



# **Report on Frauds and Forgeries in Banks**

**January – March, 2013**

# Report on Frauds and Forgeries in the Nigerian Banking Industry for the period January - March, 2013

## Overview

In the first quarter of 2013, FITC received 52 returns from 21 deposit money banks<sup>1</sup> on the incidence of fraud in their respective institutions. Of this number, 20 returns were received for the month of January, 19 returns were received for February, and 21 returns were received for March.

## Volume and Value of Fraud Cases

Further review of the returns showed that the banking industry recorded a total of 1,804 cases<sup>2</sup> (volume) of fraud and forgery during the period, compared to 1,694 cases that were reported in the preceding period (September - December, 2012); this indicates an increase of 6.49 per cent in reported cases of fraud in the banking system. The types of fraud that were predominant during the review period include: fraudulent automated teller machines (ATM) withdrawals, computer/web fraud, other forms of fraudulent withdrawals, suppression of entries, miscellaneous<sup>3</sup> (other types of) fraud as well as forged cheques with forged signatures amongst other types of fraud. **Appendices I and II** contain further details of the incidence of fraud and its various types that occurred during the review period with graphical illustrations.

The total amount<sup>4</sup> (value) of money involved in reported cases of fraud and forgery increased significantly to ₦7.53 billion from ₦2.46 billion that was recorded in the previous quarter, indicating an upsurge of 205.44 per cent 206.10 per cent. Moreover, of the total amount of ₦7.53 billion estimated to be involved in fraud, ₦2.42 billion (32.13%) was actually lost by the banking system. The difference of ₦5.11 billion (67.87 per cent) was recovered as a result of the effective control frameworks emplaced by the management of these banks, and their employees' compliance with established rules and procedures, as well as supportive interventions from relevant law enforcement agencies.

Ranking the fraud types according to their value, **Appendix II (A)** shows that computer/web fraud ranked first with ₦3.99 billion (53.01 per cent) of the total amount involved in fraud and forgery; while fraudulent withdrawals ranked second with ₦2.10 billion (27.91 per cent). Miscellaneous (other types of) fraud ranked third with ₦507.61 million (6.74 per cent) of the total amount involved in fraud and forgery. Analysis of the banks' returns showed that miscellaneous fraud fell considerably to ₦507.61 million from ₦1.47 billion that was recorded in the previous quarter, representing a decrease of 65.36 per cent. Similarly, opening and operating fraudulent account plunged to ₦15.81 million, from ₦62.71 million, indicating a fall of 74.79 per cent. However, there was a spike in computer/web fraud from ₦114.03 million (in the preceding period) to ₦3.99 billion, and fraudulent withdrawals from ₦127.47 million (in the preceding period) to ₦2.10 billion, thus indicating an upswing of 863.56 and 1,547.45 per cent respectively. Graphic representation of the amounts involved in reported cases of fraud and forgery are provided in **Appendix II (B)**.

Analysis of the banks' returns showed that computer/web fraud accounted for ₦1.36 billion (56.20 per cent) of the total amount that was lost to fraudulent activities, while fraudulent withdrawals and miscellaneous fraud accounted for ₦465.48 million (19.25 per cent) and ₦346.16 million (14.31 per cent) respectively. **Appendix II (C)** shows the amount that was actually lost to fraud and forgery activities in the first quarter of 2013, while **Appendix II (D)** shows graphical comparison of the amount involved in fraud with the actual amount that was eventually lost to fraud during the period.

### **The Channels, the Instruments and the Personalities involved in perpetrating Fraud**

Further analysis of the banks' returns revealed the various types of channels (Web, ATM, bank branch, mobile, POS, van and agent) and instruments (cash, cheques, cards and slips) used by fraudsters during the period under review. The Web channel was mostly used by fraudsters to perpetrate fraud with ₦3.99 billion (53.01%) of the total amount involved in fraud, and this was closely followed by bank branch with ₦3.05 billion (40.53%) involved in fraud. It is interesting to note that while mobile channel recorded ₦2.14 million (0.03%) as involved in fraud attempt, no amount was eventually lost; however, this might be as a result of relatively low use of the channel by banks' customers.

Analysing by instruments showed that cards were the most common instrument of perpetrating fraud in the review period: for instance, ₦4.10 billion (54.47%) of the amount involved in fraud was attributed to cards while cash recorded ₦2.91 billion (38.67%) and cheques recorded ₦479.02 million (6.36%). Details of the channels and instruments used in perpetrating fraud are presented graphically in **Appendices III - IV**.

During the period, most reported cases of fraud had external involvements: for instance, while outsiders were involved in 1,620 (89.80 per cent) fraud cases, 175 (9.70 per cent) fraud cases were perpetrated by banks' employees alone, and fraudsters colluded with banks' employees in 6 (0.33 per cent) instances during the review period.

The returns also showed that banks' employees whose appointments were terminated as a result of their involvement in fraudulent activities were 42; this figure represents a decrease of 40 per cent from the 70 bank employees who were dismissed on similar grounds in the preceding quarter. This further indicates that banks are becoming more intolerable of unethical and fraudulent conduct amongst their employees. Further details are provided in **Appendices I and II (A)**.

### **Conclusion and Recommendations**

It is very disturbing to observe that most of the parameters used to assess the incidence of fraud and forgery in the banking sector indicated an upward trend during the review period, as against the preceding quarter. For instance, the total

amount that was estimated to be involved and the total amount that was eventually lost to fraudsters rose to ₦7.53 billion and ₦2.42 billion, up from ₦2.46 billion and ₦1.53 billion respectively in the fourth quarter of 2012; these represent considerable increase of 206.10 per cent and 58.17 per cent. Similarly, there was a 6.49 per cent increase in the total number of reported fraud cases in the banking industry to 1,804 from 1,694 that had been reported in the preceding quarter.

Even more alarming is the spike in the amount lost to computer/web fraud (₦1.36 billion out of the total ₦2.42 billion that was lost to fraud by the banking industry. In view of the cash-less policy which is focused on reducing both the volume and value of cash-based transactions in the economy, there is an urgent need for concerted efforts to address the risks and frauds associated with electronic payment options (e.g. computer/web fraud) in order to engender more public trust and, ultimately, the success of the cashlite policy. The amount involved in electronic fraud<sup>5</sup> during the review period was ₦4.10 billion, out of which ₦1.38 billion was lost: these represent 54.50 per cent and 57.20 per cent of the total amount involved in fraud, and amount actually lost in the review period. As the country gravitates towards a cash-less society, fraudsters are likely to also focus on electronic payment channels (and instruments); therefore, a concerted industry-wide effort should be deployed to combat fraud, and the CBN's proposed National Anti-fraud System should be expedited.

The increase in reported cases of fraud and forgery activities in the banking industry is quite worrisome and, therefore, requires focused intervention and closer monitoring by all stakeholders. While banks continue to be uncompromising in upholding zero tolerance for unethical practices among their employees, it is also important for banks to review and upgrade their internal control measures and data security mechanisms in order to preemptively discourage fraudsters from perpetrating fraud on the system.

*Note: Please see the appendices below for summaries of the cases of frauds and forgeries covered in this report, with comparisons drawn between the fourth/first quarters of 2012 and first quarter of 2013 on selected concerns.*

**Notes:**

Note 1: Commercial, merchant and non-interest banks.

Note 2: Volume of fraud and forgery.

Note<sup>3</sup>: Miscellaneous fraud includes unauthorised debits, fraudulent diversions of customers' fund for personal use, fraudulent debit of customers' accounts, fraudulent debit of inter-branch suspense accounts, conversion of dividend warrants, dry postings, diversion of deposits, misappropriation of funds, and cash shortages.

Note 4: Value of fraud and forgery.

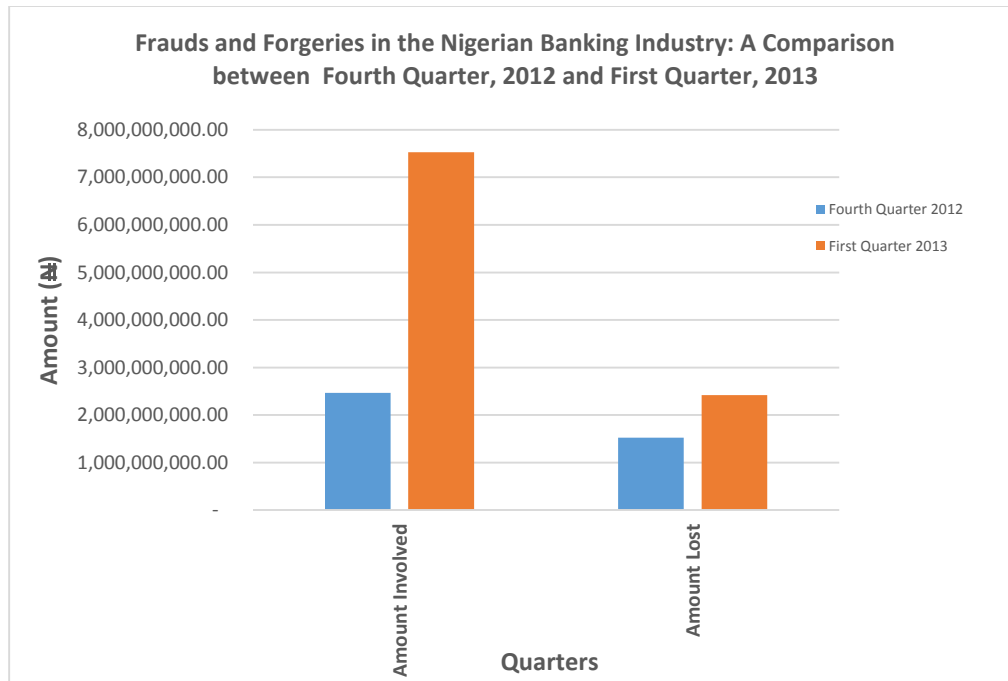
Note 5: Consisting of computer/web fraud, PoS fraud, mobile payment fraud, and ATM fraud.

### Appendix I (A)

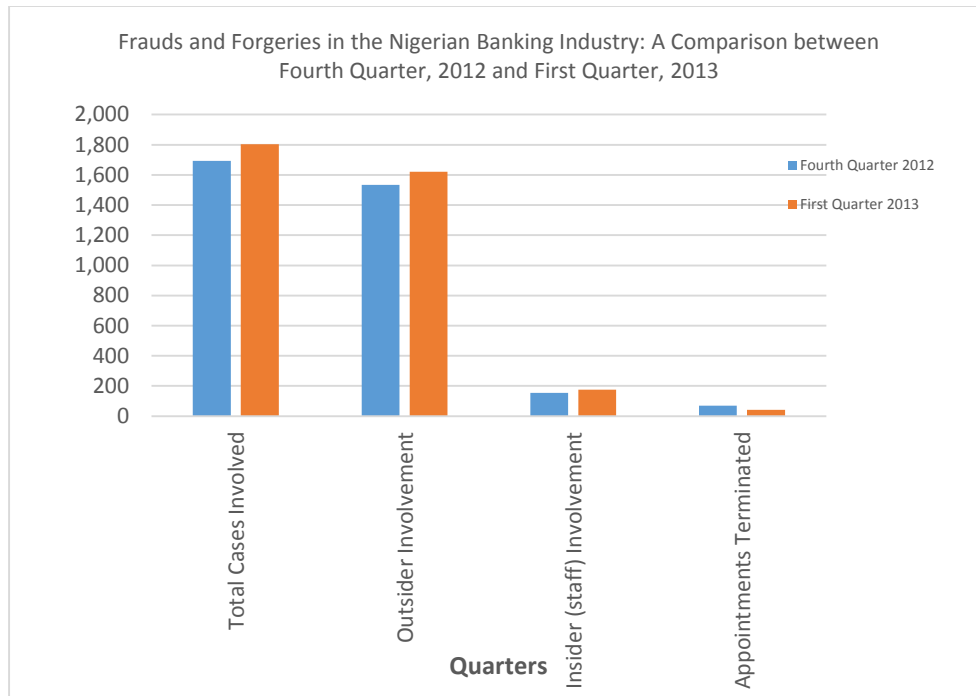
#### Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter, 2012 and First Quarter, 2013

S/N	Variables	Fourth Quarter, 2012	First Quarter, 2013
1	Total Cases Involved	1,694	1,804
2	Total Amount Involved	₦2,464,451,531.79	₦7,527,322,371.59
3	Total Amount Lost	₦1,526,308,216.95	₦2,418,670,025.54
4	Outsider Involvement	1,533	1,620
5	Insider (Staff) Involvement	155	175
6	Appointments Terminated	70	42

### Appendix I (B)



### Appendix I (C)

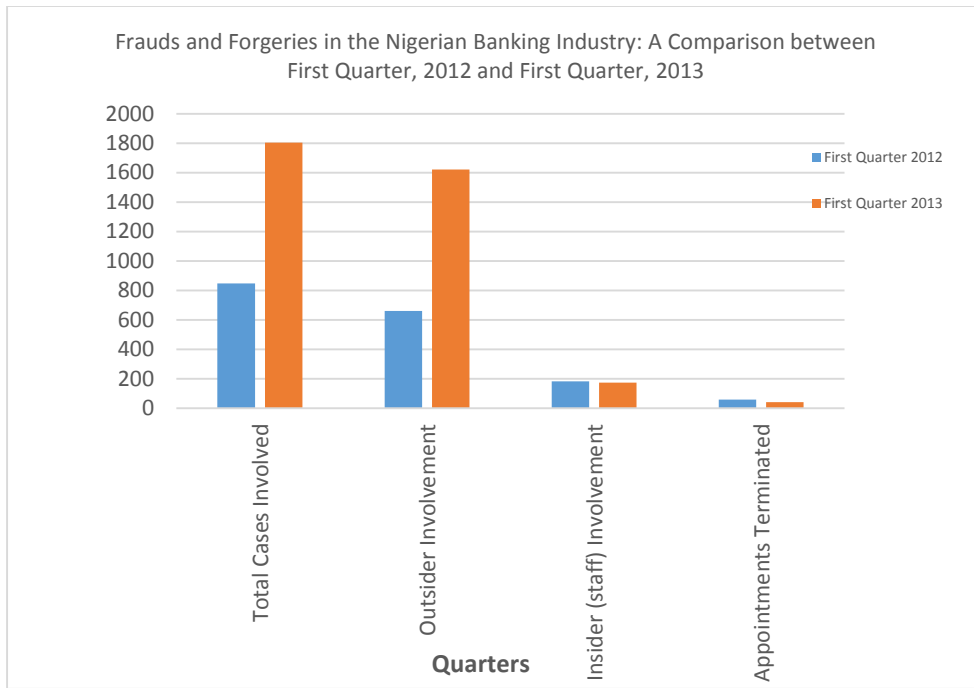


### Appendix I (D)

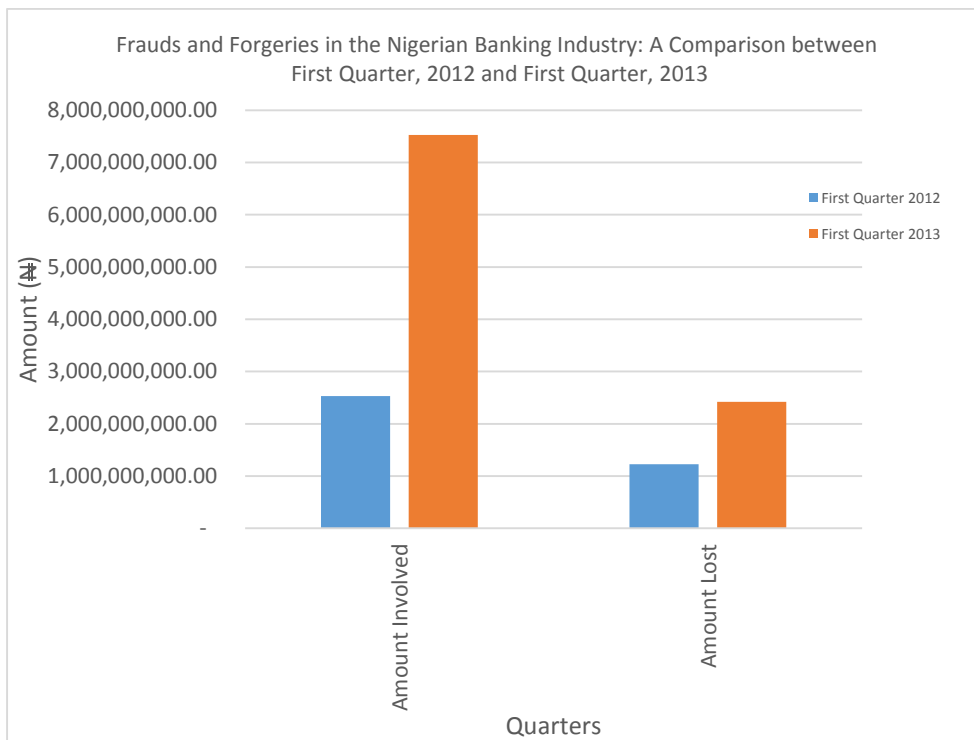
**Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between First Quarter, 2012 and First Quarter, 2013**

S/N	Variables	First Quarter, 2012	First Quarter, 2013
1	Total Cases Involved	847	1,804
2	Total Amount Involved	<del>₦</del> 2,529,326,777.25	<del>₦</del> 7,527,322,371.59
3	Total Amount Lost	<del>₦</del> 1,225,426,399.07	<del>₦</del> 2,418,670,025.54
4	Outsider Involvement	661	1,620
5	Insider (Staff) Involvement	183	175
6	Appointments Terminated	59	42

### Appendix I (E)



### Appendix I (F)



**Appendix II (A): Frauds and Forgeries in the Nigerian Banking Industry (First Quarter, 2013)**

<b>Types of Fraud</b>	<b>Total Number Of Cases Reported</b>	<b>Involving Bank Staff Only</b>	<b>Involving Outside Persons Only</b>	<b>Collusion</b>	<b>Not Specified</b>	<b>Amount Involved(₦)</b>	<b>Actual /Expected Loss (₦)</b>	<b>Expected Loss/ Amount Involved (%)</b>
<b>Teller Fraud</b>	7 (0.39)	7 (4.00)	0 (0)	0 (0)	0 (0)	7,675,401 (0.10)	2,948,378.69 (0.12)	38.4
<b>Falsification of Account: current/cheque, savings/deposit, suspense account</b>	2 (0.11)	2 (1.14)	0 (0)	0 (0)	0 (0)	410,000 (0.01)	0 (0)	0.0
<b>Forged Cheques with Forged Signature</b>	55 (3.05)	4 (2.29)	51 (3.15)	0 (0)	0 (0)	286,168,673.50 (3.80)	11,818,123.38 (0.49)	4.1
<b>Printing of Bank Document</b>	1 (0.06)	1 (0.57)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
<b>Clearing Fraud</b>	7 (0.39)	1 (0.57)	6 (0.37)	0 (0)	0 (0)	192,746,392.68 (2.56)	125,260.00 (0.01)	0.1
<b>Computer/Web Fraud</b>	221 (12.25)	19 (10.86)	201 (12.41)	1 (16.67)	0 (0)	3,990,197,718.21 (53.01)	1,359,252,172.98 (56.20)	34.1
<b>Foreign Exchange Fraud</b>	13 (0.72)	1 (0.57)	12 (0.74)	0 (0)	0 (0)	49,728,001.11 (0.66)	160,708.07 (0.01)	0.3
<b>Theft of Cash</b>	25 (1.39)	15 (8.57)	8 (0.49)	0 (0)	2 (66.67)	109,213,237.40 (1.45)	80,958,204.40 (3.35)	74.1
<b>Suppression of Entries: Cash/Cheques</b>	59 (3.27)	52 (29.71)	7 (0.43)	0 (0)	0 (0)	87,115,038.72 (1.16)	60,105,216.40 (2.49)	69.0

**Note: All figures in parenthesis ( ) indicate percentages**



Appendix II (A): Frauds and Forgeries in the Nigerian Banking Industry (First Quarter, 2013), continuation

Types of Fraud	Total Number Of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved(₦)	Actual/Expected Loss (₦)	Expected Loss/ Amount Involved (%)
Opening and Operating Fraudulent Loans and Accounts	6 (0.33)	3 (1.71)	3 (0.19)	0 (0)	0 (0)	15,805,276.25 (0.21)	0 (0)	0
Over-invoicing of Service to the Bank	1 (0.06)	1 (0.57)	0 (0)	0 (0)	0 (0)	172,500 (0)	0 (0)	0
Robberies (Armed)	8 (0.44)	0 (0)	8 (0.49)	0 (0)	0 (0)	67,516,384 (0.90)	67,516,384 (2.79)	100
Miscellaneous and Other Types of Fraud <sup>i</sup>	109 (6.04)	28 (16.00)	78 (4.81)	2 (33.33)	1 (33.33)	507,611,792.48 (6.74)	346,162,954.12 (14.31)	68.2
Fraudulent Withdrawals	158 (8.76)	40 (22.86)	115 (7.10)	3 (50.00)	0 (0)	2,101,033,681.05 (27.91)	465,477,363.11 (19.25)	22.2
ATM Withdrawals <sup>ii</sup>	1,132 (62.75)	1 (0.57)	1,131 (69.81)	0 (0)	0 (0)	111,928,275.19 (1.49)	24,145,260.39 (1)	21.6
<b>Total</b>	<b>1,804</b>	<b>175</b>	<b>1,620</b>	<b>6</b>	<b>3</b>	<b>7,527,322,371.59</b>	<b>2,418,670,025.54</b>	<b>32.13</b>

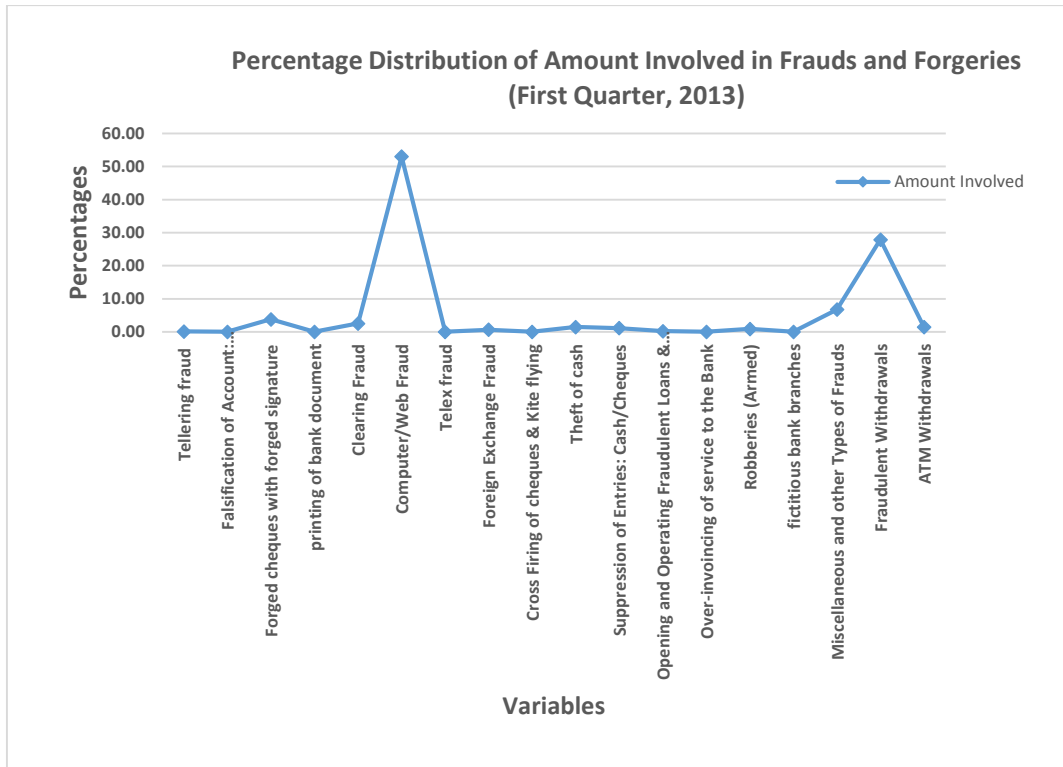
Notes

All figures in parenthesis ( ) indicate percentages

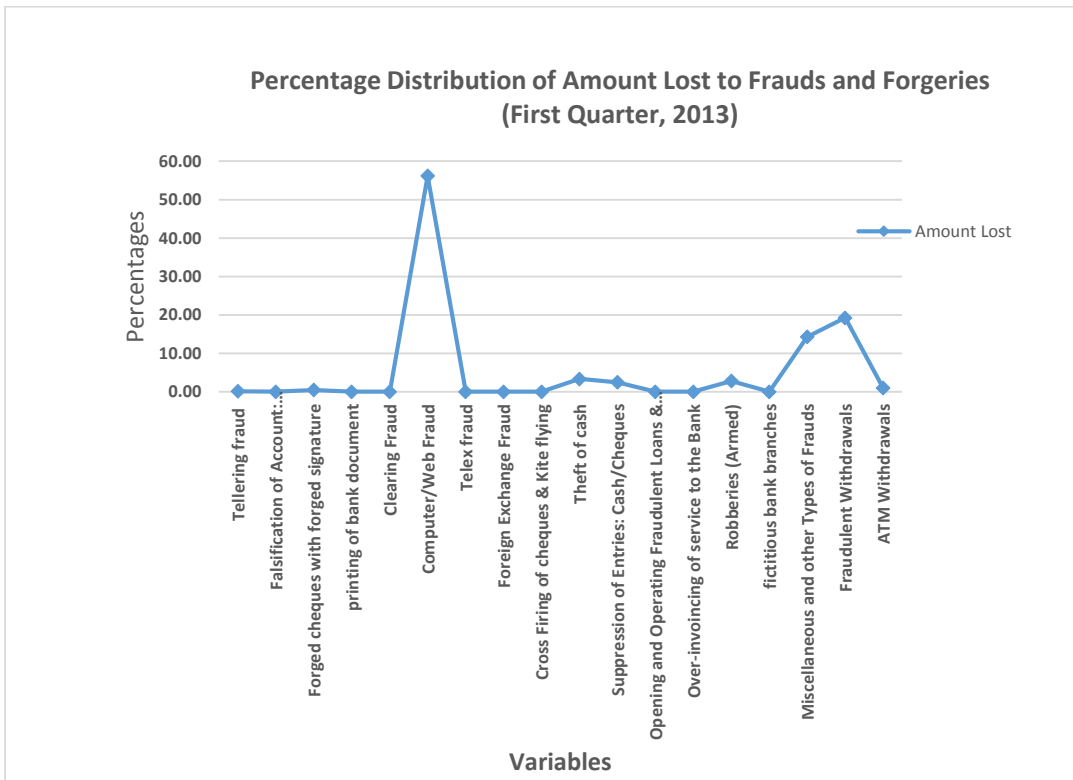
Note <sup>i</sup>: The indicated figures for Miscellaneous fraud were amended to exclude the figures for PoS and mobile payment frauds which had previously been included as part of Miscellaneous fraud

Note <sup>ii</sup>: The indicated figures for ATM fraud were amended to include the figures for PoS and mobile payment frauds which had previously been excluded

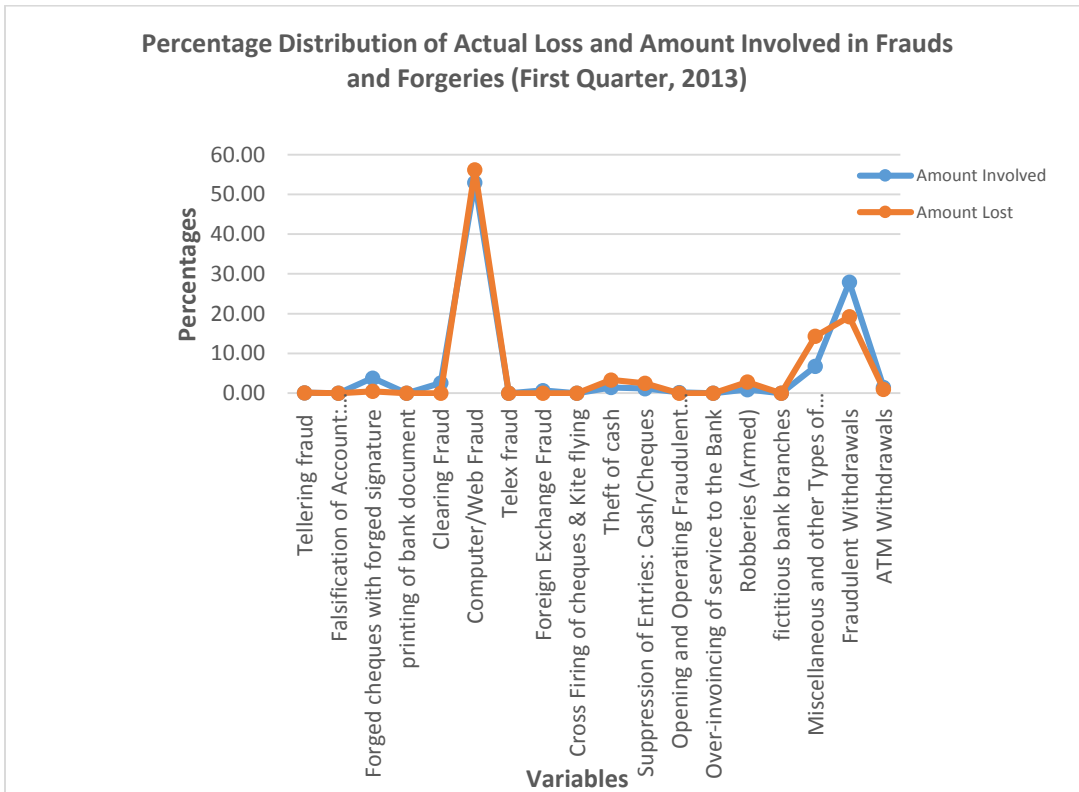
## Appendix II (B)



## Appendix II (C)



### Appendix II (D)

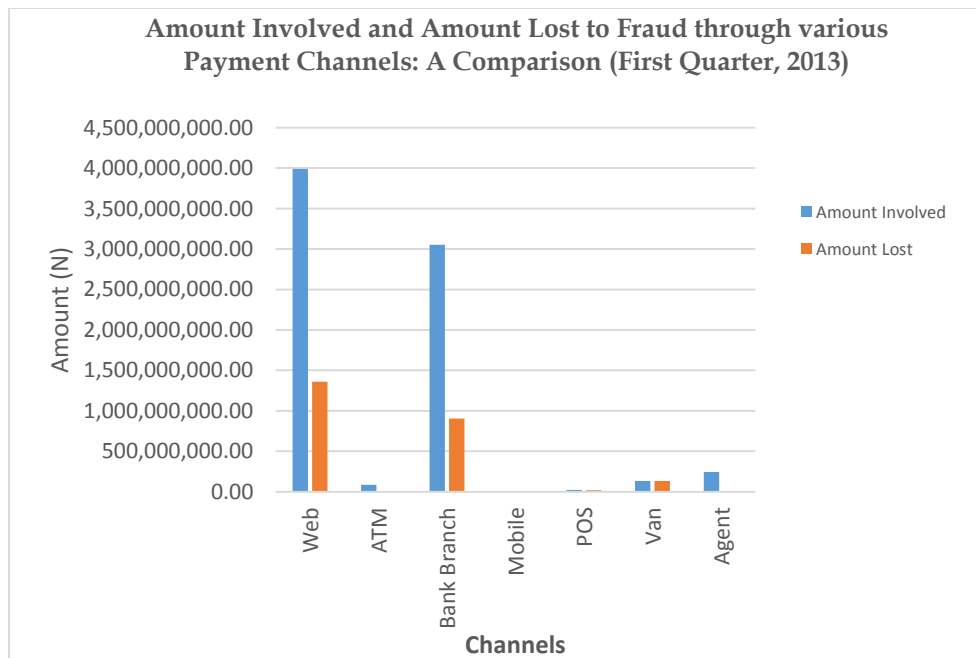


### Appendix III (A)

#### Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison (First Quarter, 2013)

S/N	Channels	Cases	Amount Involved (₦)	Amount Lost (₦)
1	Web	221	3,990,197,718.21	1,359,252,172.98
2	ATM	1,108	87,598,838.19	6,357,667.70
3	Bank Branch	425	3,050,730,184.40	902,994,824.10
4	Mobile	2	2,135,800.00	0.00
5	POS	22	22,193,637.00	17,787,592.69
6	Van	6	131,991,800	131,991,800.00
7	Agent	20	242,474,393.79	285,968.07
	<b>Total</b>	<b>1,804</b>	<b>7,527,322,371.59</b>	<b>2,418,670,025.54</b>

### Appendix III (B)

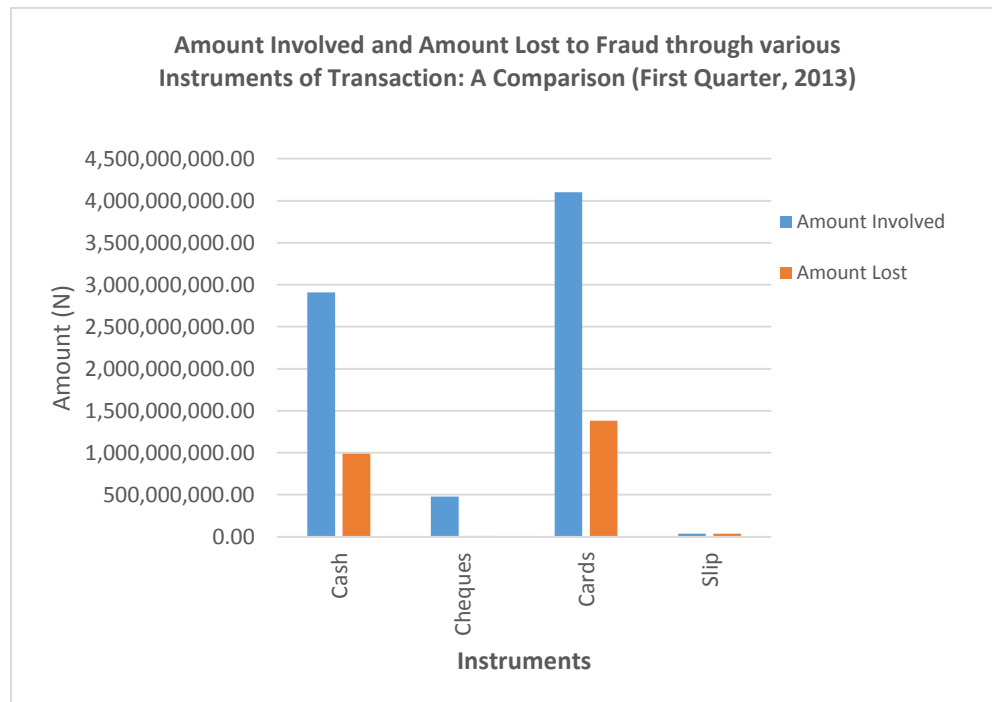


## Appendix IV (A)

### Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison (First Quarter, 2013)

S/N	Instruments	Cases	Amount Involved (₦)	Amount Lost (₦)
1	Cash	385	2,910,824,622.01	987,671,718.79
2	Cheques	63	479,020,066.18	12,048,383.38
3	Cards	1,351	4,099,990,193.40	1,383,397,433.37
4	Slips	5	37,487,490.00	35,552,490.00
	<b>Total</b>	<b>1,804</b>	<b>7,527,322,371.59</b>	<b>2,418,670,025.54</b>

## Appendix IV (B)





# **Report on Frauds and Forgeries in Banks**

**April - June, 2013**

## **Report on Frauds and Forgeries in the Nigerian Banking Industry for the Period April - June, 2013**

### **Overview**

In the second quarter of 2013, FITC received 63 returns from 22 deposit money banks<sup>1</sup> on incidence of fraud and forgery in their respective institutions. Of these returns, 22 were received for the month of April, 21 were received for May, and 20 returns were received for June.

### **Volume and Value of Fraud Cases**

Analysis of the returns showed that a total of 2,176 cases<sup>2</sup> of fraud and forgery were reported in the banking industry during the period under review, compared to 1,804 cases reported in the preceding period (January - March, 2013), thus representing an increase of 20.62 per cent between the periods. The types of fraud that were predominant during the review period include: miscellaneous<sup>3</sup> (and other types of fraud), computer/web fraud, fraudulent automated teller machines (ATM) withdrawals, suppression of entries, fraudulent withdrawals, and forged cheques with forged signature, amongst others. **Appendices I and II** contain details of the fraud incidence that occurred in the banking sector with graphical illustrations.

During the review period, the total amount<sup>4</sup> of money involved in reported cases of fraud increased to ₦8.58 billion from ₦7.53 billion recorded in the preceding quarter, indicating an upswing of 13.95 per cent. Of the total amount of ₦8.58 billion that was estimated to be involved in fraud, ₦917.77 million (10.70 per cent) was actually lost to fraud by the banking industry; the difference of ₦7.66 billion (89.30 per cent) must have been recouped either through internal procedural checks, implementation of stringent control measures, internal investigation processes, as well as the intervention of the law enforcement and anti-graft agencies.

Rating the fraud types according to their values, **Appendix II (A)** indicates that miscellaneous (and other types of) fraud ranked first at ₦6.88 billion (80.24 per cent) of the total amount involved in fraud and forgery during the review period; while computer/web fraud ranked second, accounting for ₦691.12 million (8.06 per cent); ATM withdrawals ranked third at ₦408.87 million (4.77 per cent) of the total amount involved in fraud and forgery. Further analysis shows that miscellaneous (and other types of) fraud rose significantly to ₦6.88 billion from ₦531.94 million in the previous quarter, thus indicating a sharp increase of 1,255.82 per cent. In a similar vein, suppression of entries and fraudulent ATM withdrawals increased to ₦231.11 million and ₦408.87 million from ₦87.12

million and ₦111.93 million respectively, indicating an upsurge of 165.30 per cent and 265.30 per cent. However, there was a 90 per cent plunge in fraudulent withdrawals from ₦2.10 billion that was recorded in the preceding quarter, to ₦179.32 million in the period under review. Also, forged cheques and computer/web fraud decreased to ₦101.90 million (from ₦286.17 million) and ₦691.12 million (from ₦3.99 billion), thus representing a fall of 64.39 per cent and 82.68 per cent respectively. **Appendix II (B)** provides a graphic illustration of the amount involved in the reported cases of frauds and forgeries.

Data provided revealed that miscellaneous (and other types of) fraud accounted for ₦430.23 million (46.88 per cent) of the total amount that was lost to fraudulent activities, while computer/web fraud and suppression of entries accounted for ₦176.43 million (19.22 per cent) and ₦151.53 million (16.51 per cent) respectively. **Appendix II (C)** graphically shows the amount that was actually lost to fraud and forgery activities in the second quarter of 2013, while **Appendix II (D)** shows graphical comparison of the amount involved in fraud with the actual amount that was eventually lost to fraud during the period.

### **The Channels, the Instruments and the Personalities involved in perpetrating Fraud**

Further analysis of the banks' returns revealed the various types of channels (Web, ATM, bank branch, mobile, POS, van and agent) and instruments (cash, cheques, cards and slips) used by fraudsters during the period under review. The channel that was mostly used by fraudsters to perpetrate their nefarious activities was banks' branches, which increased to ₦7.40 billion from ₦3.05 billion in the preceding quarter, indicating an increase of 142.41 per cent. This was followed by the Web at ₦691.12 million; however, this was a decrease from ₦3.99 billion recorded in the previous quarter, thus representing a significant decrease of 82.68 per cent.

Analysing by instruments showed that cash was the most common instrument of perpetrating fraud during the review period. Comparing with the previous quarter, cash increased to ₦7.29 billion from ₦2.91 billion (representing a surge of 150.43 per cent) while cards decreased to ₦1.09 billion from ₦4.10 billion (representing a significant drop of 73.35 per cent). Further details of the channels and instruments used in perpetrating fraud are graphically presented in **Appendices III - IV**.

During the period, most reported cases of fraud had external involvements: for instance, while outsiders were involved in 2,006 (92.19%) cases of fraud, while 170 (7.81) cases were perpetrated by banks' employees alone during the review period.

The returns also revealed that 32 bank employees' appointments were terminated as a result of their involvement in fraudulent activities. This figure represents a decrease of 23.81 per cent from the 42 employees that were dismissed on similar grounds in the preceding quarter. This signifies banks' efforts at controlling and



possibly eradicating the incident of fraud among their employees. Further details are provided in **Appendices I and II (A)**.

### **Conclusion and Recommendations**

It was observed that during the review period some of the parameters used to assess the incidence of fraud and forgery in the banking sector continued to indicate an upward trend like they did in the previous quarter, and this is very worrisome. For instance, the total amount that was estimated to be involved in fraud rose to ~~₦~~8.58 billion from ~~₦~~7.53 billion in the first quarter, thus representing a considerable increase of 13.95 per cent. Similarly, the total number of reported fraud cases in the banking industry increased to 2,176 from 1,804 that was reported in the preceding quarter, representing an increase of 20.62 per cent. Also miscellaneous (and other types of) fraud which recorded ~~₦~~6.89 billion (80.38%) out of the total ~~₦~~8.58 billion that was involved in fraud during the period; it also recorded ~~₦~~431.78 million (47.05%) out of the ~~₦~~917.77 million that was lost to fraud in the banking industry.

However, it is commendable that the amount involved in electronic fraud<sup>5</sup> dropped to ~~₦~~1.10 billion (from ~~₦~~4.10 billion in the previous period), out of which ~~₦~~180.31 million (from ~~₦~~1.38 billion in the previous period) was lost: these represent 12.82 per cent and 19.65 per cent of the total amount involved in fraud, and the amount that was actually lost to fraud by the entire system during the review period respectively. It is particularly heartening to note that out of the total ~~₦~~8.58 billion that was reported to be involved in fraud, only ~~₦~~917.77 million (10.70%) was actually lost to fraudsters during the review period. This improvement was a result of enhanced preventive measures and controls, investigation procedures and recovery drives as well as closer collaboration between operators and regulators – and this, perhaps, is the most important factor of all. It is hoped that banks will continue to collaborate amongst themselves and other stakeholders to continually combat fraud and make it very unattractive to fraudsters.

*(Please see the appendices below for summaries of the cases of frauds and forgeries covered in this report, with comparisons drawn between the second quarter of 2012, first quarter and second quarter of 2013 on selected concerns.)*

#### **Notes:**

Note 1: Commercial, merchant and non-interest banks.

Note 2: Volume of fraud and forgery.

Note 3: Miscellaneous fraud include unauthorised debit, fraudulent diversions of customers' fund for personal use, fraudulent debit of customers' accounts, fraudulent debit of inter-branch suspense accounts, conversion of dividend warrants, dry postings, diversion of deposits, misappropriation of funds, and cash shortages.

Note 4: Value of fraud and forgery.

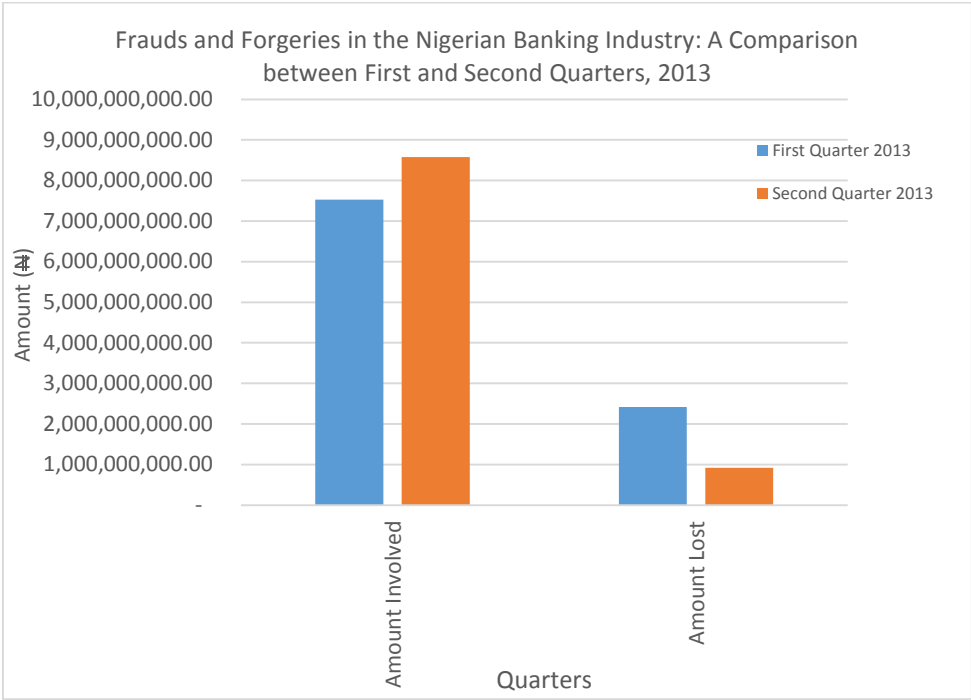
Note 5: Consisting of computer/web fraud, PoS fraud, mobile payment fraud, and ATM fraud.

### Appendix I (A)

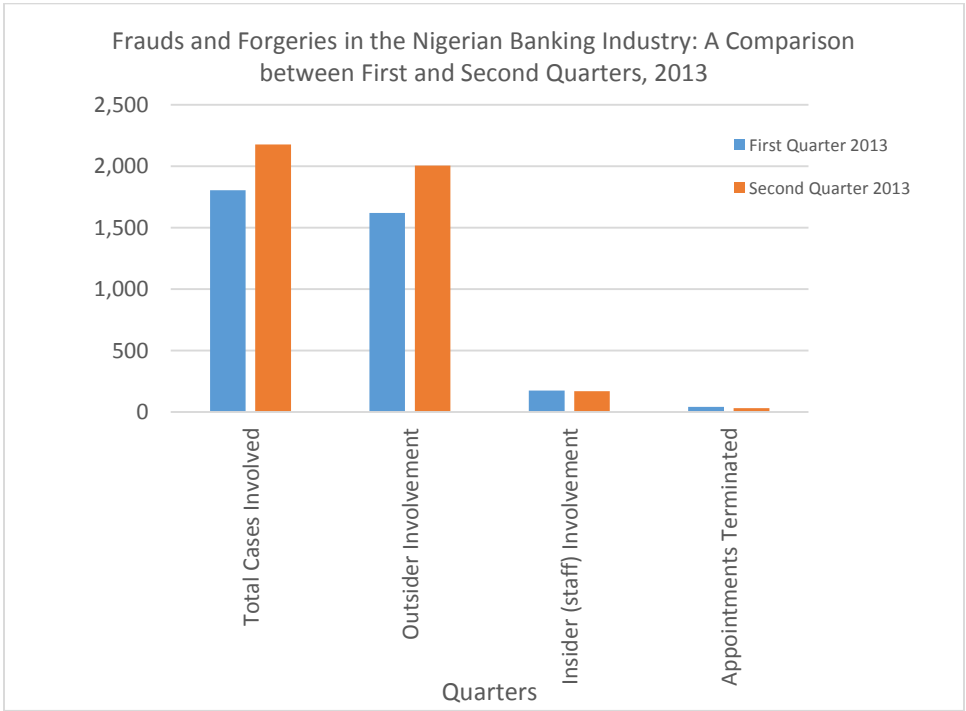
#### Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between First and Second Quarters, 2013

S/N	Variables	First Quarter, 2013	Second Quarter, 2013
1	Total Cases reported	1,804	2,176
2	Total Amount Involved	₦7,527,322,371.59	₦8,577,641,174.38
3	Total Amount Lost	₦2,418,670,025.54	₦917,773,724.87
4	Outsider Involvement	1,620	2,006
5	Insider (Staff) Involvement	175	170
6	Appointments Terminated	42	32

### Appendix I (B)



**Appendix I (C)**

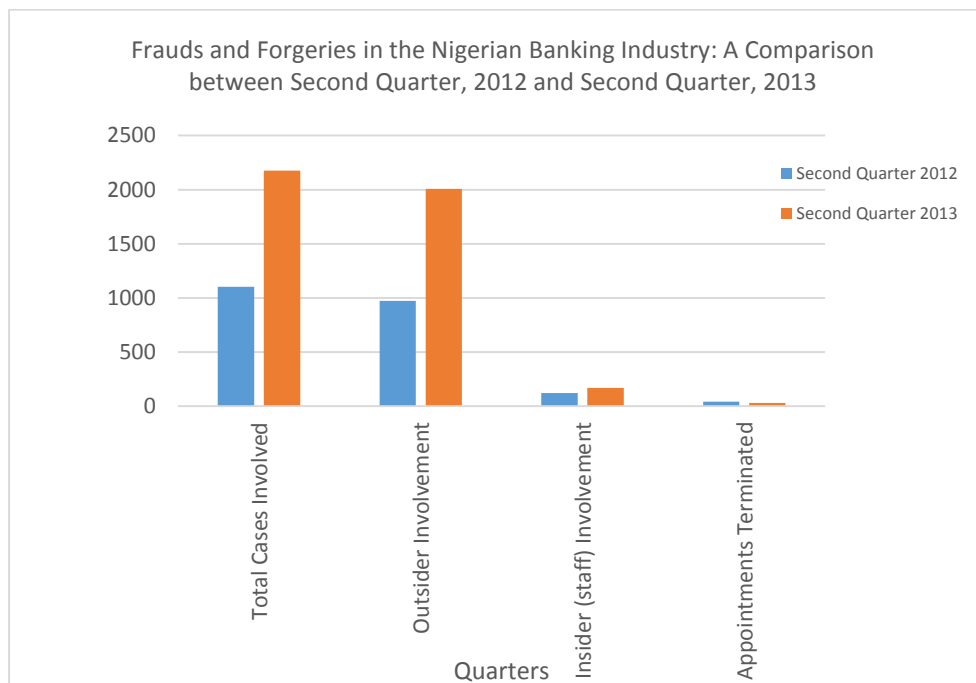


**Appendix I (D)**

**Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second Quarter, 2012 and Second Quarter, 2013**

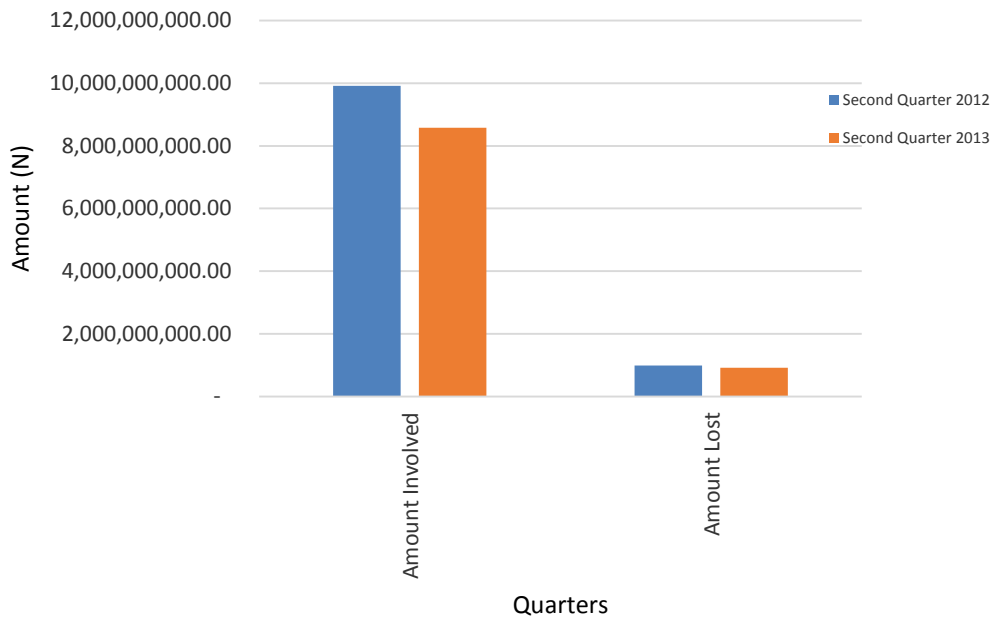
S/N	Variables	Second Quarter, 2012	Second Quarter, 2013
1	Total Cases Involved	1,103	2,176
2	Total Amount Involved	₦9,920,198,383.20	₦8,577,641,174.38
3	Total Amount Lost	₦992,631,884.18	₦917,773,724.87
4	Outsider Involvement	973	2,006
5	Insider (Staff) Involvement	122	170
6	Appointments Terminated	41	32

**Appendix I (E)**



**Appendix I (F)**

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second Quarter, 2012 and Second Quarter, 2013



**Appendix II (A): Frauds and Forgeries in the Nigerian Banking Industry (Second Quarter, 2013)**

<b>Types of Fraud</b>	<b>Total Number of Cases Reported</b>	<b>Involving Bank Staff Only</b>	<b>Involving Outside Persons Only</b>	<b>Collusion</b>	<b>Not Specified</b>	<b>Amount Involved (₦)</b>	<b>Actual /Expected Loss (₦)</b>	<b>Expected Loss/ Amount Involved (%)</b>
<b>Tellering Fraud</b>	6 (0.28)	6 (3.53)	0 (0)	0 (0)	0 (0)	436,535.00 (0.01)	202,135.00 (0.02)	46.3
<b>Falsification Of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts</b>	2 (0.09)	1 (0.59)	1 (0.05)	0 (0)	0 (0)	8,313,843.00 (0.10)	1,657,843.00 (0.18)	19.9
<b>Forged Cheques with Forged Signature</b>	71 (3.26)	4 (2.35)	67 (3.35)	0 (0)	0 (0)	101,898,894.02 (1.19)	30,403,000.00 (3.31)	29.8
<b>Printing Of Bank Document Illegally</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
<b>Clearing Fraud</b>	13 (0.60)	0 (0)	13 (0.65)	0 (0)	0 (0)	16,474,554.28 (0.19)	2,562,858.92 (0.28)	15.6
<b>Computer/Web Fraud</b>	224 (10.29)	12 (7.06)	212 (10.57)	0 (0)	0 (0)	691,122,754.41 (8.06)	176,425,351.89 (19.22)	25.5
<b>Telex Fraud</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
<b>Foreign Exchange Fraud</b>	3 (0.14)	0 (0)	3 (0.15)	0 (0)	0 (0)	73,585.00 (0)	0 (0)	0
<b>Cross Firing Of Cheques and Kite Flying</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0

Note: All figures in parenthesis ( ) indicate percentages

Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry (Second Quarter, 2013)

Types of Fraud	Total Number of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (₦)	Actual /Expected Loss (₦)	Expected Loss/Amount Involved (%)
Theft of Cash	14 (0.64)	10 (5.88)	4 (0.20)	0 (0)	0 (0)	28,880,580.00 (0.34)	6,466,630.00 (0.70)	22.4
Suppression of Entries: Cash/Cheques	86 (3.95)	83 (48.82)	3 (0.15)	0 (0)	0 (0)	231,112,416.30 (2.69)	151,532,554.36 (16.51)	65.6
Opening and Operating Fraudulent Loans and Accounts	38 (1.75)	0 (0)	38 (1.89)	0 (0)	0 (0)	21,386,114.55 (0.25)	931,500.00 (0.10)	4.4
Over-Invoicing of Service to the Bank	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Robberies (Armed)	5 (0.23)	0 (0)	5 (0.25)	0 (0)	0 (0)	7,434,640.00 (0.09)	7,434,640.00 (0.81)	100
Fictitious Bank Branches	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Miscellaneous and Other Types of Fraud <sup>i</sup>	96 (4.41)	29 (17.06)	67 (3.29)	0 (0)	0 (0)	6,882,317,747.88 (80.24)	430,225,618.29 (46.88)	6.3
Fraudulent Withdrawals	103 (4.73)	25 (14.71)	99 (3.89)	0 (0)	0 (0)	179,316,162.54 (2.09)	106,051,489.65 (11.56)	59.1
ATM Withdrawals <sup>ii</sup>	1,515 (69.62)	0 (0)	1,515 (75.56)	0 (0)	0 (0)	408,873,347.40 (4.77)	3,880,103.76 (0.42)	0.9
<b>Total</b>	<b>2,176</b>	<b>170</b>	<b>2,006</b>	<b>0</b>	<b>0</b>	<b>8,577,641,174.38</b>	<b>917,773,724.87</b>	

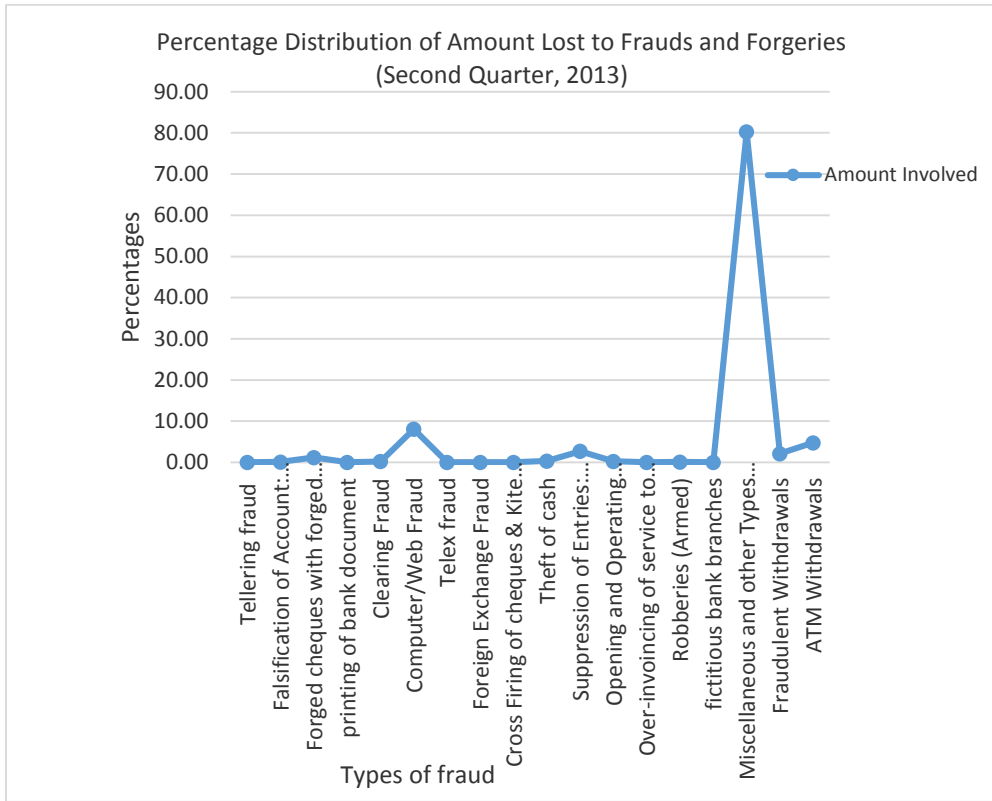
Notes

All figures in parenthesis ( ) indicate percentages

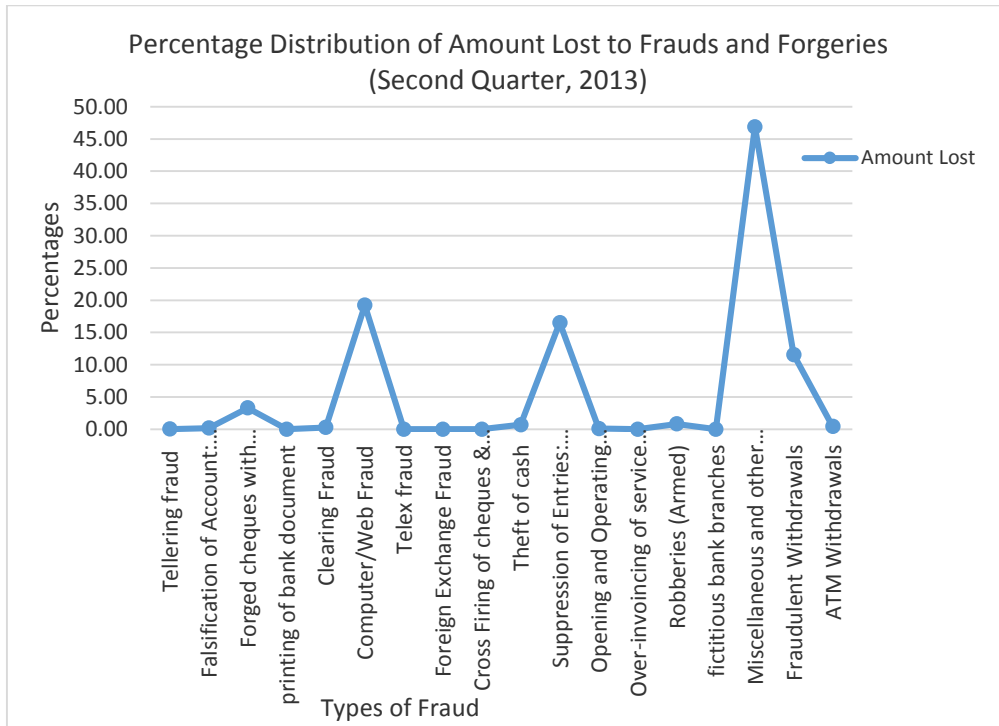
Note <sup>i</sup>: The indicated figures for miscellaneous fraud were amended to exclude the figures for PoS and mobile payment frauds which had previously been included as part of Miscellaneous fraud

Note <sup>ii</sup>: The indicated figures for ATM fraud were amended to include the figures for PoS and mobile payment frauds which had previously been excluded

### Appendix II (B)

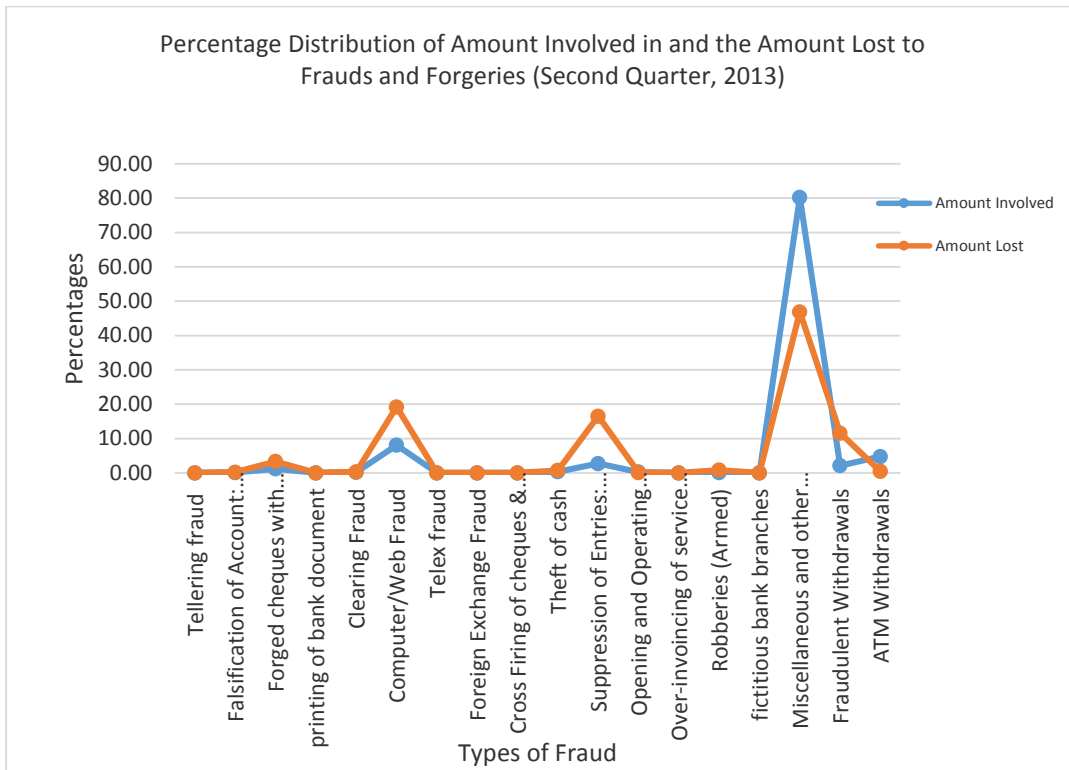


### Appendix II (C)





## Appendix II (D)



## Appendix III (A)

### Fraud and Forgeries through various Payment Channels: A Comparison between First and Second Quarters, 2013

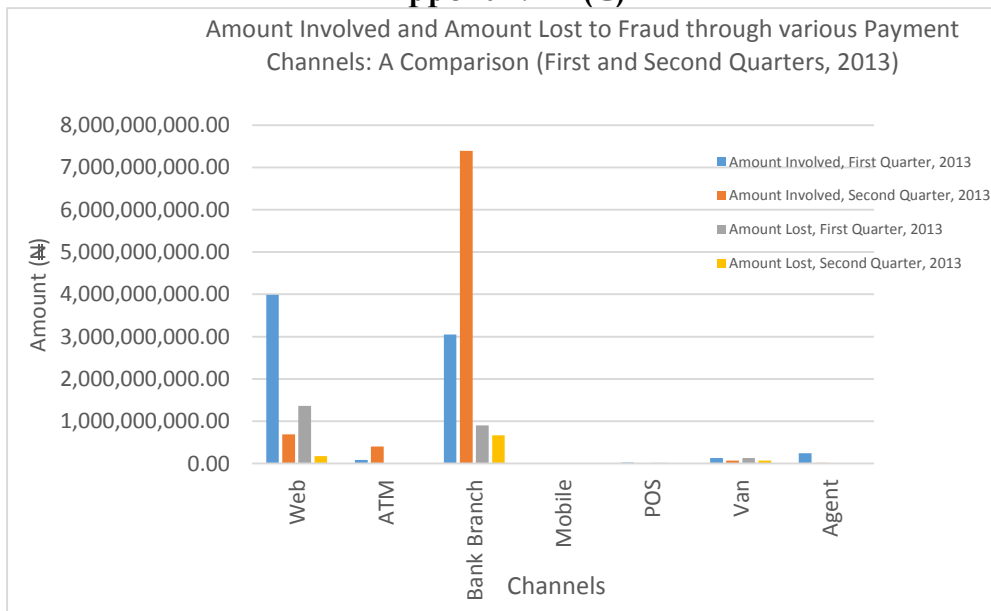
S/N	Channels	Cases: First Quarter, 2013	Cases: Second Quarter, 2013
1	Web	221	224
2	ATM	1,108	1,484
3	Bank Branch	425	419
4	Mobile	2	1
5	POS	22	31
6	Van	6	1
7	Agent	20	16
	<b>Total</b>	<b>1,804</b>	<b>2,176</b>

### Appendix III (B)

#### Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison (First and Second Quarters, 2013)

S/N	Channel	Amount Involved, First Quarter, 2013 (₦)	Amount Involved, Second Quarter, 2013 (₦)	Amount Lost, First Quarter, 2013 (₦)	Amount Lost, Second Quarter, 2013 (₦)
1	Web	3,990,197,718.21	691,122,754.41	1,359,252,172.98	176,425,351.89
2	ATM	87,598,838.19	399,571,484.43	6,357,667.70	2,323,887.79
3	Bank Branch	3,050,730,184.40	7,395,101,033.29	902,994,824.10	668,909,510.30
4	Mobile	2,135,800.00	5,050,000.00	0.00	0.00
5	POS	22,193,637.00	4,251,862.97	17,787,592.69	1,556,215.97
6	Van	131,991,800.00	65,995,900.00	131,991,800.00	65,995,900.00
7	Agent	242,474,393.79	16,548,139.28	285,968.07	2,562,858.92
	<b>Total</b>	<b>7,527,322,371.59</b>	<b>8,577,641,174.38</b>	<b>2,418,670,025.54</b>	<b>917,773,724.87</b>

### Appendix III (C)



### Appendix IV (A)

#### Frauds and Forgeries through various Instruments: A Comparison between First and Second Quarters, 2013

S/N	Instruments	Cases: First Quarter, 2013	Cases: Second Quarter, 2013
1	Cash	385	340
2	Cheques	63	86
3	Cards	1,351	1,742
4	Slips	5	8
	<b>Total</b>	<b>1,804</b>	<b>2,176</b>

### Appendix IV (B)

#### Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison (First and Second Quarters, 2013)

S/N	Instruments	Amount Involved, First Quarter, 2013 (₦)	Amount Involved, Second Quarter, 2013 (₦)	Amount Lost, First Quarter, 2013 (₦)	Amount Lost, Second Quarter, 2013 (₦)
1	Cash	2,910,824,622.01	7,289,692,182.42	987,671,718.79	629,847,408.44
2	Cheques	479,020,066.18	182,563,373.21	12,048,383.38	95,557,383.83
3	Cards	4,099,990,193.40	1,092,491,798.75	1,383,397,433.37	180,651,762.60
4	Slips	37,487,490.00	12,893,820.00	35,552,490.00	11,717,170.00
	<b>Total</b>	<b>7,527,322,371.59</b>	<b>8,577,641,174.38</b>	<b>2,418,670,025.54</b>	<b>917,773,724.87</b>

### Appendix IV (C)





# **Report on Frauds and Forgeries in Banks**

**July - September, 2013**

# Report on Frauds and Forgeries in the Nigerian Banking Industry for the Period July - September, 2013

## Overview

In the third quarter of 2013, FITC received 56 returns from 22 deposit money banks<sup>1</sup> on incidence of fraud and forgery that occurred in their respective institutions. Of these returns, 19 were received for the month of July, 18 were received for August, and 19 returns were received for September.

## Volume and Value of Fraud Cases

Analysis of the returns showed that a total of 2,197 cases<sup>2</sup> (volume) of frauds and forgeries were reported in the banking industry during the period (July - September, 2013), compared to 2,176 cases reported in the preceding quarter (April - June, 2013), representing a marginal increase of 0.97 per cent. The types of fraud that were predominant during the review period include: fraudulent ATM withdrawals, miscellaneous<sup>3</sup> (and other types of fraud), computer/web fraud, fraudulent withdrawals, forged cheques with forged signatures, suppression of entries as well as opening and operating fraudulent accounts. **Appendices I and II** contain details of the fraud incidence that occurred during the review period with graphical illustrations.

During the period, the total amount<sup>4</sup> of money involved in reported cases of fraud jerked up to ₦11.61 billion from ₦8.58 billion in the previous quarter, indicating a significant 35.35 per cent increase. Of the total amount (₦11.61 billion) involved in fraud, ₦794.80 million (6.85 per cent) was actually lost to fraud by the banking industry; the difference of ₦10.82 billion (93.15 per cent of the total amount involved in fraud) was recovered through a combination of internal procedural checks, implementation of stringent control measures and internal investigation processes, as well as intervention of the law enforcement and anti-graft agencies.

Rating the fraud types according to their value, **Appendix II (A)** shows that miscellaneous (and other types of) fraud ranked first at ₦8.95 billion (77.12 per cent), while computer/web fraud ranked second with ₦2.02 billion (17.44 per cent) of the total amount involved in fraud and forgery during the review period. Further analysis shows that fraudulent withdrawals ranked third at ₦247.04 million (2.13 per cent), while fraudulent ATM withdrawals and suppression of entries ranked fourth and fifth at ₦148.26 million (1.28 per cent) and ₦90.89 million (0.78 per cent) respectively. **Appendix II (B)** provides a graphic illustration of the amount involved in the reported cases of frauds and forgeries in the review period.

Further analysis of the returns revealed that miscellaneous (and other types of) fraud accounted for ₦278.20 million (35.00 per cent) of the total amount that was lost to fraudulent activities, while fraudulent withdrawals and computer/web

fraud accounted for ₦201.00 million (25.29 per cent) and ₦170.79 million (21.49 per cent) respectively. **Appendix II (C)** shows the amount that was actually lost to fraud and forgery activities in the third quarter of 2013, while **Appendix II (D)** shows graphical comparison of the amount involved in fraud and the amount actually lost to fraud during the period.

### **The Channels, the Instruments and the Personalities involved in perpetrating Fraud**

Analysis of the banks' returns showed the various types of channels (Web, ATM, bank branch, mobile, POS, van and agent) and instruments (cash, cheques, cards and slips) used by fraudsters during the period under review. Analysing by the amount involved, the channel that was mostly used to perpetrate fraud was banks' branches, which increased by 27.52 per cent to ₦9.43 billion from ₦7.40 billion in the preceding quarter. Following this is the Web, which increased to ₦2.02 billion from ₦691.12 million in the previous quarter, thus representing a sharp increase of 192.96 per cent.

Analysis by the amount involved revealed that the instrument that was mostly used to perpetrate fraud was cash: when compared to the previous quarter, incidence of fraud through cash increased to ₦9.30 billion from ₦7.29 billion, representing an increase of 27.58 per cent. Card fraud increased to ₦2.19 billion from ₦1.09 billion recorded in the previous period, representing a sharp increase of 100.36 per cent. Details of the channels and instruments used in perpetrating fraud are presented graphically in **Appendices III - IV**.

The returns also revealed that 26 bank employees' appointments were terminated as a result of their involvement in fraudulent activities. This figure represents a decrease of 18.75 per cent from the 32 bank employees whose appointments were terminated on similar grounds in the preceding quarter. This indicates banks' commitment to eradicating the incidence of fraud among their employees.

### **Conclusion and Recommendations**

The result of the analyses of banks' returns on fraud during the third quarter of 2013 were mixed: while some of the indices indicated an upward trend, others indicated a downward trend. For instance, the total amount that was estimated to be involved in fraud rose to ₦11.61 billion, up from ₦8.58 billion in the second quarter, this represents a considerable increase of 35.35 per cent. In the same vein, the total number of reported fraud cases in the banking industry increased (though marginally) by 0.97 per cent, to 2,197 from 2,176 that was reported in the preceding quarter. However, the amount lost to fraud decreased by 13.40 per cent to ₦794.81 million from ₦917.77 million in the previous quarter.

Moreover the amount involved in electronic fraud<sup>5</sup> increased by 97.54 per cent to ₦2.17 billion from ₦1.10 billion in the previous quarter. Similarly, the actual amount that was lost to electronic fraud increased by 15.53 per cent to ₦208.30 million from ₦180.31 million in the previous quarter. This trend in electronic fraud

is worrisome especially as the country gravitates towards a cashlite society, and fraudsters are likely to focus on electronic payment channels and instruments; therefore, a concerted industry-wide effort should be deployed to combat fraud. There is an urgent need to expedite actions on the proposed National Anti-fraud System for the sector, as this would mitigate against observed trend in fraud incidence.

In addition, industry stakeholders should continue to collaborate closely with one another to devise preemptive measures that would make fraud an unattractive venture for criminals.

*(Please see the appendices below for summaries of the cases of frauds and forgeries covered in this report, with comparisons between the third quarter of 2012, second quarter and third quarter of 2013 on selected concerns.)*

**Notes:**

Note 1: Commercial, merchant and non-interest banks.

Note 2: Volume of fraud and forgery.

Note 3: Miscellaneous fraud include unauthorised debit, fraudulent diversions of customers' fund for personal use, fraudulent debit of customers' accounts, fraudulent debit of inter-branch suspense accounts, conversion of dividend warrants, dry postings, diversion of deposits, misappropriation of funds, and cash shortages.

Note 4: Value of fraud and forgery.

Note 5: Consisting of computer/web fraud, PoS fraud, mobile payment fraud, and ATM fraud.

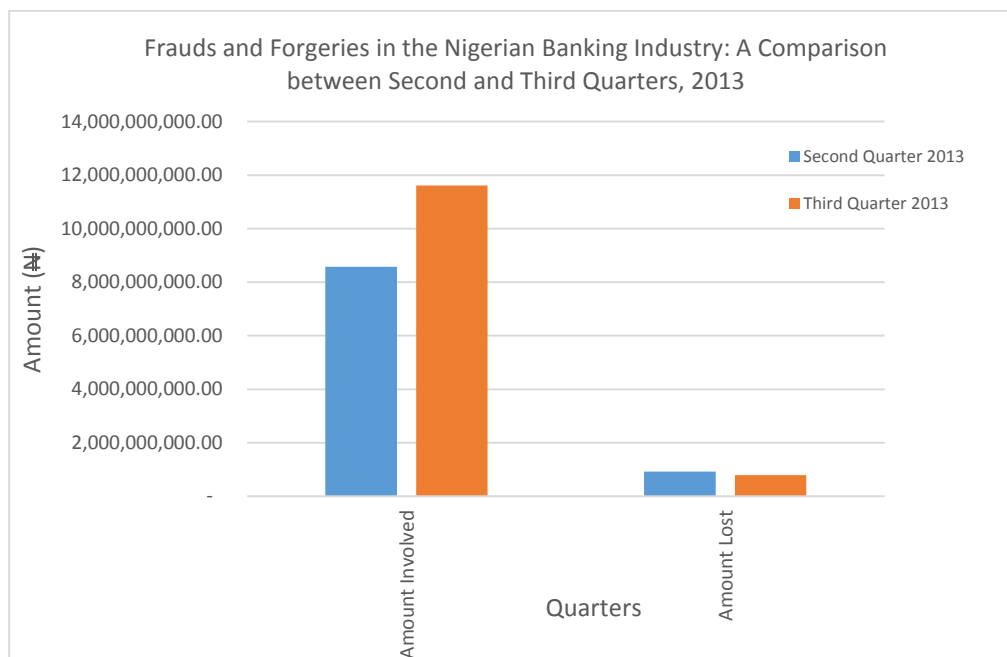


## Appendix I (A)

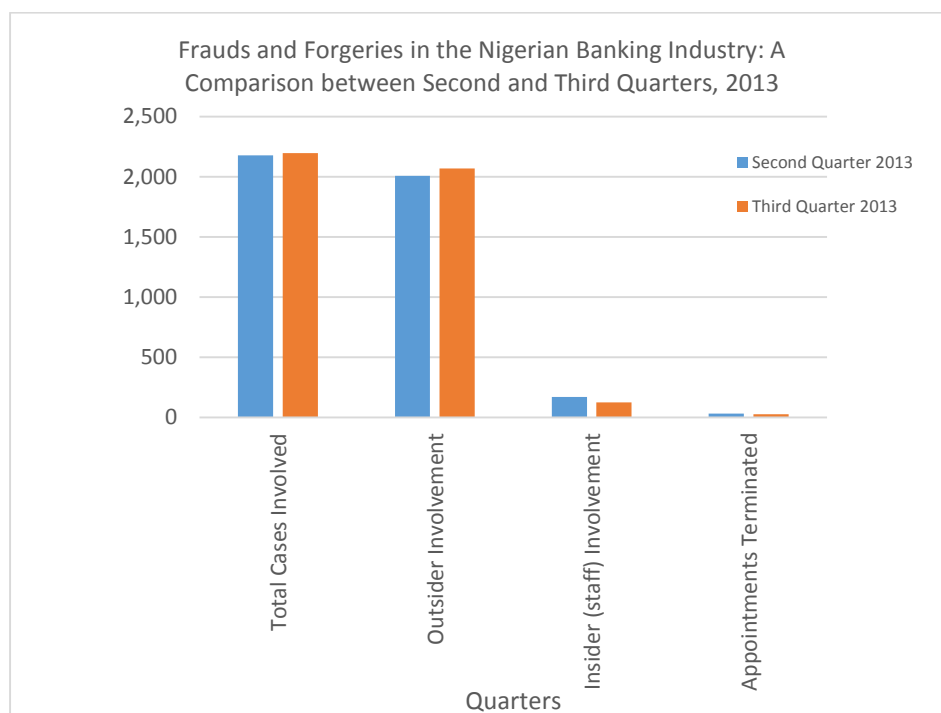
### Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second and Third Quarters, 2013

S/N	Variables	Second Quarter, 2013	Third Quarter, 2013
1	Total Cases reported	2,176	2,197
2	Total Amount Involved	<del>₦</del> 8,577,641,174.38	<del>₦</del> 11,609,976,562.20
3	Total Amount Lost	<del>₦</del> 917,773,724.87	<del>₦</del> 794,801,233.96
4	Outsider Involvement	2,006	2,067
5	Insider (staff) Involvement	170	125
6	Appointments Terminated	32	26

## Appendix I (B)



## Appendix I (C)

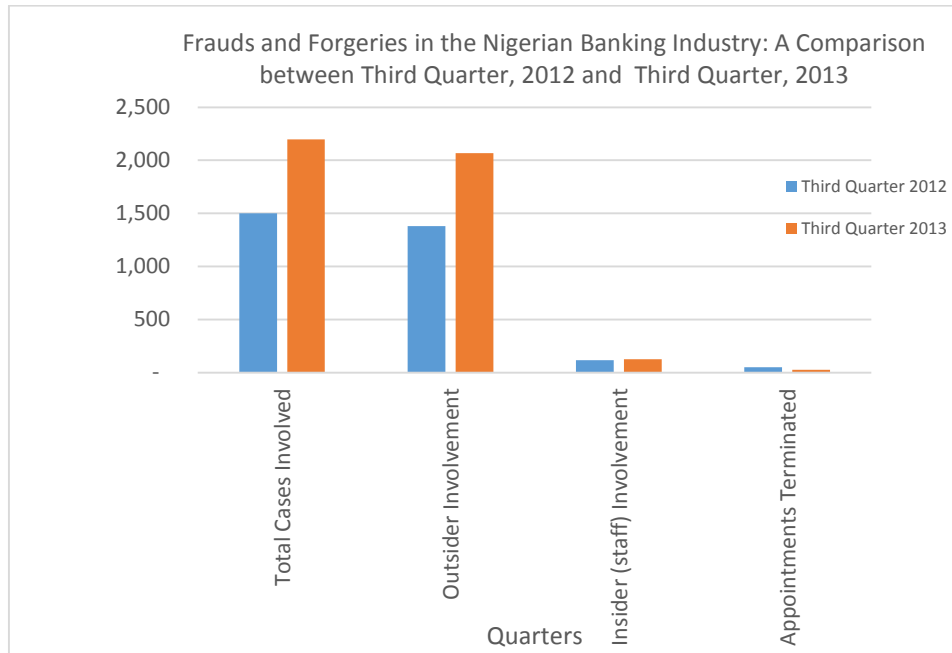


## Appendix I (D)

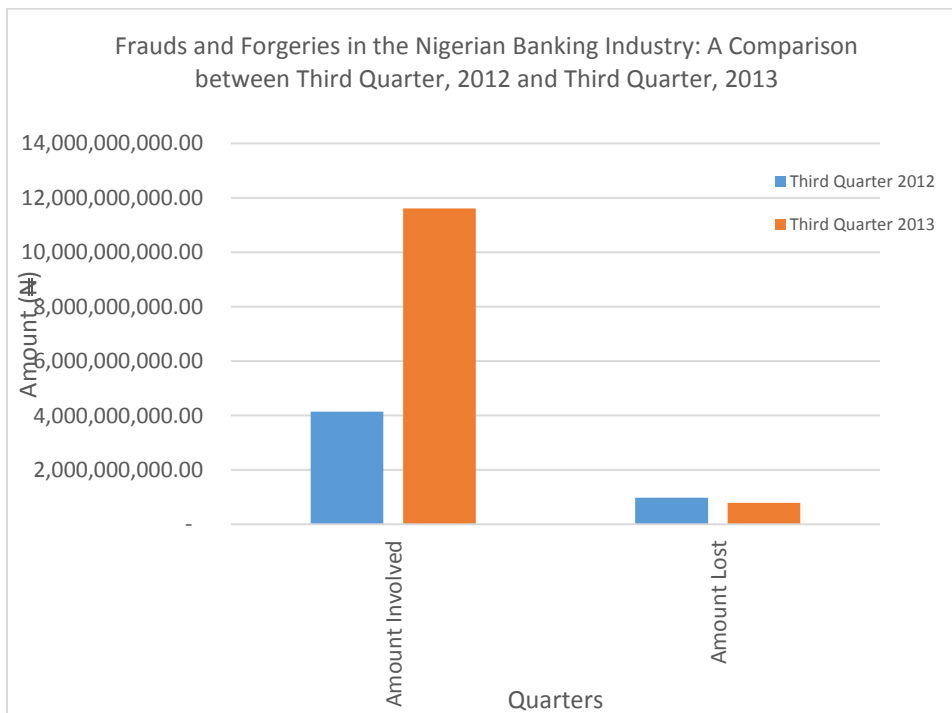
### Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Third Quarter, 2012 and Third Quarter, 2013

S/N	Variables	Third Quarter, 2012	Third Quarter, 2013
1	Total Cases Involved	1,501	2,197
2	Total Amount Involved	<del>₦</del> 4,148,582,310.50	<del>₦</del> 11,609,976,562.20
3	Total Amount Lost	<del>₦</del> 981,499,157.26	<del>₦</del> 794,801,233.96
4	Outsider Involvement	1,379	2,067
5	Insider (Staff) Involvement	117	125
6	Appointments Terminated	51	26

## Appendix I (E)



## Appendix I (F)



**Appendix II (A): Frauds and Forgeries in the Nigerian Banking Industry (Third Quarter, 2013)**

<b>Types of Fraud</b>	<b>Total Number Of Cases Reported</b>	<b>Involving Bank Staff Only</b>	<b>Involving Outside Persons Only</b>	<b>Collusion</b>	<b>Not Specified</b>	<b>Amount Involved (₦)</b>	<b>Actual/Expected Loss (₦)</b>	<b>Expected Loss/Amount Involved (%)</b>
<b>Tellering Fraud</b>	10 (0.46)	10 (8.00)	0 (0)	0 (0)	0 (0)	1,796,300.00 (0.02)	215,100 (0.03)	12.0
<b>Falsification Of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
<b>Forged Cheques with Forged Signature</b>	75 (3.41)	4 (3.20)	71 (3.43)	0 (0)	0 (0)	77,322,915.23 (0.67)	19,817,210.73 (2.49)	25.6
<b>Printing Of Bank Document Illegally</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
<b>Clearing Fraud</b>	3 (0.14)	0 (0)	3 (0.15)	0 (0)	0 (0)	5,925,530.00 (0.33)	2,592,930.00 (0.05)	43.8
<b>Computer/Web Fraud</b>	233 (10.61)	12 (9.60)	221 (10.69)	0 (0)	0 (0)	2,024,710,953.5 4 (17.44)	170,792,583.10 (21.49)	8.4
<b>Telex Fraud</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
<b>Foreign Exchange Fraud</b>	4 (0.14)	1 (0)	3 (0.15)	0 (0)	0 (0)	1,063,916.68 (0.01)	951,191.68 (0.12)	89.4
<b>Cross Firing Of Cheques and Kite Flying</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0

Note: All figures in parenthesis ( ) indicate percentages

**Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry (Third Quarter, 2013)**

<b>Types of Fraud</b>	<b>Total Number of Cases Reported</b>	<b>Involving Bank Staff Only</b>	<b>Involving Outside Persons Only</b>	<b>Collusion</b>	<b>Not Specified</b>	<b>Amount Involved (₦)</b>	<b>Actual/Expected Loss (₦)</b>	<b>Expected Loss/Amount Involved (%)</b>
<b>Theft of Cash</b>	15 (0.64)	11 (5.88)	4 (0.20)	0 (0)	0 (0)	10,031,600.00 (0.09)	8,324,600.00 (1.05)	83.0
<b>Suppression of Entries: Cash/Cheques</b>	50 (2.28)	48 (38.40)	1 (0.05)	1 (20.00)	0 (0)	90,888,466.07 (0.78)	44,911,493.78 (5.65)	49.4
<b>Opening and Operating Fraudulent Loans and Accounts</b>	31 (2.28)	0 (0)	31 (1.89)	0 (0)	0 (0)	19,226,938.40 (0.17)	1,105,900.00 (0.14)	5.8
<b>Over-Invoicing of Service to the Bank</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
<b>Robberies (Armed)</b>	8 (0.23)	0 (0)	8 (0.25)	0 (0)	0 (0)	29,587,600 (0.25)	29,380,600.00 (3.70)	99.3
<b>Fictitious Bank Branches</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
<b>Miscellaneous and Other Types of Fraud <sup>i</sup></b>	404 (18.39)	18 (14.40)	385 (18.63)	1 (20.00)	0 (0)	8,954,116,751.98 (77.12)	278,198,237.63 (35.00)	3.1
<b>Fraudulent Withdrawals</b>	88 (4.01)	18 (14.40)	67 (3.24)	3 (60.00)	0 (0)	247,043,864.67 (2.13)	201,004,958.46 (25.29)	81.4
<b>ATM Withdrawals <sup>ii</sup></b>	1,276 (58.08)	3 (2.40)	1,273 (61.59)	0 (0)	0 (0)	148,261,725.63 (1.28)	37,506,428.58 (4.72)	25.4
<b>Total</b>	<b>2,197</b>	<b>125</b>	<b>2,067</b>	<b>5</b>	<b>0</b>	<b>11,609,976,562.20</b>	<b>794,801,233.96</b>	<b>526.4</b>

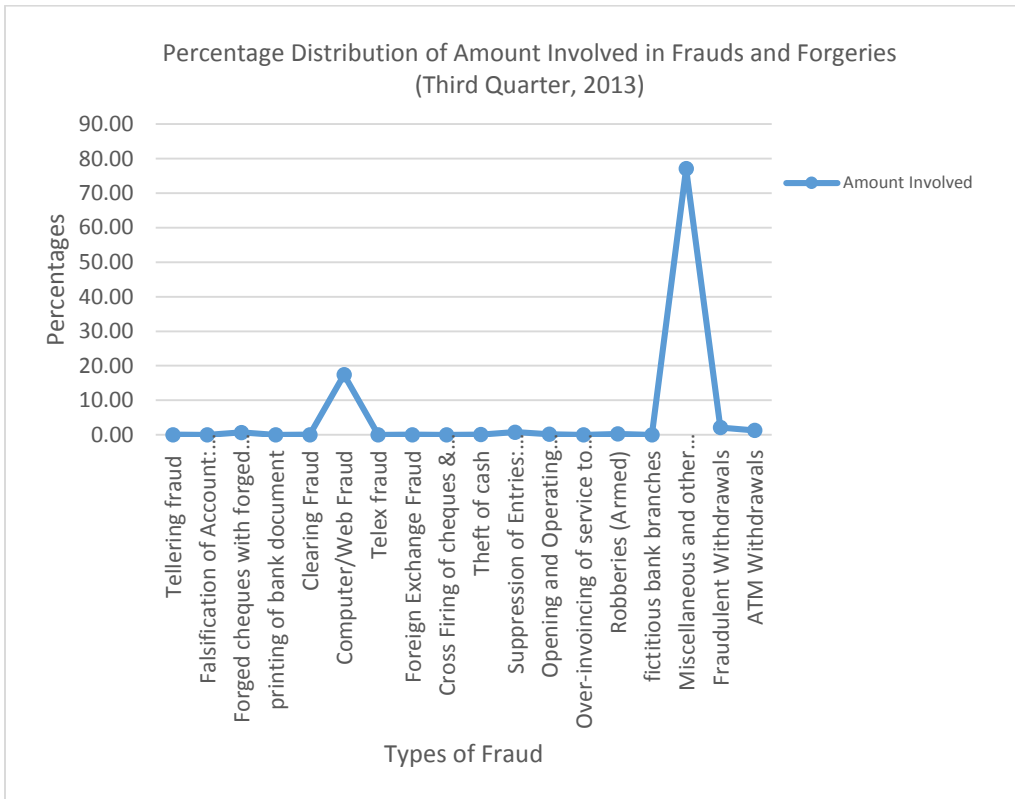
**Notes**

All figures in parenthesis ( ) indicate percentages

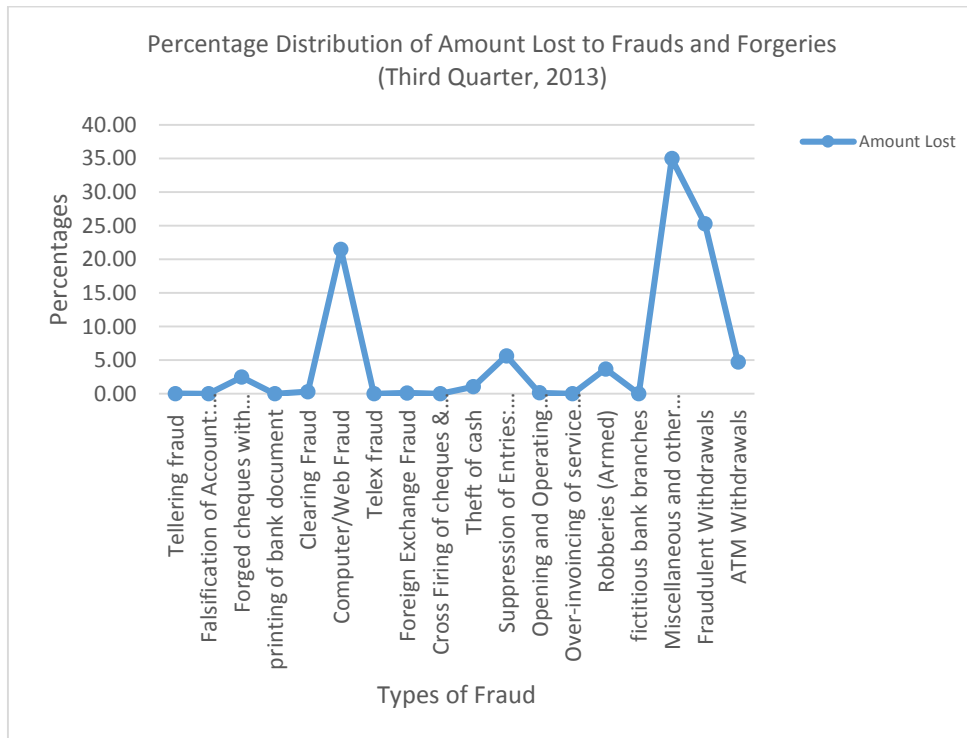
Note <sup>i</sup>: The indicated figures for miscellaneous fraud were amended to exclude the figures for PoS and mobile payment frauds which had previously been included as part of Miscellaneous fraud

Note <sup>ii</sup>: The indicated figures for ATM fraud were amended to include the figures for PoS and mobile payment frauds which had previously been excluded

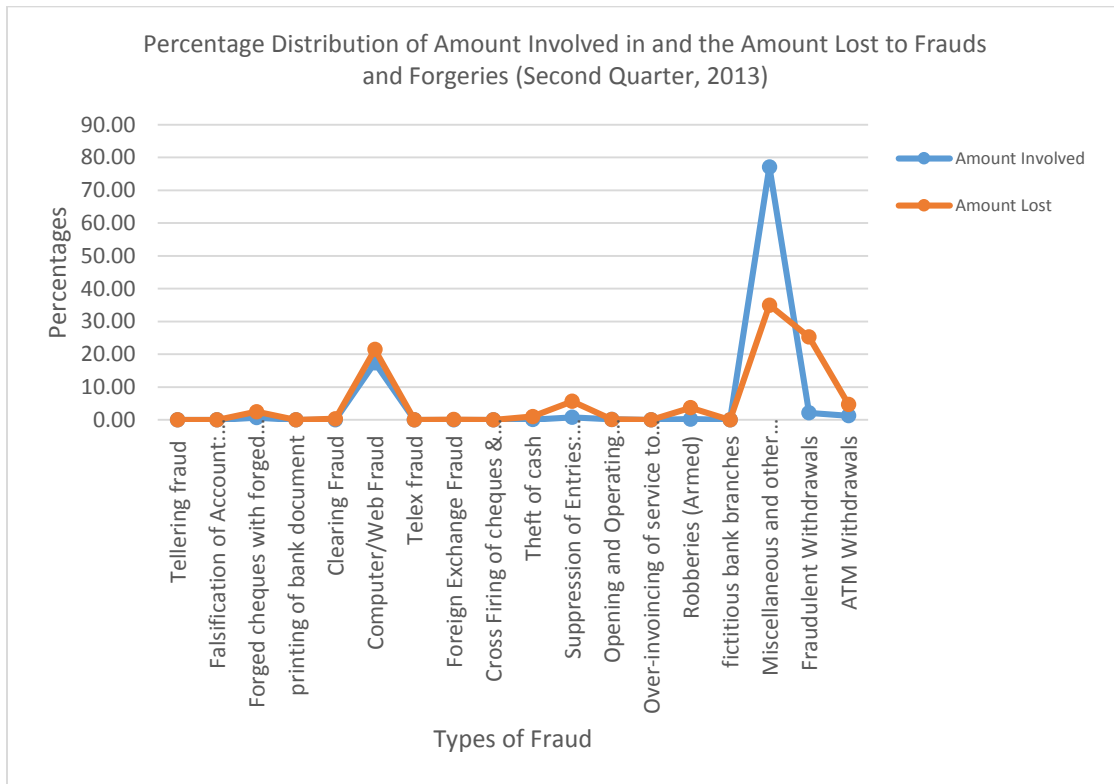
## Appendix II (B)



## Appendix II (C)



### Appendix II (D)



### Appendix III (A)

#### Fraud and Forgeries through various Payment Channels: A Comparison between Second and Third Quarters, 2013

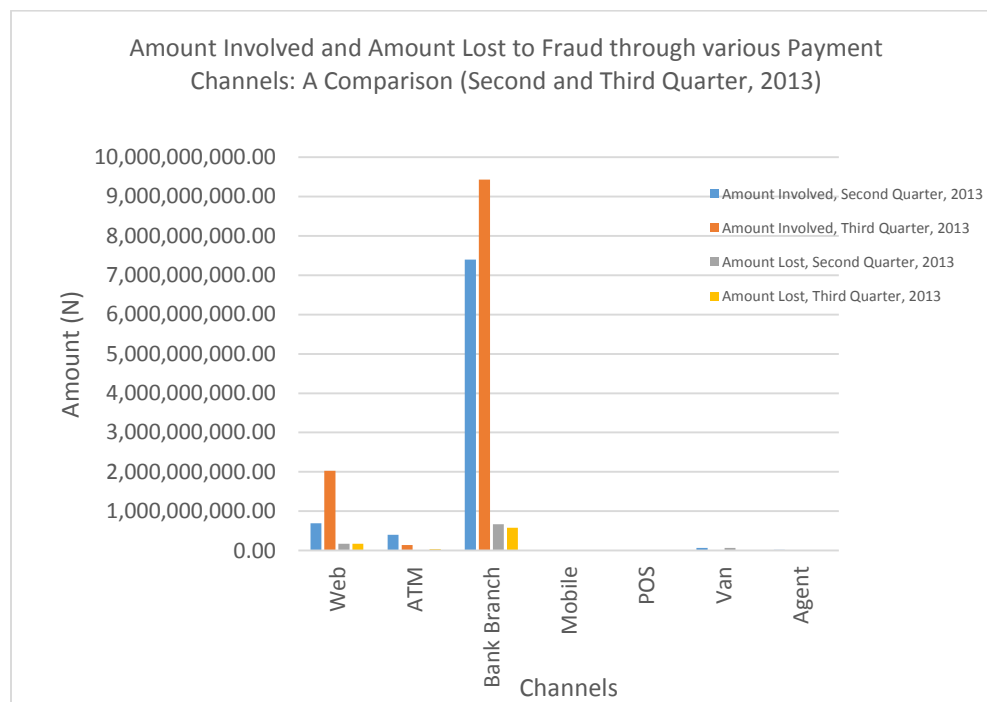
S/N	Channels	Cases: Second Quarter, 2013	Cases: Third Quarter, 2013
1	Web	224	233
2	ATM	1,484	1,255
3	Bank Branch	419	681
4	Mobile	1	1
5	POS	31	20
6	Van	1	0
7	Agent	16	7
	<b>Total</b>	<b>2,176</b>	<b>2,197</b>

### Appendix III (B)

**Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison (Second and Third Quarters, 2013)**

S/N	Channel	Amount Involved, Second Quarter, 2013 (₦)	Amount Involved, Third Quarter, 2013 (₦)	Amount Lost, Second Quarter, 2013 (₦)	Amount Lost, Third Quarter, 2013 (₦)
1	Web	691,122,754.41	2,024,710,953.54	176,425,351.89	170,792,583.10
2	ATM	399,571,484.43	142,887,886.65	2,323,887.79	36,269,460.73
3	Bank Branch	7,395,101,033.29	9,430,014,436.35	668,909,510.30	582,958,100.60
4	Mobile	5,050,000.00	28,500.00	0.00	-
5	POS	4,251,862.97	5,345,338.98	1,556,215.97	1,236,967.85
6	Van	65,995,900.00	0.00	65,995,900.00	-
7	Agent	16,548,139.28	6,989,446.68	2,562,858.92	3,544,121.68
	<b>Total</b>	<b>8,577,641,174.38</b>	<b>11,609,976,562.20</b>	<b>917,773,724.87</b>	<b>794,801,233.96</b>

**Appendix III (C)**





**Appendix IV (A)**

**Frauds and Forgeries through various Instruments: A Comparison between Second and Third Quarter, 2013**

S/N	Instruments	Cases: Second Quarter, 2013	Cases: Third Quarter, 2013
1	Cash	340	297
2	Cheques	86	80
3	Cards	1,742	1,819
4	Slips	8	1
	<b>Total</b>	<b>2,176</b>	<b>2,197</b>

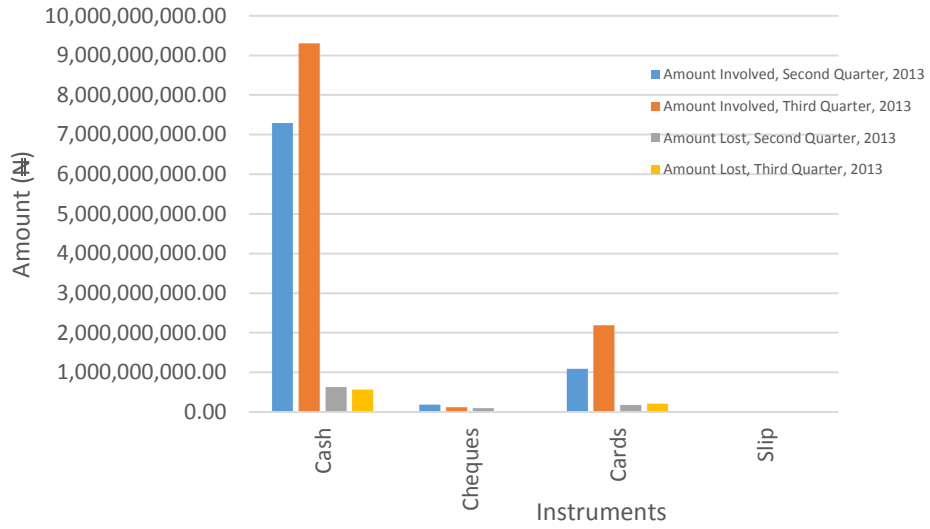
**Appendix IV (B)**

**Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison (Second and Third Quarter, 2013)**

S/N	Instruments	Amount Involved, Second Quarter, 2013 (₦)	Amount Involved, Third Quarter, 2013 (₦)	Amount Lost, Second Quarter, 2013 (₦)	Amount Lost, Third Quarter, 2013 (₦)
1	Cash	7,289,692,182.42	9,300,482,408.92	629,847,408.44	563,984,128.55
2	Cheques	182,563,373.21	120,606,687.58	95,557,383.83	22,410,140.73
3	Cards	1,092,491,798.75	2,188,881,465.70	180,651,762.60	208,406,964.68
4	Slips	12,893,820.00	6,000	11,717,170.00	0
	<b>Total</b>	<b>8,577,641,174.38</b>	<b>11,609,976,562.20</b>	<b>917,773,724.87</b>	<b>794,801,233.96</b>

**Appendix IV (C)**

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison (Second and Third Quarter, 2013)





# **Report on Frauds and Forgeries in Banks**

**October - December, 2013**

# Report on Frauds and Forgeries in the Nigerian Banking Industry for the Period October - December, 2013

## Overview

In the fourth quarter of 2013, FITC received 59 returns from 22 deposit money banks<sup>1</sup> on incidence of fraud and forgery that occurred in their respective institutions. Of these returns, 19 were received for the month of October, 20 were received for November, and 20 returns were received for December.

## Volume and Value of Fraud Cases

Analysis of the returns showed that a total of 2,507 cases<sup>2</sup> (volume) of frauds and forgeries were reported in the banking industry during the period (October - December, 2013), compared to 2,197 cases reported in the preceding quarter (July - September, 2013), representing an increase of 14.11 per cent. The types of fraud that were predominant during the review period include: fraudulent ATM withdrawals, computer/web fraud, miscellaneous<sup>3</sup> (other types of) fraud, fraudulent withdrawals, suppression of entries, and forged cheques with forged signatures. **Appendices I and II** contain details of the fraud incidence that occurred during the review period with graphical illustrations.

During the period, the total amount<sup>4</sup> (value) of money involved in reported cases of fraud nosedived to ₦3.66 billion from ₦11.61 billion in the previous quarter, indicating a remarkable 68.46 per cent decrease. Of the total amount (₦3.66 billion) involved in fraud, ₦870.19 million (23.77 per cent) was actually lost to fraud in the banking industry; the difference of ₦2.79 billion (76.23 per cent of the total amount involved in fraud) was recovered through the combined effort of both internal and external control techniques: internal procedural checks, internal control measures and investigation processes, as well as intervention of the law enforcement and anti-graft agencies.

Ranking the fraud types according to their value, **Appendix II (A)** shows that computer/web fraud ranked first at ₦2.37 billion (64.67 per cent), while miscellaneous (other types of) fraud ranked second with ₦562.93 million (15.37 per cent) of the total amount involved in fraud and forgery during the review period. Further analysis shows that fraudulent ATM withdrawals ranked third at ₦280.13 million (7.65 per cent), while forged cheques with forged signatures and fraudulent withdrawals ranked fourth and fifth at ₦143.95 million (3.93 per cent) and ₦121.27 million (3.31 per cent) respectively. **Appendix II (B)** provides a graphic illustration of the amount involved in the reported cases of frauds and forgeries in the period under review.

Further analysis of the returns indicate that computer/web fraud accounted for ₦509.52 million (58.55 per cent) of the total amount that was lost to fraudulent activities, while fraudulent ATM withdrawals accounted for ₦143.47 million

(16.49 per cent). **Appendix II (C)** shows the amount that was actually lost to fraud and forgery activities in the fourth quarter of 2013, while **Appendix II (D)** shows graphical comparison of the amount involved in fraud and the actual amount lost to fraud during the period.

### **The Channels, the Instruments and the Personalities involved in perpetrating Fraud**

During the period under review, the various types of channels used to perpetrate fraud are: web, ATM, bank branch, mobile, POS, and agent, while cash, cheques, cards and slips were the instruments used by fraudsters. Analysing banks' returns by the amount involved, the channel that was mostly used to perpetrate fraud was the web, which increased by 16.95 per cent to ₦2.37 billion from ₦2.02 billion in the preceding quarter. Following this is the bank branch, which plummeted to ₦1.00 billion from ₦9.43 billion in the previous quarter, thus representing a significant decrease of 89.35 per cent.

Analysis by the amount involved revealed that the instrument that was mostly used to perpetrate fraud was cash, which decreased considerably by 74.83 per cent to ₦2.34 billion from ₦9.30 billion in the preceding quarter. The incidence of card fraud likewise plunged to ₦1.06 billion from ₦2.19 billion reported in the previous period, representing a significant decrease of 51.75 per cent. Details of the channels and instruments used in perpetrating fraud are illustrated graphically in **Appendices III - IV**.

The returns also revealed data on banks employees whose appointments were terminated as a result of their involvement in fraudulent activities. This figure surged to 87 banks' staff, from 26 banks' employees whose appointments were terminated on similar grounds in the preceding quarter, representing an alarming increase of 234.62 per cent. This further corroborate banks' zero tolerance of their employees' involvement in fraudulent practices.

### **Conclusion and Recommendations**

Analysis of banks' returns on fraud reveals that the parameters used to assess fraud and forgery in the banking industry were mixed during the reported quarter. This is revealed in the total amount that was lost to fraud which rose marginally to ₦870.19 million, up from ₦794.80 million in the third quarter, thus representing an increase of 9.49 per cent. Similarly, the total number of reported fraud cases in the banking industry increased by 14.11 per cent to 2,507 from 2,197 that was reported in the preceding quarter. However, it is cheering to observe that the total amount involved in fraud decreased significantly by 68.46 per cent to ₦3.66 billion from ₦11.61 billion in the previous quarter.

Meanwhile, the amount involved in electronic fraud<sup>5</sup> increased by 21.86 per cent to ₦2.65 billion from ₦2.17 billion in the previous quarter, while the actual amount that was lost to electronic fraud increased drastically by 213.49 per cent to ₦652.99 million, up from ₦208.30 million in the previous quarter.

The persistent increase in electronic fraud in the banking sector, which, among other factors initiated the regulators in the industry to commence issuing of Bank Verification Number (BVN) to banks' customers, which would entail capturing of individual customer's biometric data, would to a large extent help to discourage fraudsters from perpetrating the act while it also generally mitigate fraud in the industry.

*(Please see the appendices below for summaries of the cases of frauds and forgeries covered in this report, with comparisons between the fourth quarter of 2012, third quarter and fourth quarter of 2013 on selected concerns.)*

**Notes:**

Note 1: Commercial, merchant and non-interest banks.

Note 2: Volume of fraud and forgery cases.

Note 3: Miscellaneous fraud include unauthorized debit, fraudulent diversions of customers' fund for personal use, fraudulent debit of customers' accounts, fraudulent debit of inter-branch suspense accounts, conversion of dividend warrants, dry postings, diversion of deposits, misappropriation of funds, and cash shortages.

Note 4: Value of fraud and forgery.

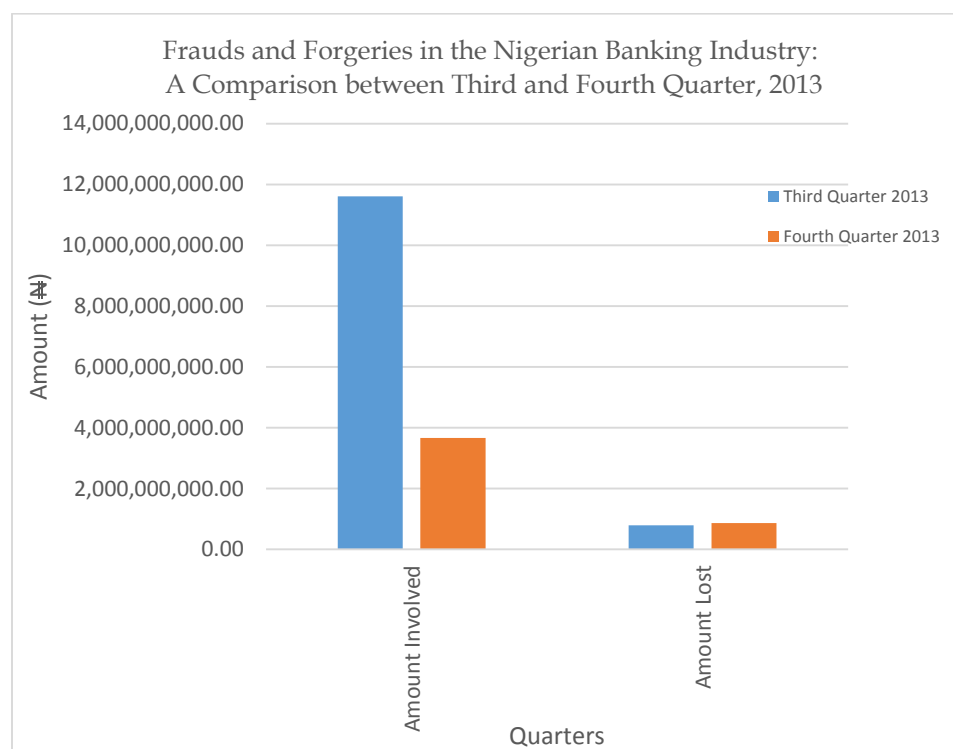
Note 5: Consisting of computer/web fraud, PoS fraud, mobile payment fraud and ATM fraud.

## Appendix I (A)

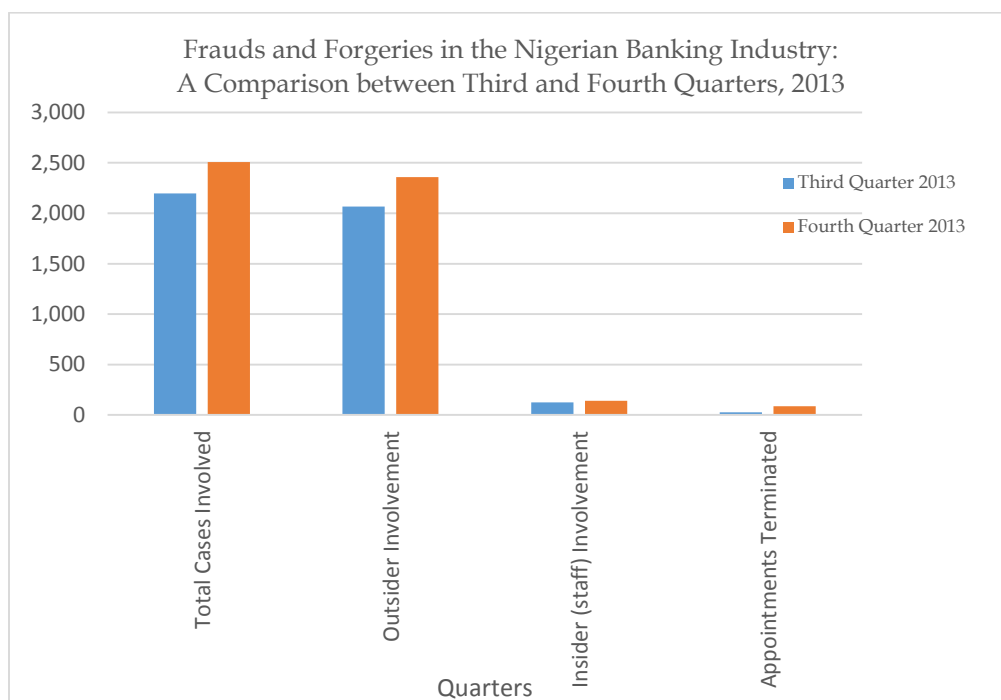
### Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Third and Fourth Quarters, 2013

S/N	Variables	Third Quarter, 2013	Fourth Quarter, 2013
1	Total Cases reported	2,197	2,507
2	Total Amount Involved	N11,609,976,562.20	N3,661,564,681.26
3	Total Amount Lost	N794,801,233.96	N870,194,036.10
4	Outsider Involvement	2,067	2,358
5	Insider (staff) Involvement	125	141
6	Appointments Terminated	26	87

## Appendix I (B)



### Appendix I (C)



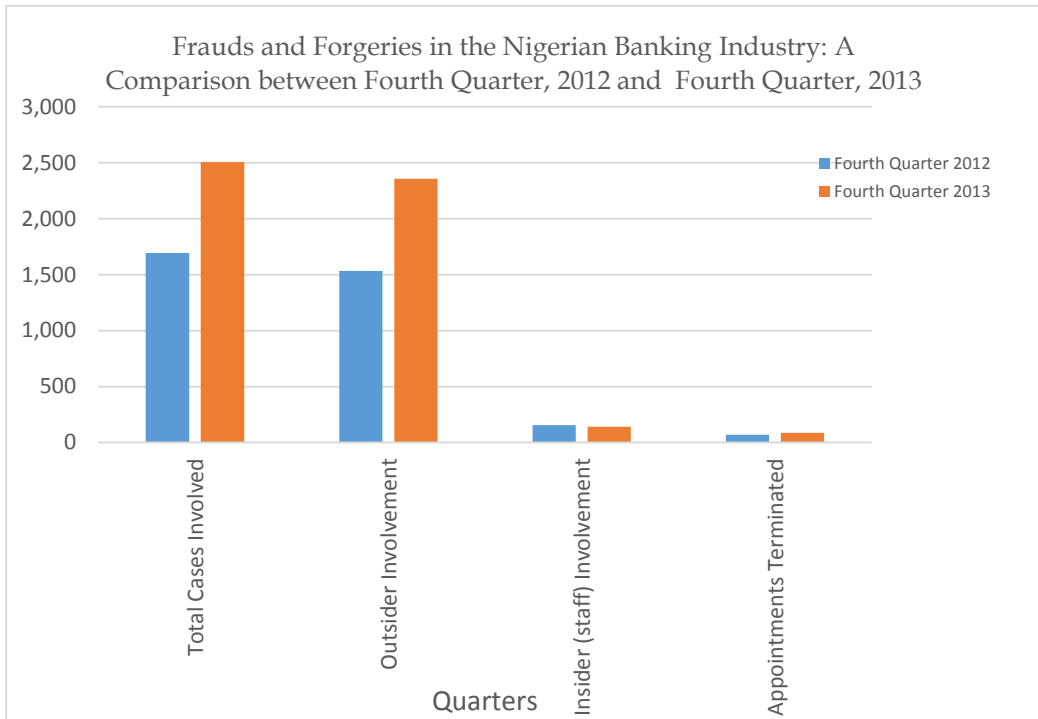
### Appendix I (D)

#### Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter, 2012 and Fourth Quarter, 2013

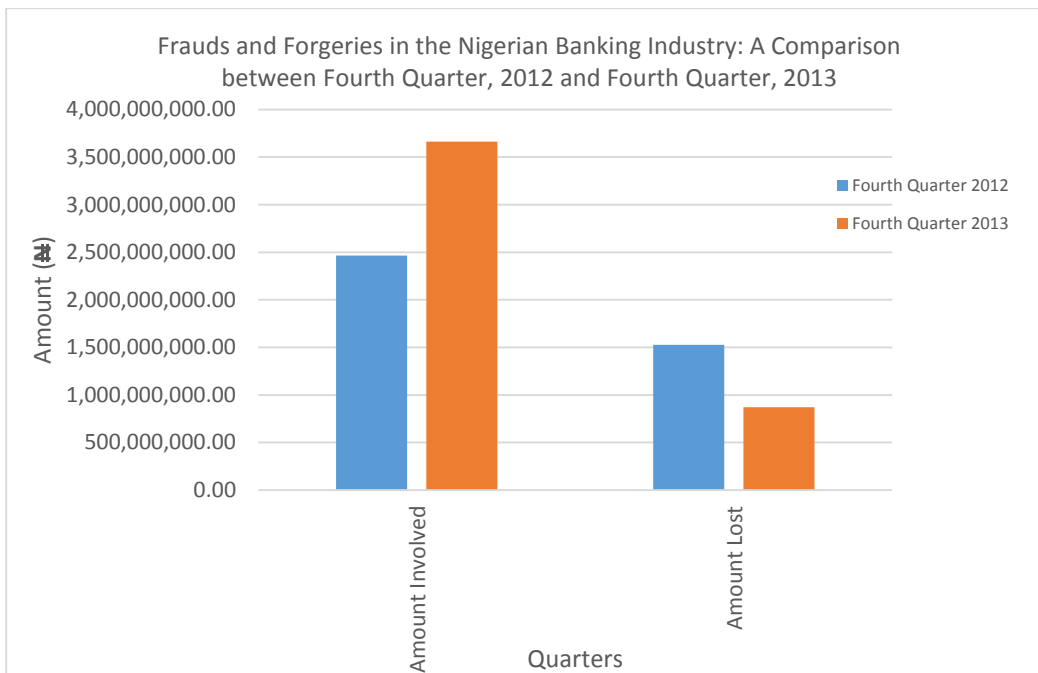
S/N	Variables	Fourth Quarter, 2012	Fourth Quarter, 2013
1	Total Cases Involved	1,694	2,507
2	Total Amount Involved	₦2,464,451,531.79	₦3,661,564,681.26
3	Total Amount Lost	₦1,526,308,216.95	₦870,194,036.10
4	Outsider Involvement	1,533	2,358
5	Insider (staff) Involvement	155	141
6	Appointments Terminated	70	87



### Appendix I (E)



### Appendix I (F)



**Appendix II (A): Frauds and Forgeries in the Nigerian Banking Industry (Fourth Quarter, 2013)**

<b>Types of Fraud</b>	<b>Total Number of Cases Reported</b>	<b>Involving Bank Staff Only</b>	<b>Involving Outside Persons Only</b>	<b>Collusion</b>	<b>Not Specified</b>	<b>Amount Involved (₦)</b>	<b>Actual /Expected Loss (₦)</b>	<b>Expected Loss/ Amount Involved (%)</b>
<b>Tellering Fraud</b>	5 (0.20)	5 (3.55)	0 (0)	0 (0)	0 (0)	964,000.00 (0.03)	50,000 (0.01)	5.2
<b>Falsification Of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
<b>Forged Cheques with Forged Signature</b>	44 (1.76)	4 (2.84)	40 (1.70)	0 (0)	0 (0)	143,952,981.19 (3.93)	5,442,000 (0.63)	3.8
<b>Printing Of Bank Document Illegally</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
<b>Clearing Fraud</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
<b>Computer/Web Fraud</b>	365 (14.56)	10 (7.09)	352 (14.93)	3 (37.5)	0 (0)	2,367,934,140.66 (64.67)	509,518,105.05 (58.55)	21.5
<b>Telex Fraud</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
<b>Foreign Exchange Fraud</b>	3 (0.12)	3 (2.13)	0 (0)	0 (0)	0 (0)	8,848,365.50 (0.24)	100,000 (0.01)	1.1
<b>Cross Firing Of Cheques and Kite Flying</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0

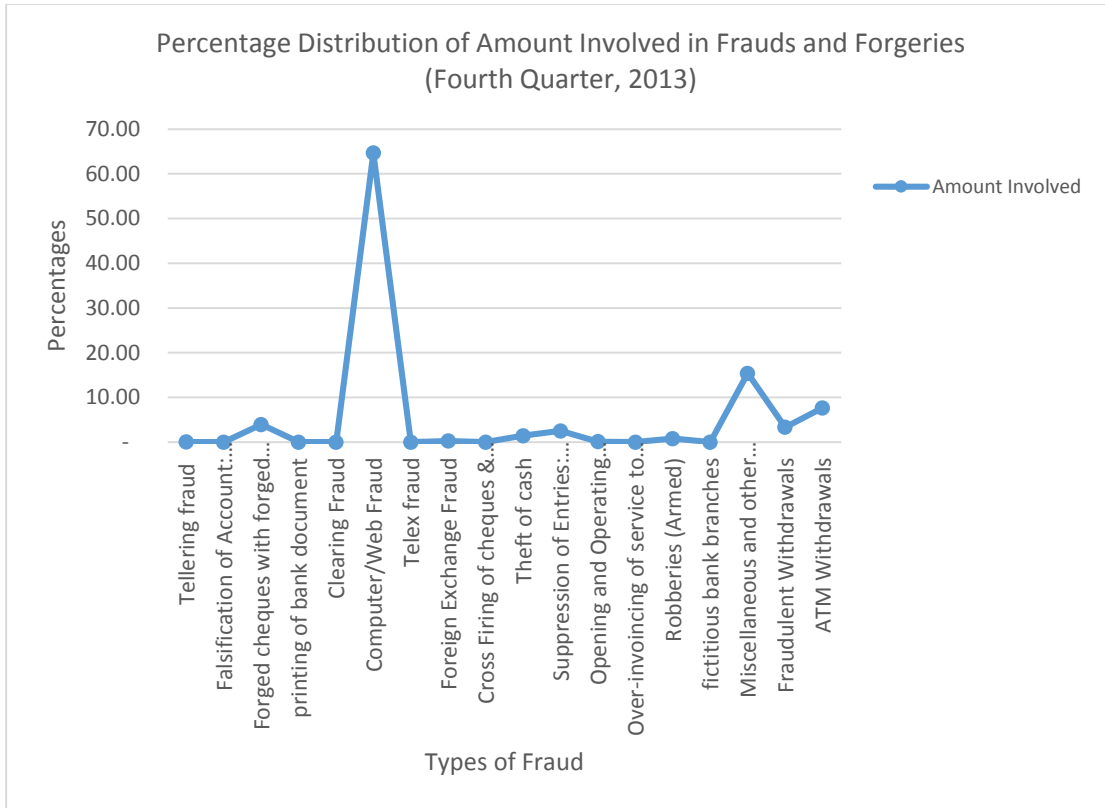
Note: All figures in parenthesis ( ) indicate percentages

Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry (Fourth Quarter, 2013)

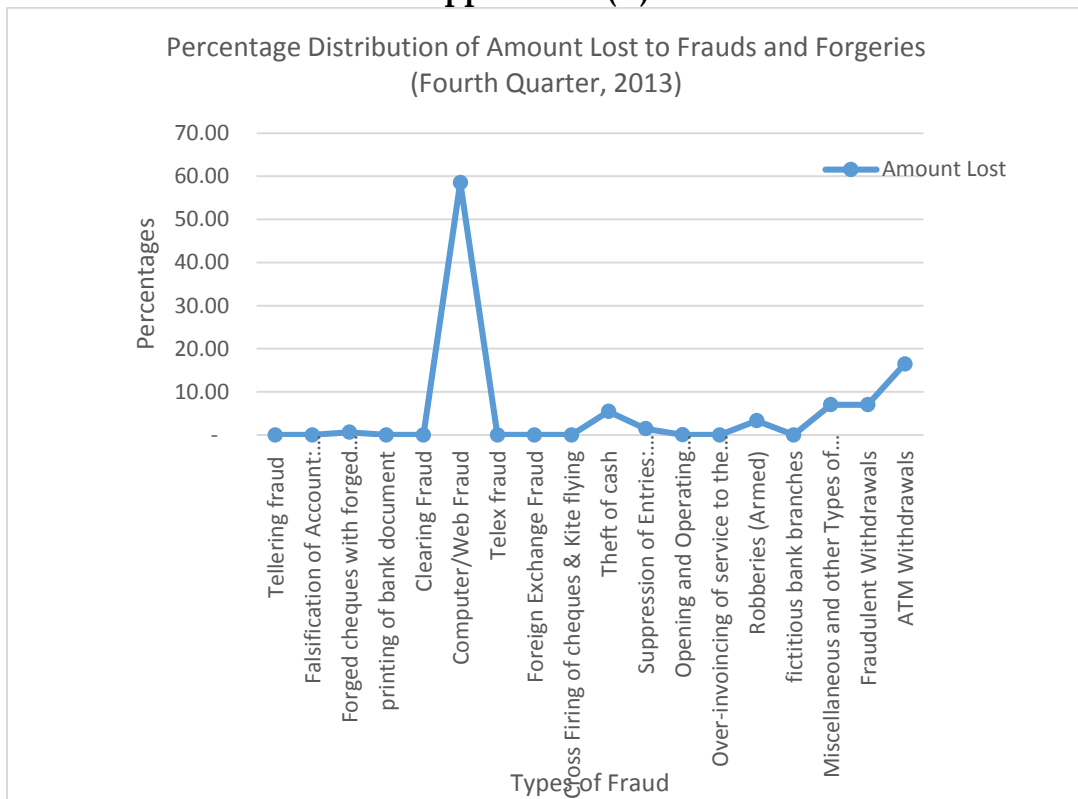
Types of Fraud	Total Number Of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (₦)	Actual /Expected Loss (₦)	Expected Loss/ Amount Involved (%)
Theft of Cash	20 (0.80)	20 (14.18)	0 (0)	0 (0)	0 (0)	51,898,605.35 (1.42)	47,401,005.35 (5.45)	91.3
Suppression of Entries: Cash/Cheques	60 (2.39)	60 (42.55)	0 (0)	0 (0)	0 (0)	91,145,445.57 (2.49)	12,765,324.17 (1.47)	14.0
Opening and Operating Fraudulent Loans and Accounts	28 (1.12)	1 (0.71)	27 (1.15)	0 (0)	0 (0)	3,461,019 (0.09)	526,000.00 (0.06)	15.2
Over-Invoicing of Service to the Bank	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Robberies (Armed)	6 (0.24)	0 (0)	6 (0.25)	0 (0)	0 (0)	29,032,600 (0.79)	28,828,230.00 (3.31)	99.3
Fictitious Bank Branches	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Miscellaneous and Other Types of Fraud	85 (3.39)	16 (11.35)	66 (2.80)	3 (37.50)	0 (0)	562,932,210.69 (15.37)	61,088,623.43 (7.02)	10.9
Fraudulent Withdrawals	65 (2.59)	18 (12.77)	46 (1.95)	1 (12.50)	0 (0)	121,266,836.30 (3.31)	61,000,963.94 (7.01)	50.3
ATM Withdrawals	1,826 (72.84)	4 (2.84)	1,821 (77.23)	1 (12.5)	0 (0)	280,128,477.00 (7.65)	143,473,784.16 (16.49)	51.2
<b>Total</b>	<b>2,507</b>	<b>141</b>	<b>2,358</b>	<b>8</b>	<b>0</b>	<b>3,661,564,681.26</b>	<b>870,194,036.10</b>	<b>363.8</b>

Note: All figures in parenthesis ( ) indicate percentages

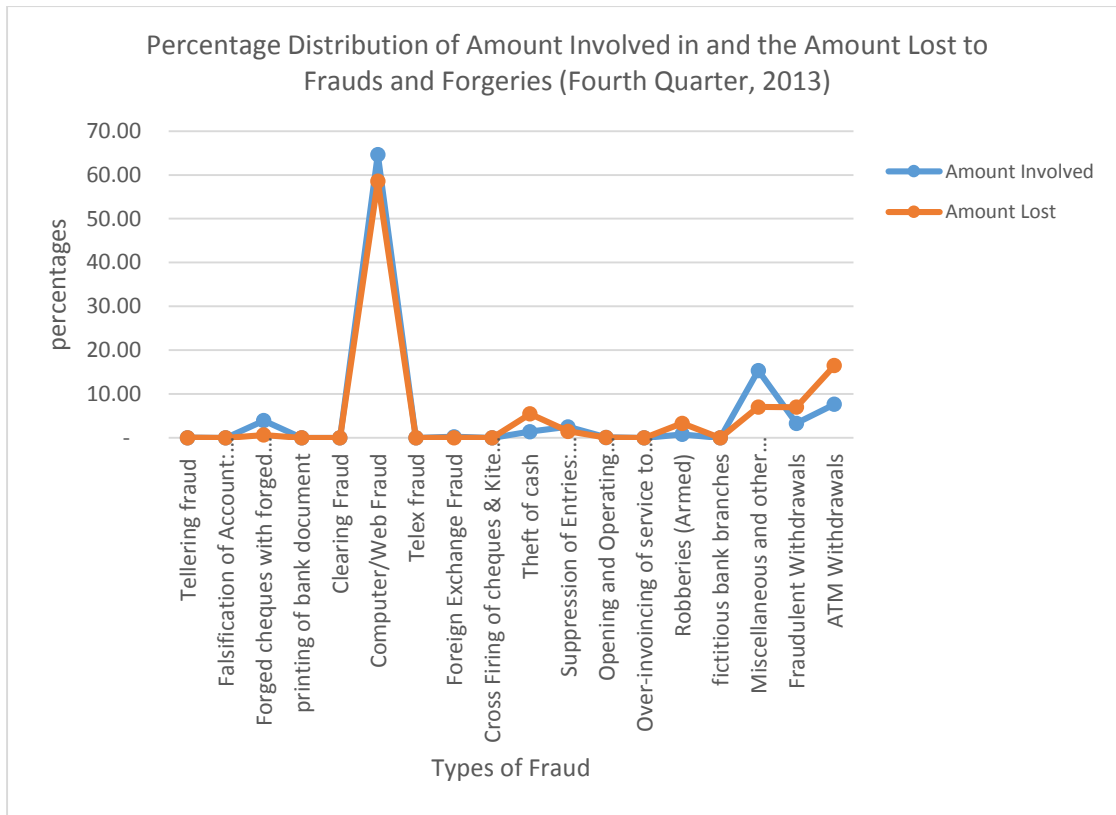
### Appendix II (B)



### Appendix II (C)



### Appendix II (D)



### Appendix III (A)

#### Fraud and Forgeries through various Payment Channels: A Comparison between Third and Fourth Quarters, 2013

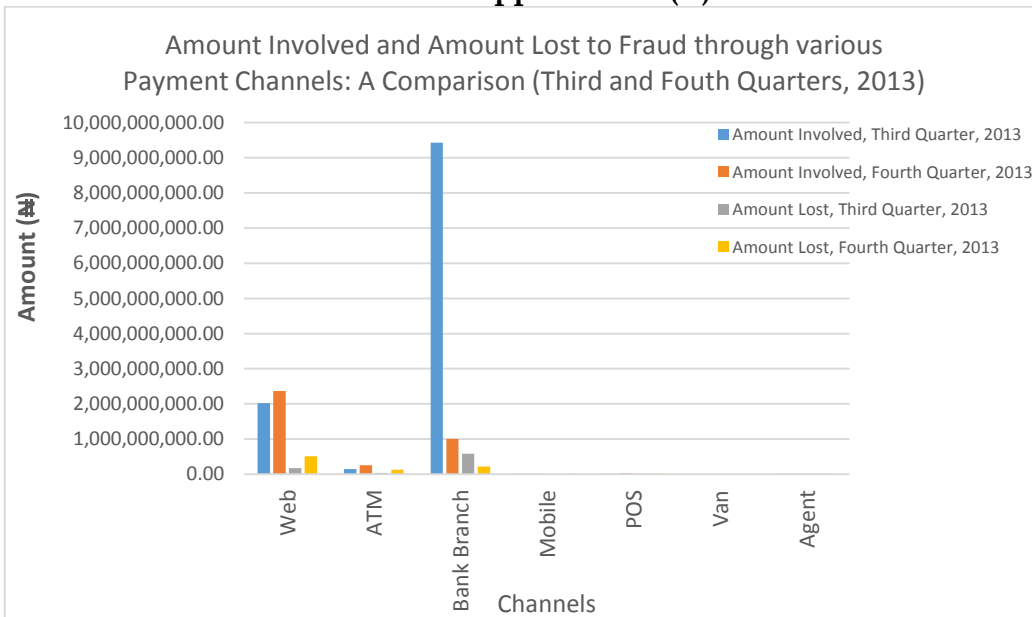
S/N	Channels	Cases: Third Quarter, 2013	Cases: Fourth Quarter, 2013
1	Web	233	365
2	ATM	1,255	1,718
3	Bank Branch	681	312
4	Mobile	1	1
5	POS	20	107
6	Van	0	0
7	Agent	7	4
	<b>Total</b>	<b>2,197</b>	<b>2,507</b>

### Appendix III (B)

**Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison (Third and Fourth Quarters, 2013)**

S/N	Channel	Amount Involved, Third Quarter, 2013 (₦)	Amount Involved, Fourth Quarter, 2013 (₦)	Amount Lost, Third Quarter, 2013 (₦)	Amount Lost, Fourth Quarter, 2013 (₦)
1	Web	2,024,710,953.54	2,367,934,140.66	170,792,583.10	509,518,105.05
2	ATM	142,887,886.65	252,382,171.00	36,269,460.73	124,608,484.91
3	Bank Branch	9,430,014,436.35	1,004,616,185.60	582,958,100.60	217,102,146.89
4	Mobile	28,500.00	212,808.00	0.00	212,808
5	POS	5,345,338.98	27,533,498.00	1,236,967.85	18,652,491.25
6	Van	0.00	0.00	0.00	0.00
7	Agent	6,989,446.68	8,885,878.00	3,544,121.68	100,000
	<b>Total</b>	<b>11,609,976,562.20</b>	<b>3,661,564,681.26</b>	<b>794,801,233.96</b>	<b>870,194,036.10</b>

### Appendix III (C)



#### Appendix IV (A)

##### Frauds and Forgeries through various Instruments: A Comparison between Third and Fourth Quarters, 2013

S/N	Instruments	Cases: Third Quarter, 2013	Cases: Fourth Quarter, 2013
1	Cash	297	349
2	Cheques	80	133
3	Cards	1,819	1,994
4	Slips	1	31
	<b>Total</b>	<b>2,197</b>	<b>2,507</b>

#### Appendix IV (B)

##### Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison (Third and Fourth Quarters, 2013)

S/N	Instruments	Amount Involved, Third Quarter, 2013 (₦)	Amount Involved, Fourth Quarter, 2013 (₦)	Amount Lost, Third Quarter, 2013 (₦)	Amount Lost, Fourth Quarter, 2013 (₦)
1	Cash	9,300,482,408.92	2,340,597,262.40	563,984,128.55	586,400,822.11
2	Cheques	120,606,687.58	157,781,253.19	22,410,140.73	12,641,640.05
3	Cards	2,188,881,465.70	1,056,066,296.87	208,406,964.68	246,219,223.94
4	Slips	6,000	107,119,868.80	0	24,932,350.00
	<b>Total</b>	<b>11,609,976,562.20</b>	<b>3,661,564,681.26</b>	<b>794,801,233.96</b>	<b>870,194,036.10</b>

### Appendix IV (C)

