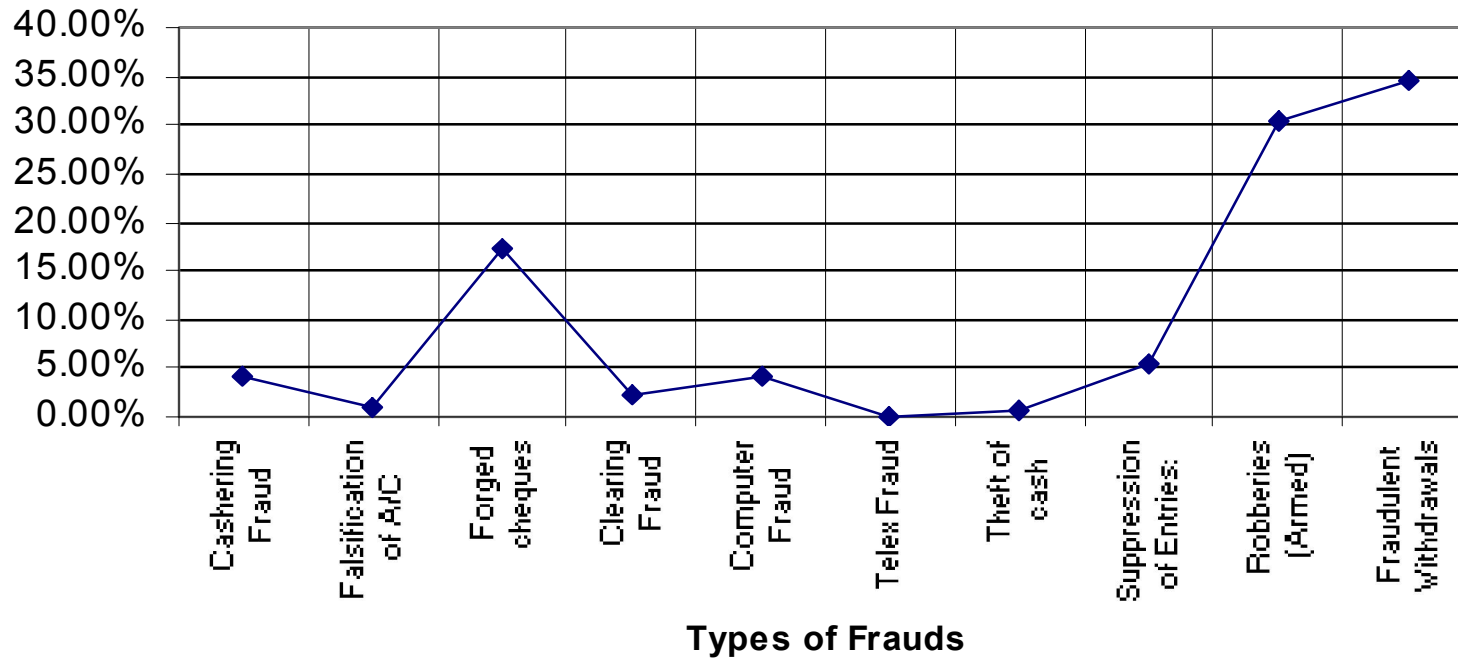
APPENDIX II

**Percentage Distribution of Amount Involved in Fraud and Forgeries
(1st Quarter 2007)**

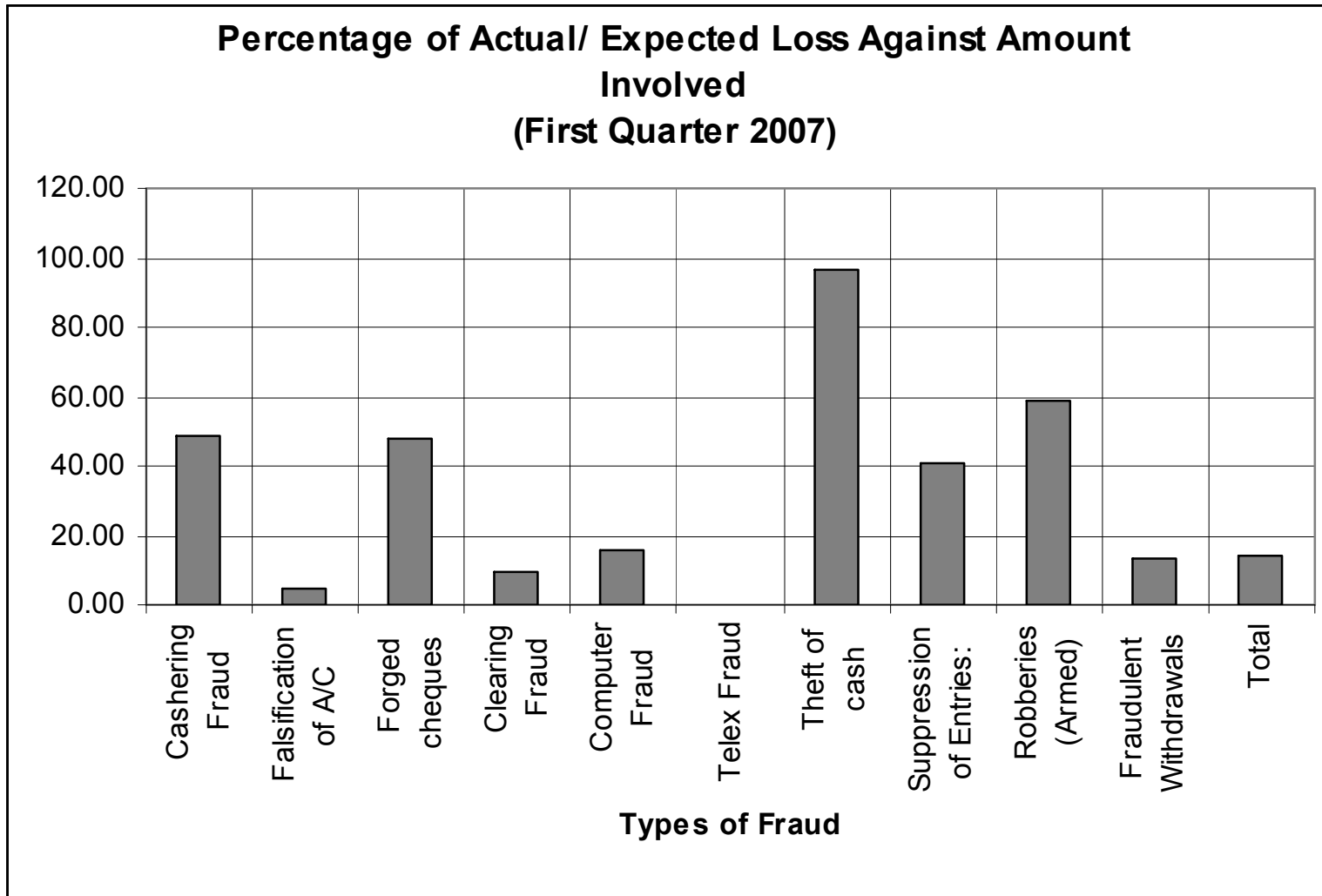


APPENDIX III

Percentage of Actual / Expected Loss
(1st Quarter 2007)



APPENDIX IV



FRAUDS & FORGERIES:

REPORT OF THE SECOND QUARTER, 2007

REPORT ON FRAUDS AND FORGERIES IN THE NIGERIAN BANKING INDUSTRY FOR THE PERIOD, APRIL – JUNE, 2007.

The number of returns rendered by the banks to FITC during the months of April, May and June, 2007 were 24, 24, and 23 respectively. In all, seventy one (71) returns were filed in. Of this figure, 55 (or 77.46%) actually experienced frauds and forgeries, while the remaining 16 (or 22.54%) did not record such incidences.

Analysis of the returns reflected a decrease in the number of frauds and forgeries cases in banks from 349 in the previous quarter, to 268 in the period under review. This represents a 23.21% decrease when compared with the figure from the previous quarter.

Frauds and forgeries were perpetrated through various channels. Prominent among these were fraudulent withdrawals, suppression of entries and forged cheques with forged signatures. The statistics reveal that 149 cases (55.60 %), 29 (10.82%) and 29 (10.82%) were reported for these categories of frauds respectively. Other types of frauds experienced during the quarter under review included armed robbery attacks, cashiering fraud etc. **See Appendix 1 for details.**

In terms of value, the total amount involved in frauds and forgeries reduced significantly from N4.22 billion in the preceding quarter to N1.01 billion in the period under review. This depicts a 76.07% decrease when compared with the figure from the previous quarter. A closer look at the appendices reveals that fraudulent withdrawals ranked first, accounting for N432.67 million (42.89%) of the total amount involved. Armed robbery attacks ranked second, with N183.96million (18.23%) involved, and suppression of entries ranked third with N171.15 million (16.97%) of the total amount.

However, miscellaneous and other types of fraud shot up to N12.20 million (1.21%) due to forged Risk Assessment Reports, theft of physical assets (laptop), misplacement of customer's deposit due to laxity and others.

Further analysis of the statistics reveals that the actual/expected loss from the entire amount involved in fraud and forgeries in the second quarter of 2007 was N482.89 million (47.87%) of the total amount involved. Of this amount, N253.89 million (52.58%), the largest portion of the actual/expected loss, could be traced to fraudulent withdrawals. The remaining amounts were either recovered or uncovered before the intentions of the fraudsters were carried out.

With regards to the involvement of persons, the study shows that outsiders were involved in 157 (58.58%) of the cases, while banks' staff accounted for 103 (38.43%). On the other hand, cases involving collusion between bank staff and outsiders and cases where perpetrators were yet to be ascertained accounted for 5 (1.87%) and 3 (1.12%) respectively

During the period under review, 84 bank staffers were either dismissed or had their appointments terminated on grounds of frauds and forgeries.

N.B: Please see the attached appendices for details of the cases of frauds and forgeries covered by this report.

APPENDIX 1
FRAUDS AND FORGERIES IN THE NIGERIAN BANKING INDUSTRY
2ND QUARTER OF 2007

Types of Fraud	Total No. of Cases Reported	Involving Bank Personnel Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (N)	Actual /Expected Loss (N)
<i>Cashiering Fraud</i>	9 (3.36)	8 (7.77)	1 (0.64)	0 (0)	0 (0)	22,201,170.00 (2.20)	13,038,730.00 (2.70)
<i>Falsification of Account: current/cheque, savings/ deposit, suspense account</i>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
<i>Forged Cheques with Forged Signature</i>	29 (10.82)	0 (0)	29 (18.47)	0 (0)	0 (0)	157,290,830.00 (15.59)	11,064,780.00 (2.29)
<i>Printing of Bank Document Illegally</i>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
<i>Clearing Frauds</i>	3 (1.12)	0 (0)	2 (1.27)	1 (20)	0 (0)	20,978,136.80 (2.08)	340,000.00 (0.07)
<i>Computer Fraud</i>	1 (0.37)	0 (0)	1 (0.64)	0 (0)	0 (0)	120,000.00 (0.01)	0 (0)
<i>Telex Fraud</i>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)

Foreign Exchange Fraud	1 (0.37)	1 (0.97)	0 (0)	0 (0)	0 (0)	1,563,595.00 (0.16)	0 (0)
Cross Firing of Cheque & Kite Flying	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Theft of Cash	11 (4.10)	10 (9.71)	1 (0.64)	0 (0)	0 (0)	6,350,750.00 (0.63)	4,074,150.00 (0.84)
Suppression of Entries: Cash/Cheque	29 (10.82)	27 (26.21)	1 (0.64)	1 (20.00)	0 (0)	171,153,233.93 (16.97)	15,573,255.00 (3.23)
Opening & Operating Fraudulent Loans Account	2 (0.75)	0 (0)	2 (1.27)	0 (0)	0 (0)	321,538.38 (0.03)	0 (0)
Over-invoicing of Services to the Bank	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Robberies (Armed)	13 (4.85)	0 (0)	13 (8.28)	0 (0)	0 (0)	183,955,042.04 (18.23)	177,291,096.61 (36.71)
Fictitious Bank Branches	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Miscellaneous and Other Types of Frauds	21 (7.84)	20 (19.42)	1 (0.64)	0 (0)	0 (0)	12,202,076.38 (1.21)	7,618,429.00 (1.58)
Fraudulent Withdrawals	149 (55.60)	37 (35.60)	106 (67.52)	3 (60.00)	3 (100)	432,669,072.55 (42.89)	253,885,338.09 (52.58)
Total	268	103	157	5	3	1,008,805,445.08	482,885,779.00

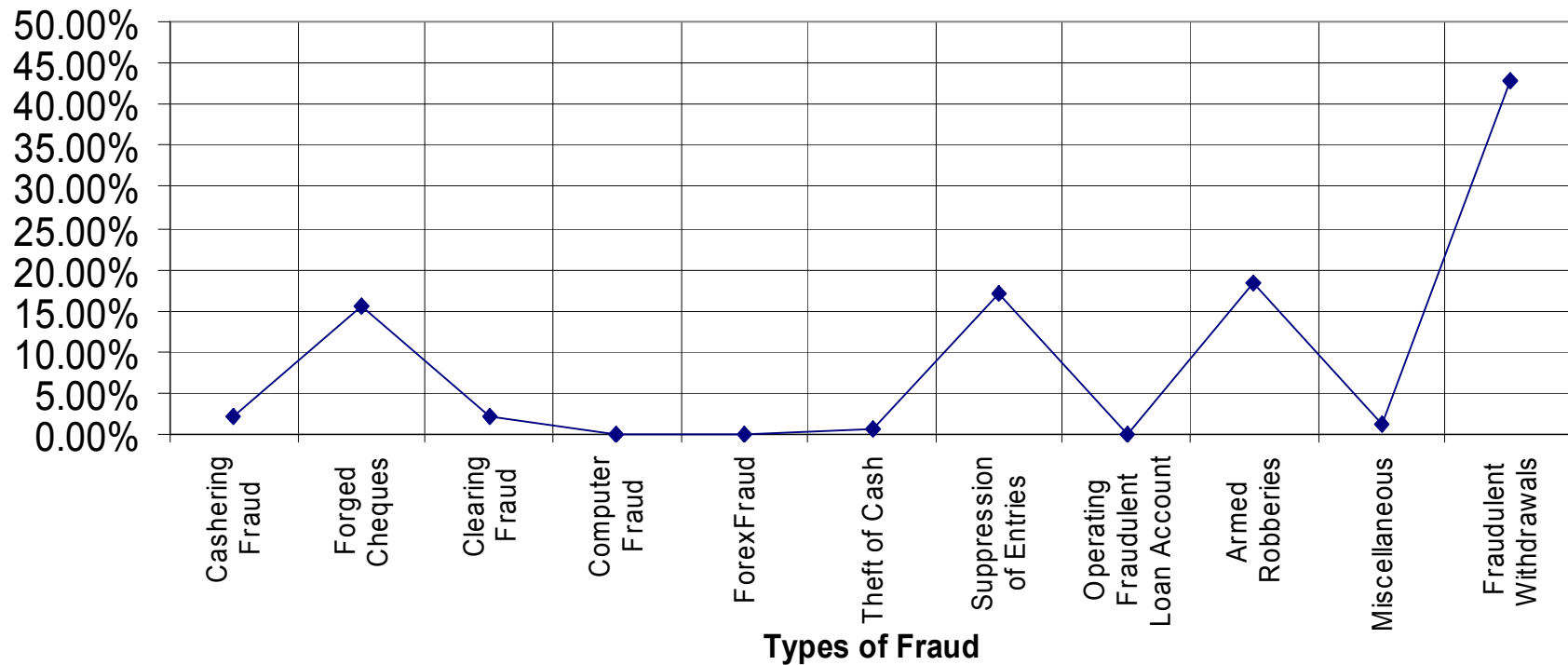
Source: Frauds and Forgeries Returns from Banks

❖ Figures in parenthesis are percentages

❖ Frauds involving foreign currencies were converted to Naira at the official rate

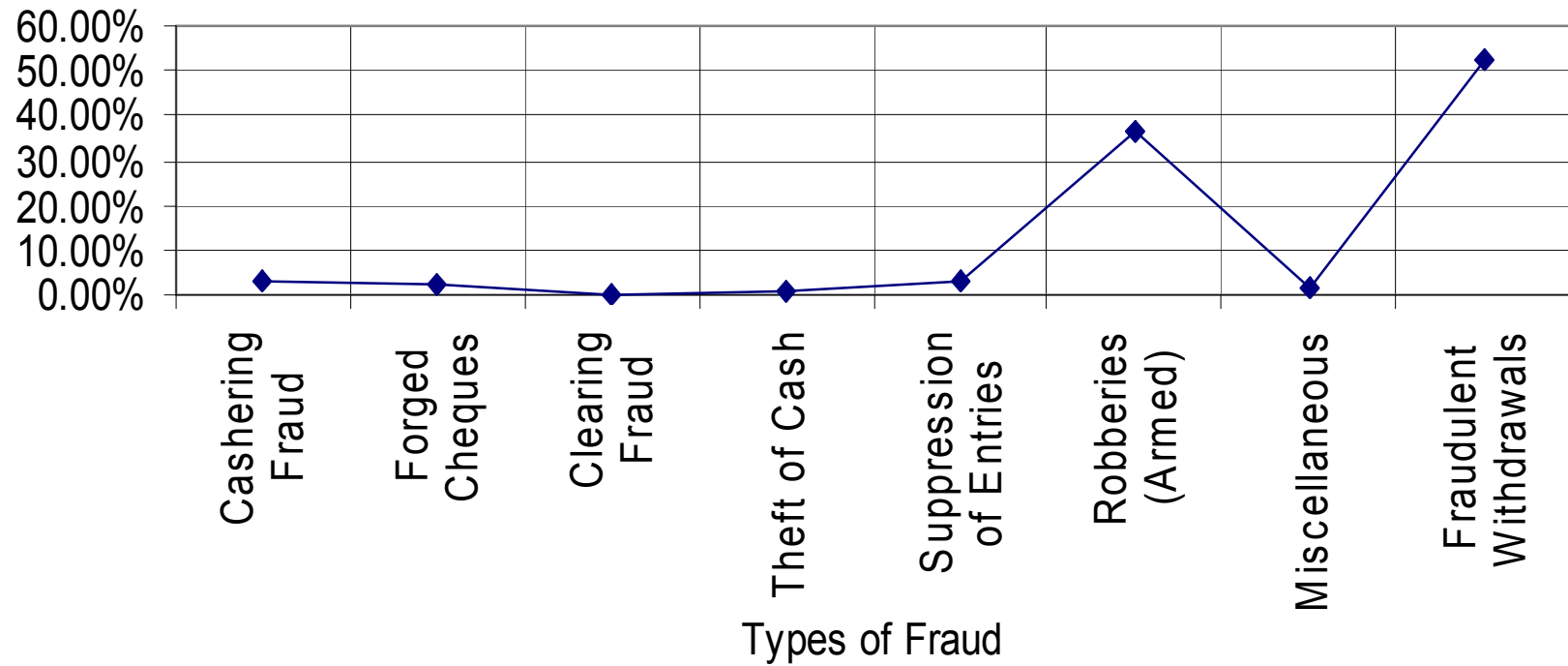
APPENDIX 2

Percentage Distribution of Amount Involved in Frauds and Forgeries (Second Quarter 2007)

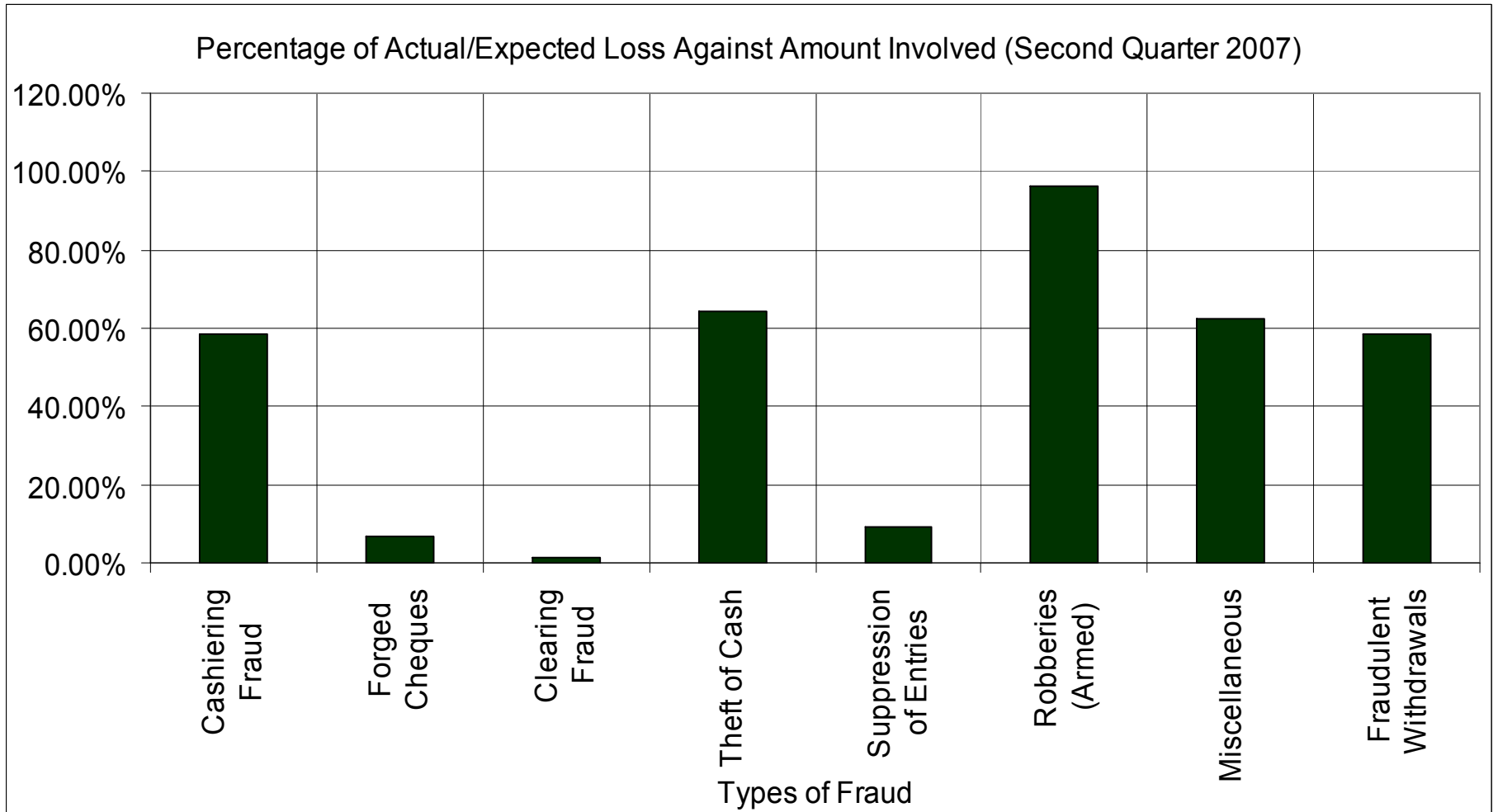


APPENDIX 3

**Percentage Distribution of Actual/Expected Loss
(Second Quarter 2007)**



APPENDIX 4



FRAUDS & FORGERIES:

REPORT OF THE THIRD QUARTER, 2007

REPORT ON FRAUDS AND FORGERIES IN THE NIGERIAN BANKING INDUSTRY FOR THE PERIOD JULY – SEPTEMBER, 2007

FITC received 72 returns from the banks during the third quarter of 2007. A breakdown shows that 25 of these returns were submitted in July, 24 in August and 23 in September 2007. Of the returns, 63 (87.5%) recorded cases of frauds and forgeries, while 9 (12.5%) had no such record.

Analysis of the returns depicted a major increase in the number of frauds and forgeries in banks, from 268 in the previous quarter to 412, showing a 53.73% increase in the period under review.

Frauds and forgeries were perpetrated through various channels, most of which were fraudulent withdrawals, forged cheques with forged signatures, suppression of entries and armed robberies, which accounted for 38.83%, 13.59%, 12.38% and 7.28% respectively. Other fraudulent activities witnessed during this quarter include tellering fraud, clearing fraud etc. **See Appendix 1 for details.**

In terms of value, a total of N2.24billion was involved in frauds and forgeries in the period under review. This represents a 121.78% increase when compared with the N1.01billion involved in the preceding quarter. A look at the appendices shows that tellering fraud recorded the highest amount with the sum of

N816.42 million, representing 36.53% of the total amount involved. This is followed by fraudulent withdrawals with the sum of N617.72million or 27.64% and armed robbery with N332.79million, representing 14.89%.

Miscellaneous and other types of frauds, however, dropped to N2.9million from the N12.2 million of the previous quarter, showing a decrease of 76.23%. This category of fraud is made up of theft of physical asset (such as mobile phones, generator etc.), presentation of forged certificates, conversion of official equipments to personal property, presentation of fake deposit slips, amongst others.

Further analysis indicates that the actual/expected loss from frauds and forgeries in the third quarter of 2007 was N550.72 million or 24.64% of the total amount involved. A critical look at **Appendix 111** reveals that armed robbery accounted for the largest portion of the amount actually lost to fraud, valued at N296.2million or 53.78% of the actual/expected loss. It further indicates that huge sums of money were lost to fraudulent withdrawals and clearing fraud, both covering N127.84million (or 23.21%).

With regards to the involvement of persons, the study shows that outsiders were most culpable, as they were involved in 216 or 52.43% of the reported fraud cases, while insiders (i.e. bank personnels) accounted for 154 or 37.38% of the cases. Whereas the culprits in 28 (6.8%) of the reported cases were not specified, cases of collusion with banks' staffs totaled 14 or 3.39%.

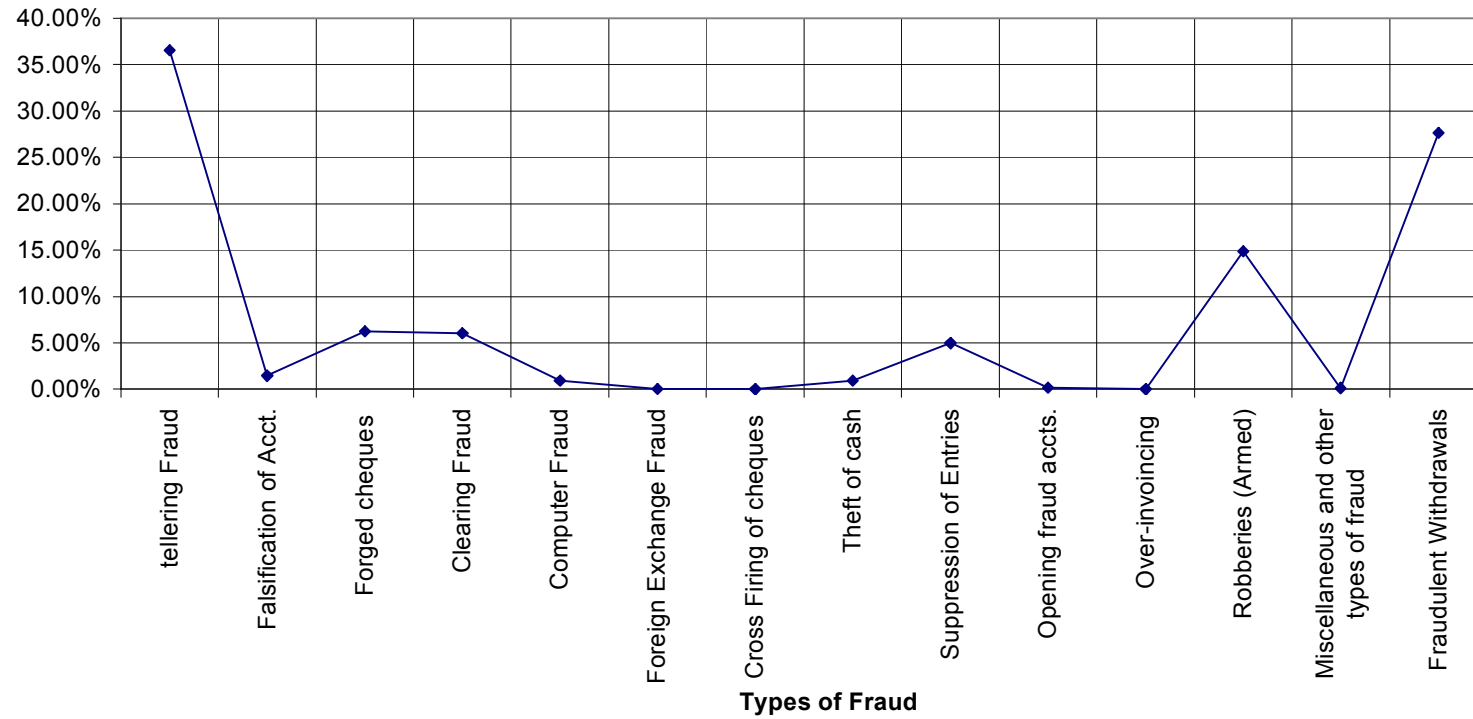
The report further showed that 23 bank personnels were either dismissed or had their appointments terminated on account of frauds and forgeries during the period under review. This represents a decrease of 72.62% when compared to 84 staffs relieved of their jobs for same offences in the preceding quarter.

In conclusion, it is obvious that banks were more successful in preventing fraudulent withdrawals, falsification of accounts, theft of cash and opening of fraudulent account than in dealing with other types of fraud such as over-invoicing, computer frauds and armed robberies. We would like to advise banks to further firm up their security arrangements and always carry out thorough checks on their instruments of payment, as huge sums are being lost through these channels.

N.B: Please see the attached appendices for details of the cases of frauds and forgeries covered by this report.

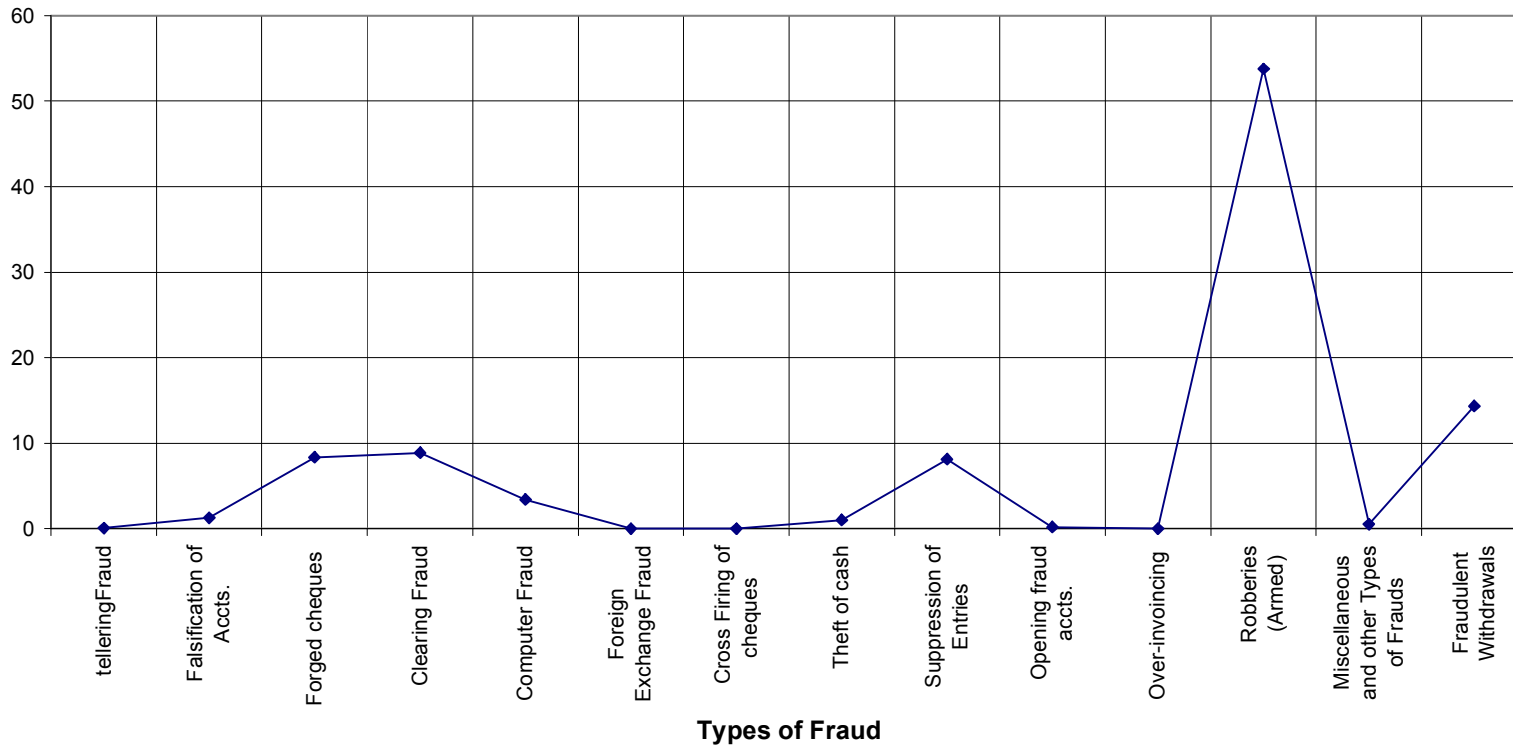
APPENDIX 2

**Percentage Distribution of Amount Involved in Frauds and Forgeries
(Third Quarter 2007)**



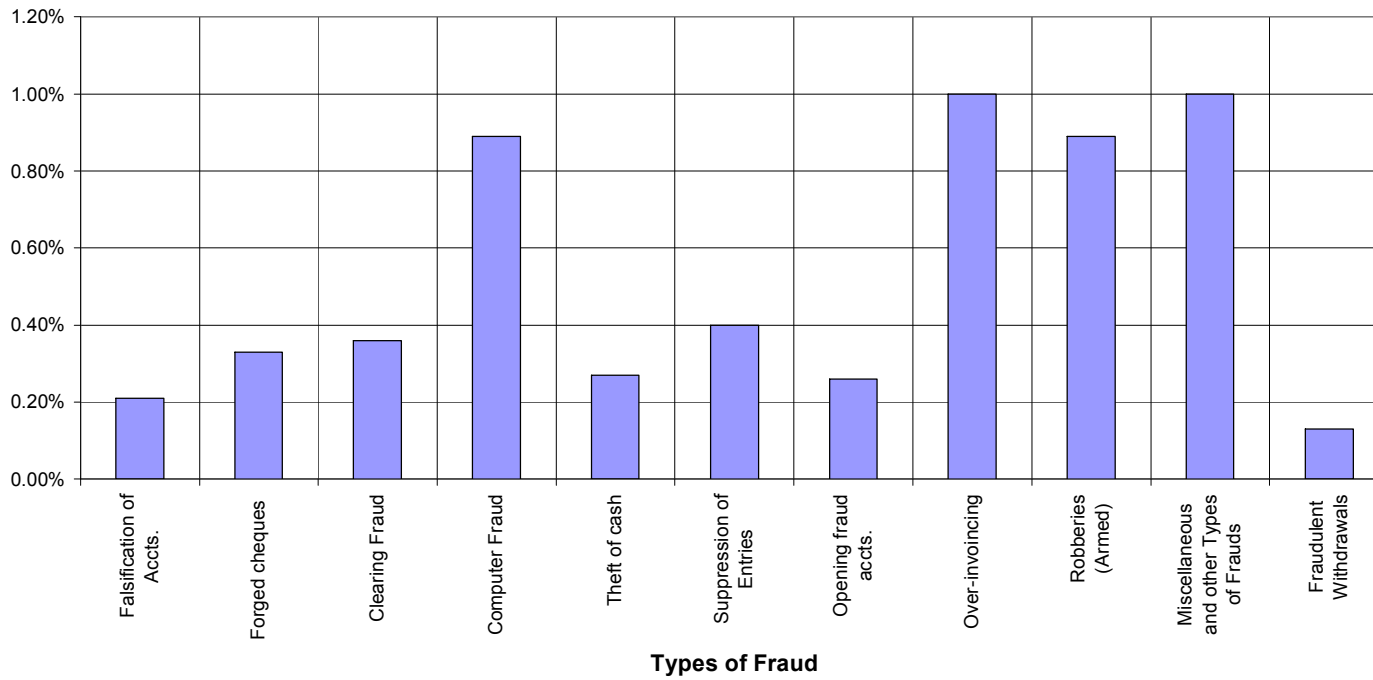
APPENDIX 3

**Percentage Distribution of Actual/Expected Loss
(Third Quarter 2007)**



APPENDIX 4

**Percentage of Actual/ Expected Loss Against Amount Involved
(Third Quarter 2007)**



FRAUDS & FORGERIES:

REPORT OF THE FOURTH QUARTER, 2007

REPORT ON FRAUDS AND FORGERIES IN THE NIGERIAN BANKING INDUSTRY FOR THE PERIOD OCTOBER-DECEMBER, 2007.

FITC received 72 returns from the banks during the fourth quarter of 2007. A breakdown shows that 24 of these returns were submitted in October, 25 in November and 23 in December, 2007. Of the returns, 60 (83.33%) recorded cases of frauds and forgeries, while 12 (16.67 %) had no such record.

Analysis of the returns depicted a major decrease in the number of frauds and forgeries in banks, from 412 in the previous quarter to 352, showing a 14.56% decrease in the period under review.

Frauds and forgeries were perpetrated through various channels, most of which were fraudulent withdrawals, forged cheques with forged signatures, computer fraud and suppression of entries, which accounted for 36.08%, 13.35%, 11.93% and 9.66% respectively. Other fraudulent activities witnessed during this quarter include armed robberies, clearing fraud etc. **See Appendix 1 for details.**

In terms of value, a total of N1.04billion was involved in frauds and forgeries in the period under review. This represents a 53.57% decrease when compared with the N2.24billion involved in the preceding

quarter. A look at the appendices I & II shows that cross firing of cheques and kite flying recorded the highest amount with the sum of N179.01million, representing 17.19% of the total amount involved. This is followed by fraudulent withdrawals with the sum of N174.57million or 16.77% and armed robbery with N168.24million, representing 16.16%.

Miscellaneous and other types of frauds, however, rose significantly to N109.8million from the N2.9 million of the previous quarter, showing an increase of 3,686.2%. This category of fraud is made up of loss of physical asset (such as vehicles etc.), presentation of forged certificates, alteration of official documents, failure of integrity test, amongst others.

Further analysis indicates that the actual/expected loss from frauds and forgeries in the fourth quarter of 2007 was N429.71million or 41.27% of the total amount involved. A critical look at **Appendix 111** reveals that armed robbery accounted for the largest portion of the amount actually lost to fraud, valued at N160.66million or 37.39% of the actual/expected loss. It further indicates that huge sums of money were lost to miscellaneous and fraudulent withdrawal, both covering N107million (or 24.91%).

With regards to the involvement of persons, the study shows that outsiders were most culpable, as they were involved in 205 or 58.24% of the reported fraud cases, while insiders (i.e. bank personnels) accounted for 118 or 33.52% of the cases. Whereas the culprits in 27 (7.67%) of the reported cases were not specified, cases of collusion with banks' staffs were 2 or 0.57%.

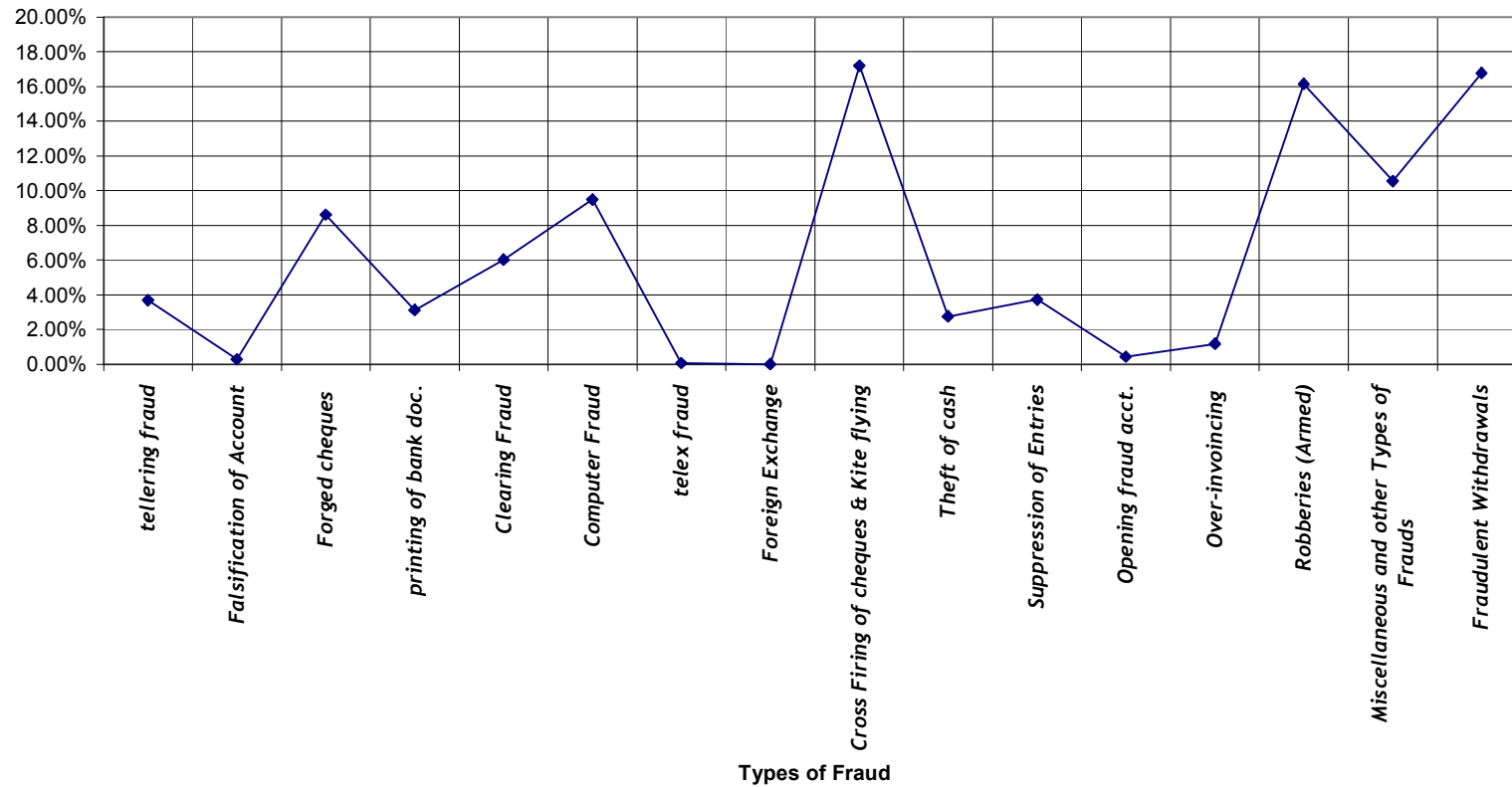
The report further showed that 20 bank personnels were either dismissed or had their appointments terminated on account of frauds and forgeries during the period under review. This represents a decrease of 13.04% when compared to 23 staffs relieved of their jobs for same offences in the preceding quarter.

In conclusion, from the chart in **Appendix IV**, it is obvious that banks are more vigilant and successful in preventing cross firing of cheques, over-invoicing of service to banks and forged cheques than in dealing with other types of fraud such as armed robberies, printing of bank documents and theft of cash. It is, therefore, expedient that banks intensify their efforts in combating frauds in these areas, as they constitute the major source through which huge sums were lost.

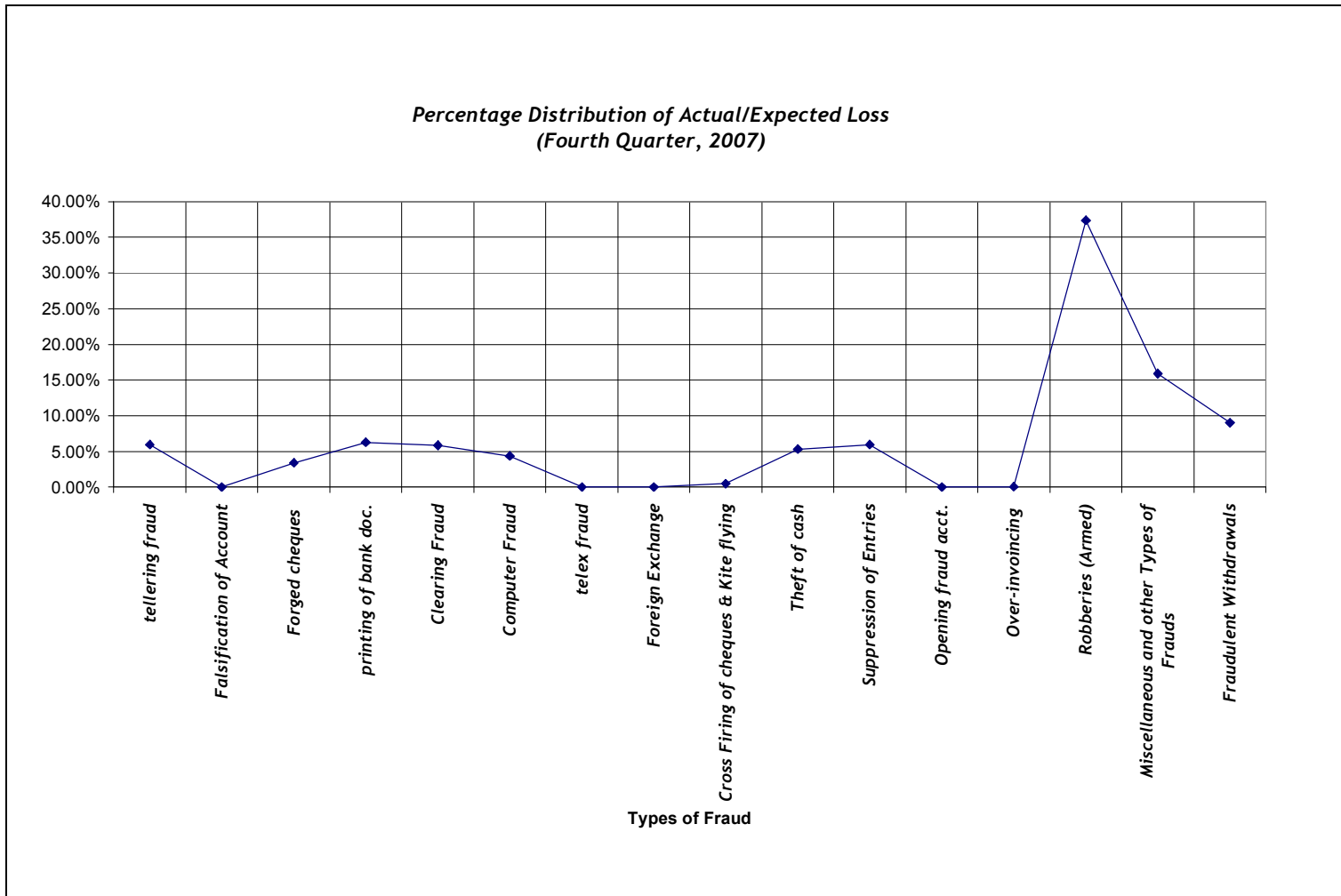
N.B: Please see the attached appendices for details of the cases of frauds and forgeries covered by this report.

APPENDIX II

*Percentage Distribution of Amount Involved in Frauds and Forgeries
(Fourth Quarter, 2007)*



APPENDIX III



APPENDIX IV

*Percentage of Actual/Expected Loss Against Amount Involved
(Fourth Quarter, 2007)*

