



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

**January - March, 2014**

# Report on Frauds and Forgeries in the Nigerian Banking Industry for the Period January - March, 2014

## Overview

In the first quarter of 2014, FITC received 66 returns from 22 deposit money banks<sup>1</sup> on incidence of fraud and forgery that occurred in their respective institutions. Of these returns, 22 were received for the month of January, 22 were received for February, and 22 returns were received for March.

## Volume and Value of Fraud Cases

Analysis of the returns shows that a total of 2,957 cases<sup>2</sup> (volume) of frauds and forgeries were reported in the banking industry during the period (January - March, 2014), compared to 2,507 cases reported in the preceding quarter (October - December, 2013), representing an increase of 17.95 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, and suppression of entries. **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 plunged to ₦3.11 billion from ₦3.66 billion in the previous quarter, indicating a significant 15.18 per cent decrease. Of the total amount (₦3.11 billion) that was reported to be involved in fraud, ₦1.28 billion (41.10 per cent) was actually lost to fraud in the banking industry; the difference of ₦1.83 billion (58.90 per cent of the total amount involved in fraud) was recovered through the combined effort of banks' internal and external control techniques: i.e. internal procedural checks 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 ₦1.43 billion (46.14 per cent), while miscellaneous (other types of) fraud ranked second with ₦765.16 million (24.64 per cent) of the total amount involved in fraud and forgery during the review period. Further analysis shows that fraudulent withdrawals ranked third at ₦384.51 million (12.38 per cent), while fraudulent ATM withdrawals and forged cheque with forged signature ranked fourth and fifth at ₦169.94 million (5.47 per cent) and ₦74.94 million (2.41 per cent) respectively. **Appendix II (B)** provides a graphical illustration of the amount involved in the reported cases of frauds and forgeries in the period under review.

Further analysis of the returns indicates that computer/web fraud accounted for ₦616.23 million (48.27 per cent) of the total amount that was lost to fraudulent activities, while miscellaneous (and other types of) fraud and fraudulent withdrawals accounted for ₦203.78 million (15.96 per cent) and ₦190.20 million

(14.90 per cent) respectively. **Appendix II (C)** shows the amount that was actually lost to fraud and forgery activities in the first quarter of 2014, 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 to carry out their nefarious activities. Analysing the banks' returns by the amount involved in fraud shows that the channel that was mostly used to perpetrate fraud was bank branch, which increased by 44.19 per cent to ₦1.45 billion from ₦1.00 billion in the preceding quarter. Following this was the Web, which fell to ₦1.43 billion from ₦2.37 billion in the previous quarter, thus representing a significant decrease of 39.49 per cent.

Further analysis according to the amount involved in fraud reveals that the instrument that was mostly used to perpetrate fraud was cash, which decreased considerably by 41.38 per cent to ₦1.37 billion from ₦2.34 billion in the preceding quarter. This was closely followed by the incidence of card fraud which rose to ₦1.63 billion from ₦1.06 billion that was reported in the previous period, representing a significant increase of 54.04 per cent. Further details of the channels and instruments that were 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 involvement in fraudulent activities. This figure fell to 73 banks' staff, from 87 banks' employees whose appointments were terminated on similar grounds in the preceding quarter, representing a significant decrease of 16.09 per cent. This index further reinforces banks' zero tolerance of their employees' involvement in fraudulent practices.

### **Conclusion and Recommendations**

Analysis of banks' returns on fraud reveals that most of the parameters used to assess fraud and forgery in the banking industry surged during the first quarter of 2014. This view was informed by the fact that during the period, total amount that was lost to fraud rose significantly to ₦1.28 billion from ₦870.19 million that was reported in the fourth quarter, thus representing an increase of 46.70 per cent. Similarly, the total number of reported fraud cases in the banking industry increased by 17.95 per cent to 2,957 from 2,507 that was reported in the preceding quarter.

It is encouraging to observe that the total amount that was reported to be involved in fraud dropped by 15.18 per cent to ₦3.11 billion from ₦3.66 billion in the previous quarter. In a similar vein, it is remarkable to observe that the amount

involved in electronic fraud<sup>5</sup> plunged to ₦1.63 billion from ₦2.65 billion in the previous quarter, indicating a decrease of 38.57 per cent. However, the actual amount that was lost to electronic fraud increased marginally by 3.97 per cent to ₦678.89 million, up from ₦652.99 million in the previous quarter.

With the incessant incident of fraudulent activities in the industry, banks should endeavour to continually engage other stakeholders on ways to collaboratively combat the menace in an effective and efficient manner. In addition, banks must continually enhance their control systems to discourage potential by ensuring that their internal procedures (especially security and recruitment procedures) are regularly reviewed. While banks are encouraged to continually pay close attention to preventing fraud through their electronic platforms (i.e. web, PoS, mobile payments and ATM), they must ensure that their employees are continually trained on emerging trends in electronic fraud detection techniques, and provide basic tips to also enlighten their customers on how to prevent fraud perpetration.

*(Please see the appendices below for summaries of the cases of frauds and forgeries covered in this report, with comparisons between the first quarter of 2013, fourth quarter of 2013 and first quarter of 2014 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 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.

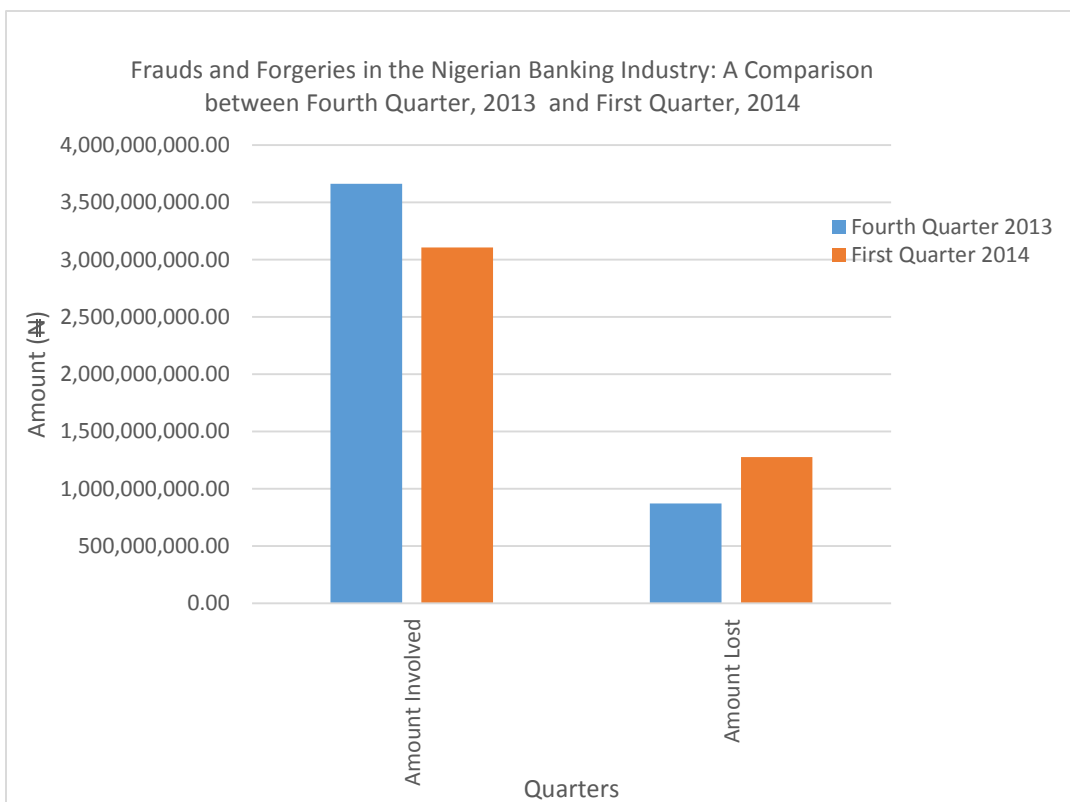
Note 5: Consisting of computer/web fraud, PoS fraud, mobile payment fraud, and ATM fraud.

## Appendix I (A)

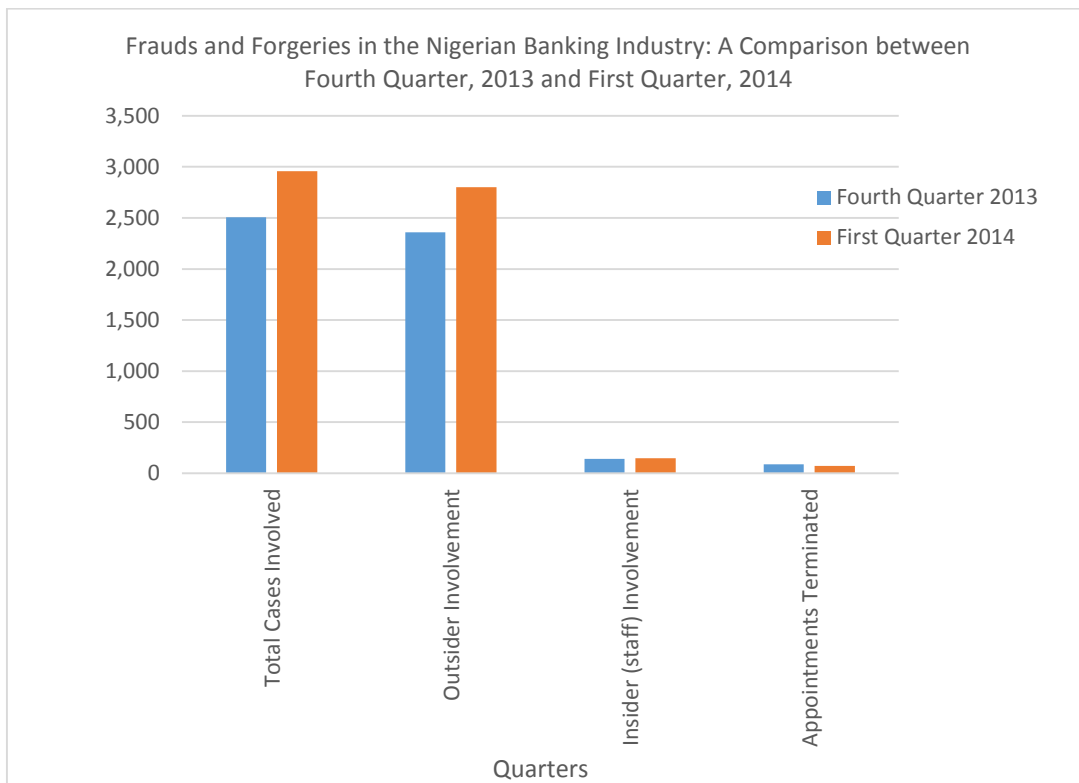
### Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter, 2013 and First Quarter, 2014

S/N	Variables	Fourth Quarter, 2013	First Quarter, 2014
1	Total Cases reported	2,507	2,957
2	Total Amount Involved	<del>₦</del> 3,661,564,681.26	<del>₦</del> 3,105,755,481.40
3	Total Amount Lost	<del>₦</del> 870,194,036.10	<del>₦</del> 1,276,529,762.11
4	Outsider Involvement	2,358	2,800
5	Insider (Staff) Involvement	141	148
6	Appointments Terminated	87	73

## Appendix I (B)



### Appendix I (C)

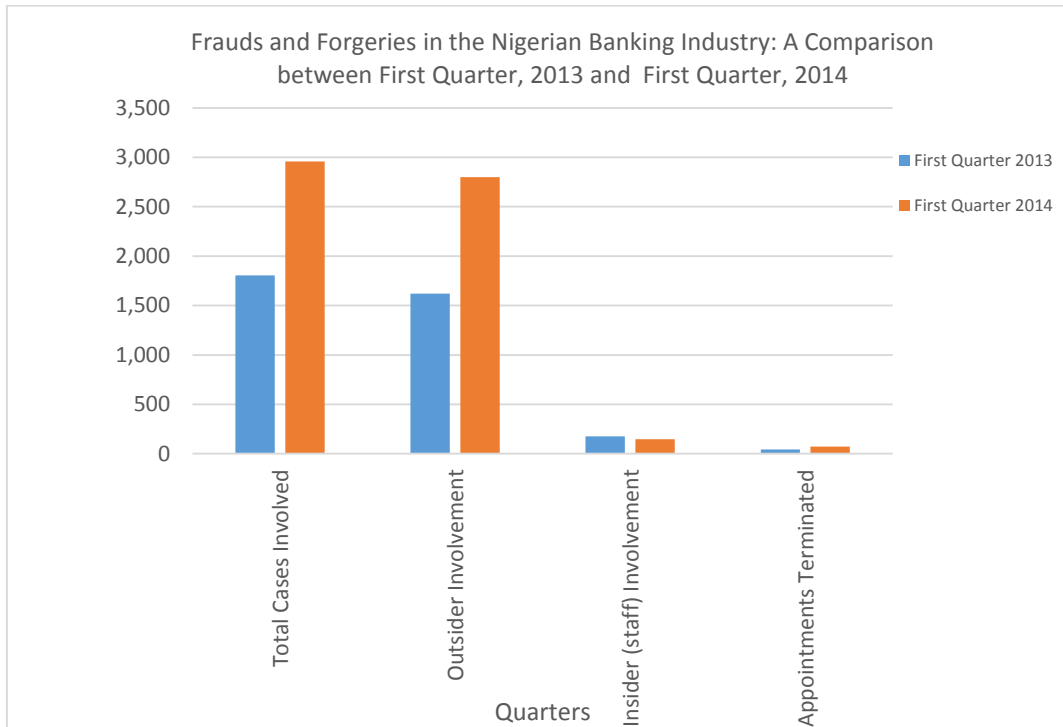


### Appendix I (D)

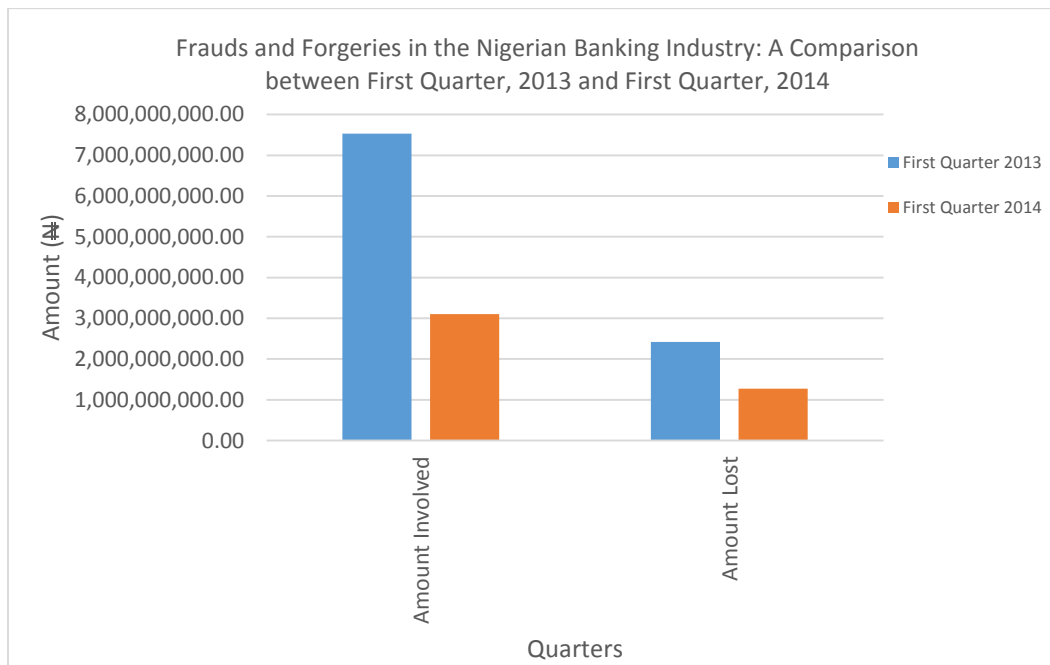
**Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between First Quarter, 2013 and First Quarter, 2014**

S/N	Variables	First Quarter, 2013	First Quarter, 2014
1	Total Cases Involved	1,804	2,957
2	Total Amount Involved	₦7,527,322,371.59	₦3,105,755,481.40
3	Total Amount Lost	₦2,418,670,025.54	₦1,276,529,762.11
4	Outsider Involvement	1,620	2,800
5	Insider (staff) Involvement	175	148
6	Appointments Terminated	42	73

## Appendix I (E)



## Appendix I (F)



**Appendix II (A): Frauds and Forgeries in the Nigerian Banking Industry (First Quarter, 2014)**

<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>	12 (0.41)	11 (7.43)	0 (0)	1 (11.11)	0 (0)	8,941,415.00 (0.29)	6,899,796.10 (0.54)	77.2
<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>	32 (1.08)	5 (3.38)	27 (0.96)	0 (0)	0 (0)	74,940,531.44 (2.41)	65,863,129.44 (5.16)	87.9
<b>Printing Of Bank Document Illegally</b>	1 (0.03)	1 (0.68)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
<b>Clearing Fraud</b>	5 (0.17)	0 (0)	5 (0.18)	0 (0)	0 (0)	21,276,180 (0.69)	0 (0)	0
<b>Computer/Web Fraud</b>	509 (17.21)	14 (9.46)	492 (17.57)	3 (33.33)	0 (0)	1,432,947,697.71 (46.14)	616,231,062.94 (48.27)	43.0
<b>Mobile Fraud</b>	1 (0.03)	0 (0)	1 (0.04)	0 (0)	0 (0)	1,650,000.00 (0.05)	1,650,000.00 (0.13)	100
<b>Foreign Exchange Fraud</b>	2 (0.07)	2 (1.35)	0 (0)	0 (0)	0 (0)	3,135,000.00 (0.10)	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

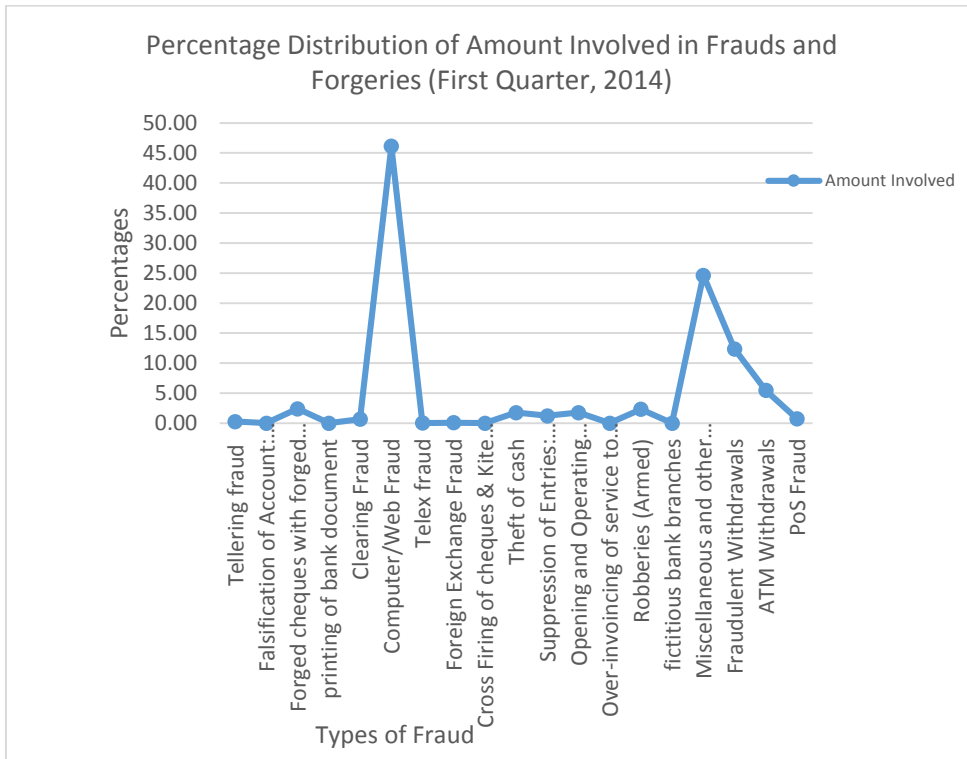


Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry (First Quarter, 2014)

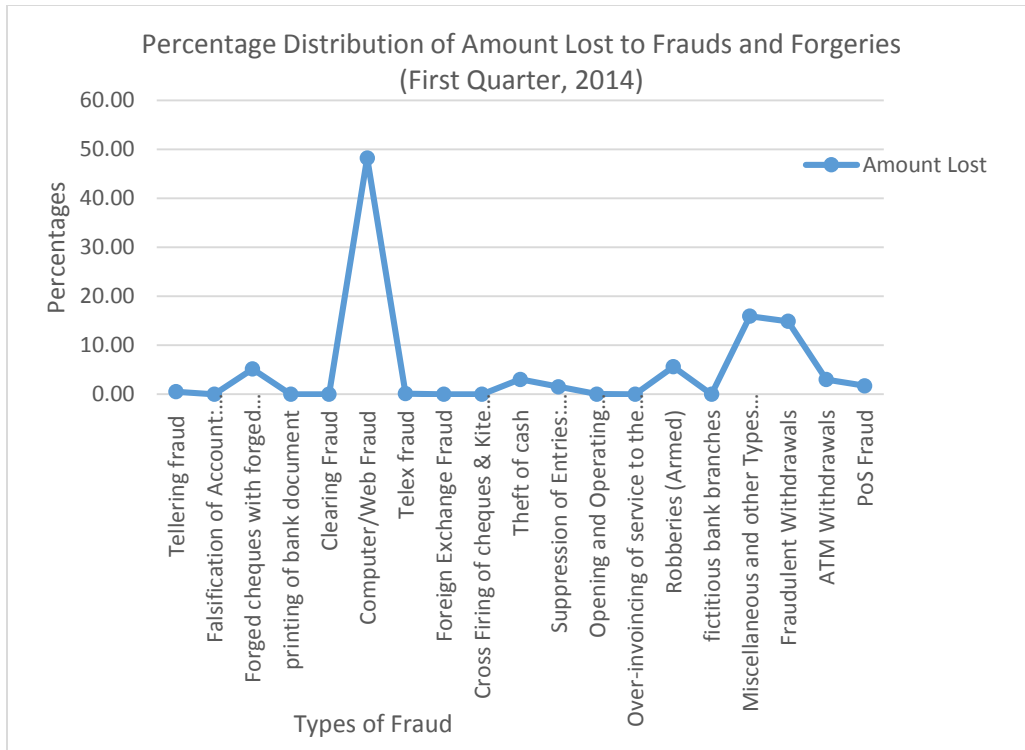
Types of Fraud	Total Number Of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (₦)	Actual /Expected Loss (₦)	Expected Loss/ Amount Involved (%)
Theft of Cash	11 (0.37)	10 (6.76)	1 (0.04)	0 (0)	0 (0)	55,173,000.00 (1.78)	38,900,000.00 (3.05)	70.5
Suppression of Entries: Cash/Cheques	50 (1.69)	47 (31.76)	3 (0.11)	0 (0)	0 (0)	38,845,404.76 (1.25)	19,676,573.48 (1.54)	50.7
Opening and Operating Fraudulent Loans and Accounts	18 (0.61)	0 (0)	18 (0.64)	0 (0)	0 (0)	55,005,824.00 (1.77)	400,000.00 (0.03)	0.7
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 (0.17)	0 (0)	5 (0.18)	0 (0)	0 (0)	71,966,858.00 (2.32)	71,920,858.00 (5.63)	99.9
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 (2.87)	42 (28.38)	42 (1.50)	1 (11.11)	0 (0)	765,162,562.44 (24.64)	203,783,742.34 (15.96)	26.6
Fraudulent Withdrawals	77 (2.60)	15 (10.14)	58 (2.07)	4 (44.44)	0 (0)	384,510,418.37 (12.38)	190,200,285.61 (14.90)	49.5
ATM Withdrawals	2,117 (71.59)	1 (0.68)	2,116 (75.57)	0 (0)	0 (0)	169,936,471.42 (5.47)	38,740,195.94 (3.03)	22.8
PoS Fraud	32 (1.08)	0 (0)	32 (1.14)	0 (0)	0 (0)	22,264,118.26 (0.72)	22,264,118.26 (1.74)	100
<b>Total</b>	<b>2,957</b>	<b>148</b>	<b>2,800</b>	<b>9</b>	<b>0</b>	<b>3,105,755,481.40</b>	<b>1,276,529,762.11</b>	<b>728.8</b>

Note: All figures in parenthesis ( ) indicate percentages

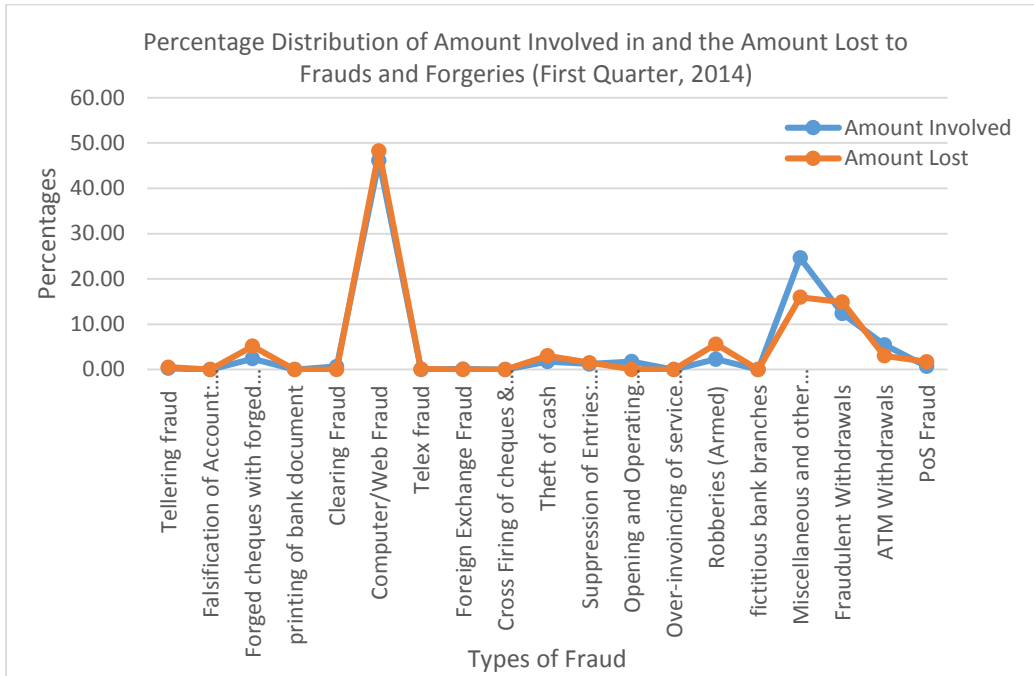
## Appendix II (B)



## Appendix II (C)



## Appendix II (D)



## Appendix III (A)

### Fraud and Forgeries through various Payment Channels: A Comparison between Fourth Quarter, 2013 and First Quarter, 2014

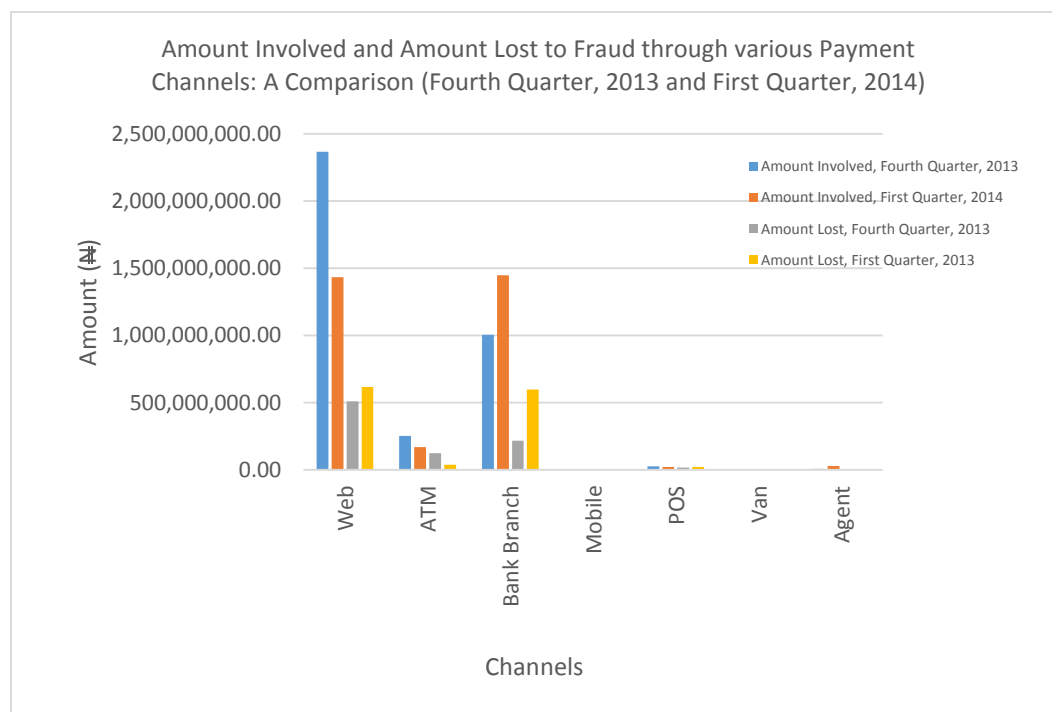
S/N	Channels	Cases: Fourth Quarter, 2013	Cases: First Quarter, 2014
1	Web	552	509
2	ATM	1,539	2,117
3	Bank Branch	304	289
4	Mobile	1	1
5	POS	107	32
6	Van	0	0
7	Agent	4	9
	<b>Total</b>	<b>2,507</b>	<b>2,957</b>

### Appendix III (B)

#### Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison (Fourth Quarter, 2013 and First Quarter, 2014)

S/N	Channel	Amount Involved, Fourth Quarter, 2013 (₦)	Amount Involved, First Quarter, 2014 (₦)	Amount Lost, Fourth Quarter, 2013 (₦)	Amount Lost, First Quarter, 2014 (₦)
1	Web	2,367,934,140.66	1,432,947,697.71	509,518,105.05	616,231,062.94
2	ATM	252,382,171.00	169,936,471.42	124,608,484.91	38,740,195.94
3	Bank Branch	1,004,616,185.60	1,448,602,891.50	217,102,146.89	597,644,384.97
4	Mobile	212,808.00	1,650,000	212,808	1,650,000
5	POS	27,533,498.00	22,264,118.26	18,652,491.25	22,264,118.26
6	Van	0.00	0.00	0.00	0.00
7	Agent	8,885,878.00	30,354,302.51	100,000	0.00
	<b>Total</b>	<b>3,661,564,681.26</b>	<b>3,105,755,481.40</b>	<b>870,194,036.10</b>	<b>1,276,529,762.11</b>

### Appendix III (C)



### Appendix IV (A)

#### Frauds and Forgeries through various Instruments: A Comparison between Fourth Quarter, 2013 and First Quarter, 2014

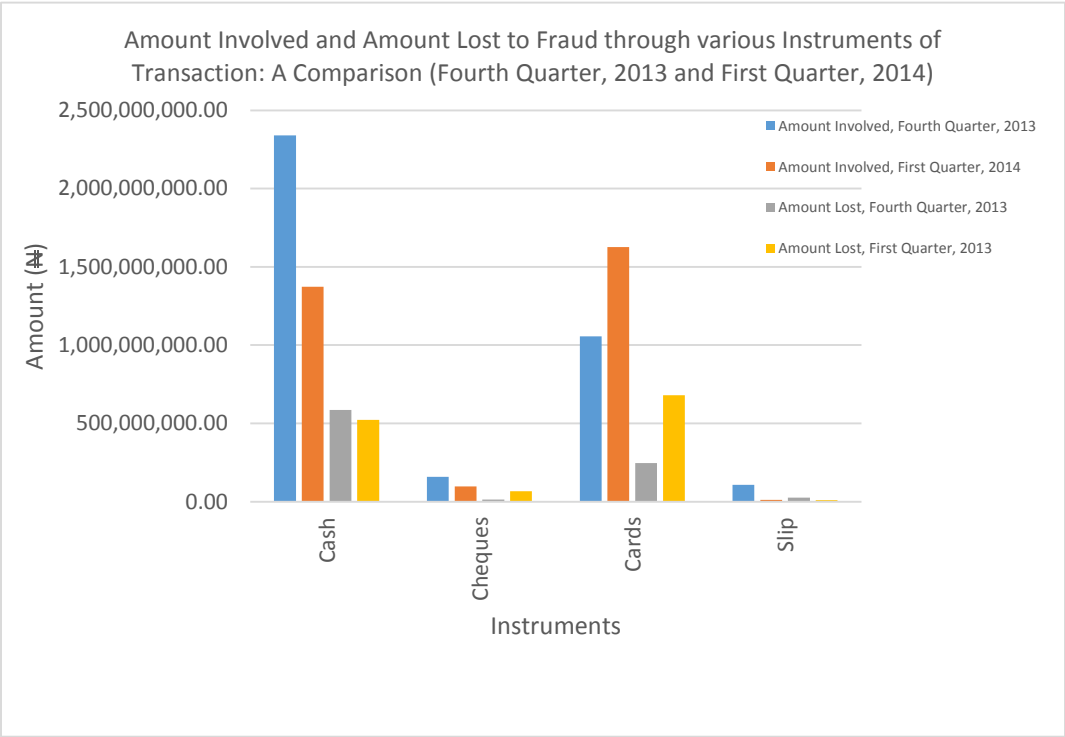
S/N	Instruments	Cases: Fourth Quarter, 2013	Cases: First Quarter, 2014
1	Cash	349	254
2	Cheques	133	37
3	Cards	1,994	2,659
4	Slips	31	7
	<b>Total</b>	<b>2507</b>	<b>2957</b>

### Appendix IV (B)

#### Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison (First Quarter, 2013 and First Quarter, 2014)

S/N	Instruments	Amount Involved, Fourth Quarter, 2013 (₦)	Amount Involved, First Quarter, 2013 (₦)	Amount Lost, Fourth Quarter, 2013 (₦)	Amount Lost, First Quarter, 2014 (₦)
1	Cash	2,340,597,262.40	1,371,978,032.32	586,400,822.11	522,472,174.43
2	Cheques	157,781,253.19	96,216,711.44	12,641,640.05	65,863,129.44
3	Cards	1,056,066,296.87	1,626,798,287.64	246,219,223.94	678,885,377.14
4	Slips	107,119,868.80	10,762,450.00	24,932,350.00	9,309,081.10
	<b>Total</b>	<b>3,661,564,681.26</b>	<b>3,105,755,481.40</b>	<b>870,194,036.10</b>	<b>1,276,529,762.11</b>

### Appendix IV (C)



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

**April - June, 2014**

# Report on Frauds and Forgeries in the Nigerian Banking Industry for the Period April - June, 2014

## Overview

During the second quarter of 2014, FITC received 66 returns from 22 deposit money banks<sup>1</sup> on incidence of fraud and forgery that occurred in their respective institutions. Of these returns, 22 each were received for the months of April, May and June.

## Volume and Value of Fraud Cases

Analysis of the returns shows that a total of 2,661 cases<sup>2</sup> (volume) of frauds and forgeries were reported in the banking industry during the period (April - June, 2014), compared to 2,957 cases reported in the preceding quarter, thus representing a decrease of 10.01 per cent. The types of fraud that were reported to be predominant during the review period include: fraudulent ATM withdrawals, computer/web fraud, fraudulent withdrawals, miscellaneous<sup>3</sup> (other types of) fraud, suppression of entries, and opening/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> (value) of money that was reported to be involved in fraud cases skyrocketed to ₦12.75 billion from ₦3.11 billion in the previous quarter, indicating an alarming 310.55 per cent increase. Of the total amount (₦12.75 billion) involved in fraud, ₦479.45 million (3.75 per cent) was actually lost to fraud in the banking industry; the difference of ₦12.27 billion (96.24 per cent) of the total amount involved in fraud was recovered through the collective efforts of banks' internal and external control techniques: i.e. internal procedural checks 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 miscellaneous (and other types of) fraud ranked first at ₦11.47 billion (89.98 per cent), while computer/web/web fraud ranked second at ₦628.08 million (4.93 per cent) of the total amount involved in fraud and forgery, during the review period. Further analysis shows that fraudulent withdrawals ranked third at ₦191.22 million (1.50 per cent), while fraudulent ATM withdrawals ranked fourth at ₦167.69 million (1.32 per cent). **Appendix II (B)** further provides a graphical illustration of the amount that was reported to be involved in cases of frauds and forgeries during the period under review.

Further analysis of the returns revealed that computer/web fraud accounted for ₦164.30 million (34.27 per cent) of the total amount that was actually lost to fraudulent activities, while fraudulent withdrawals and fraudulent ATM withdrawals accounted for ₦108.08 million (22.54 per cent) and ₦40.51 million (8.45 per cent) respectively. **Appendix II (C)** shows the amount that was actually



lost to fraud and forgery activities in the second quarter of 2014, 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 review period, the various types of channels that were used to perpetrate fraud are: Web, ATM, bank branch, mobile payments, PoS, van and agent; while cash, cheques, cards and slips were the instruments used by fraudsters to commit fraud. Analysing the banks' returns by the amount involved, the channel that was mostly used to perpetrate fraud was bank branch, which surged to ₦11.89 billion from ₦1.45 billion that was recorded in the preceding quarter, representing an alarming increase of 720.85 per cent. Following this was the Web, which fell significantly by 56.17 per cent to ₦628.08 million from ₦1.43 billion in the previous quarter.

Further analysis by the amount involved in fraud reveals that the instrument that was mostly used to perpetrate fraud was bank slip, which skyrocketed by a very alarming 104,369.40 per cent to ₦11.24 billion from ₦10.76 million in the preceding quarter. This was followed by card which, however, plummeted to ₦807.91 million from ₦1.63 billion in the previous period, thus representing a significant decrease of 50.34 per cent. Details of the channels and instruments that were used in perpetrating fraud are illustrated graphically in **Appendices III - IV**.

The returns also reveal data on banks employees that were either dismissed or had their appointments terminated as a result of fraud related activities. This index increased by 8.22 per cent to 79 banks' staff, from 73 banks' employees whose appointments were terminated on similar grounds in the preceding quarter. This action demonstrates banks' zero tolerance for employees' involvement in fraudulent practices.

### **Conclusion and Recommendations**

Analysis of the banks' returns on fraud reveal that most of the parameters that were used to assess fraud and forgery in the banking industry reduced considerably in the second quarter of 2014, except for the amount involved in fraud which surged during the period. For instance, the total amount that was lost to fraud fell considerably to ₦479.45 million from ₦1.28 billion that was reported in the first quarter, thus representing a decrease of 62.44 per cent. Similarly, the total number of reported fraud cases in the banking industry plummeted by 10.01 per cent to 2,661 from 2,957 that was reported in the preceding quarter. However, it is alarming to observe that the total amount that was reported to be involved in fraud rose significantly by 310.55 per cent to ₦12.75 billion from ₦3.11 billion in the previous quarter.

It is also remarkable to observe that the amount that was reported to be involved in electronic fraud<sup>5</sup> dropped to ₦808.27 million from ₦1.63 billion in the previous

quarter, decreasing by 50.32 per cent. Similarly, the actual amount that was lost to electronic fraud plunged by 68.78 per cent to ₦211.92 million, down from ₦678.89 million in the previous quarter.

The observed surge in the amount involved in fraud is quite worrisome, and brings to the fore, the need for the banking industry to adopt a multi-stakeholders' approach to tackling fraud incidence in the industry. Banks must continually enhance their control processes and security measures; for emphasis, it is very imperative for banks to ensure that proper due diligence is carried out on potential employees before they are formally engaged. Thus, the directive of the Central Bank of Nigeria that deposit money banks and discount houses seek its approval before recruiting new employees will help to mitigate the incidence of fraud in the industry. In addition, banks must be persuaded to regularly make use of available structures and processes to ensure that only fit and proper persons are recruited and retained in the industry, as well as evolve efficient ways of tracking their previous employees to discourage them from becoming subsequent threats to the industry.

*(Please see the appendices below for summaries of the cases of frauds and forgeries covered in this report, with comparisons between the first quarter of 2013, first and second quarters of 2014 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, and misappropriation of funds etc.

Note 4: Value of fraud and forgery.

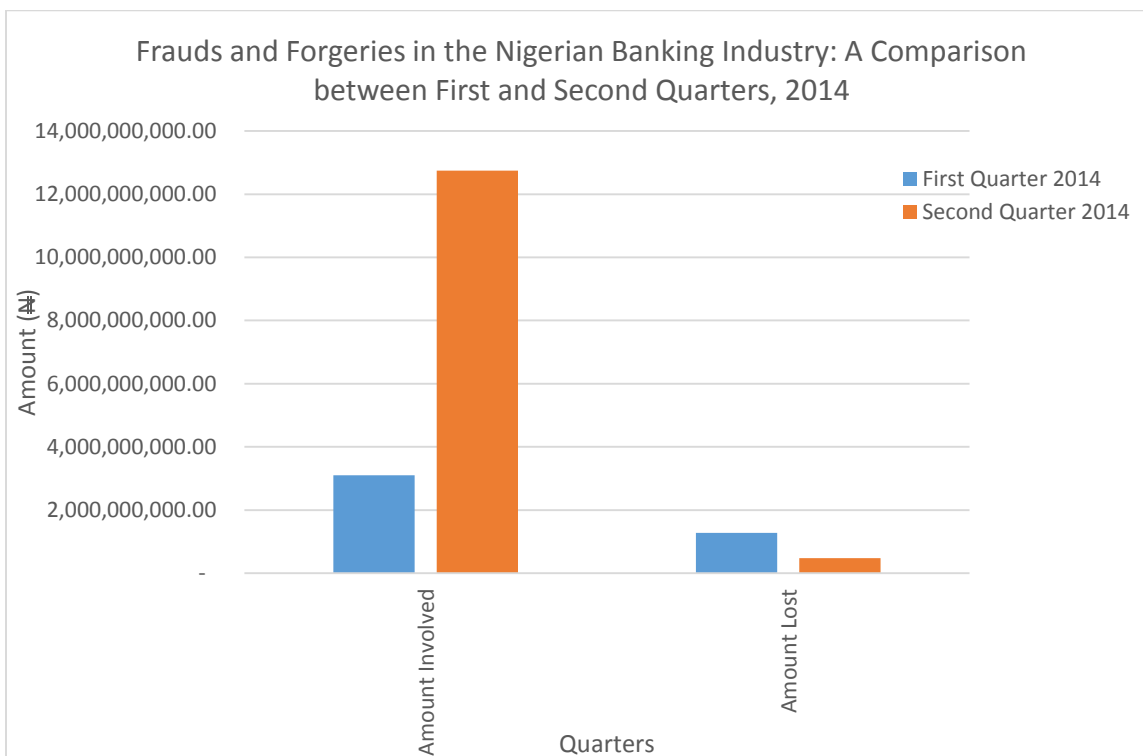
Note 5: Consisting of computer/web fraud, PoS fraud, mobile payment fraud, and ATM fraud.

## Appendix I (A)

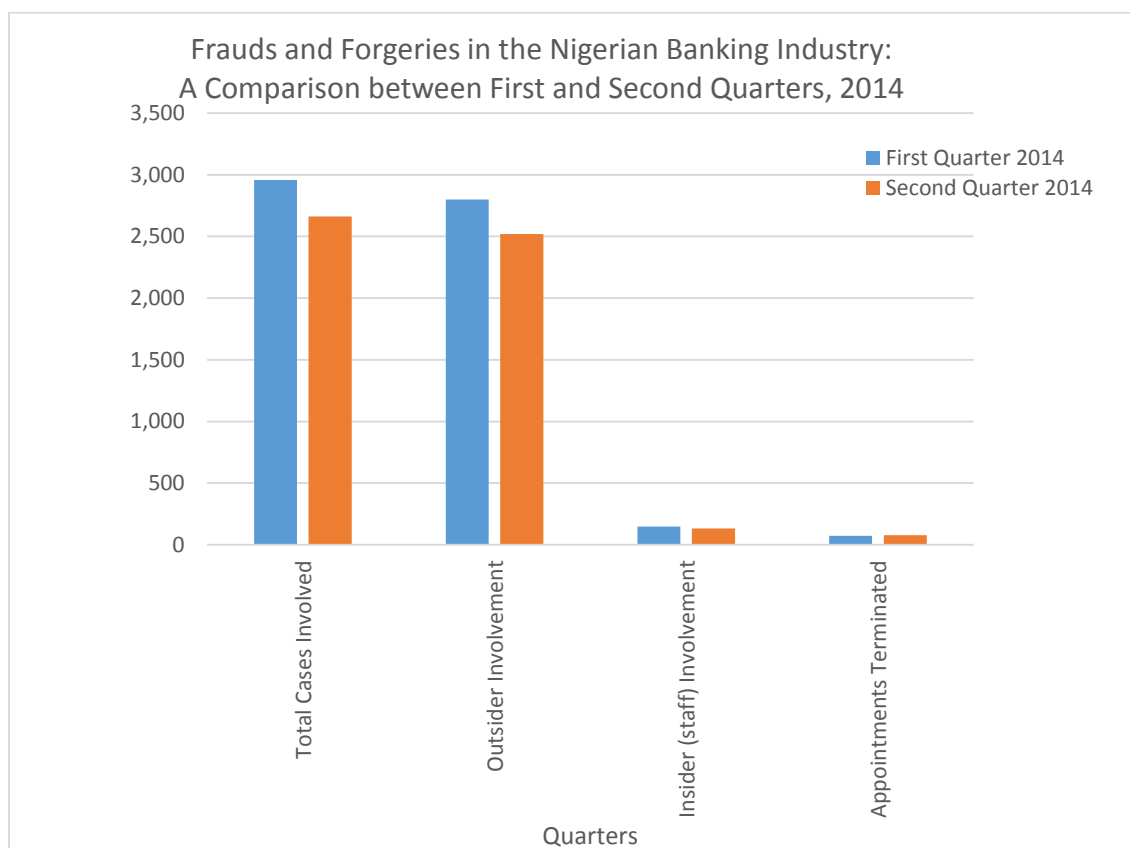
### Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between First and Second Quarters, 2014

S/N	Variables	First Quarter, 2014	Second Quarter, 2014
1	Total Cases reported	2,957	2,661
2	Total Amount Involved	N3,105,755,481.40	N12,750,672,060.44
3	Total Amount Lost	N1,276,529,762.11	N479,450,089.32
4	Outsider Involvement	2,800	2520
5	Insider (Staff) Involvement	148	133
6	Appointments Terminated	73	79

## Appendix I (B)



### Appendix I (C)

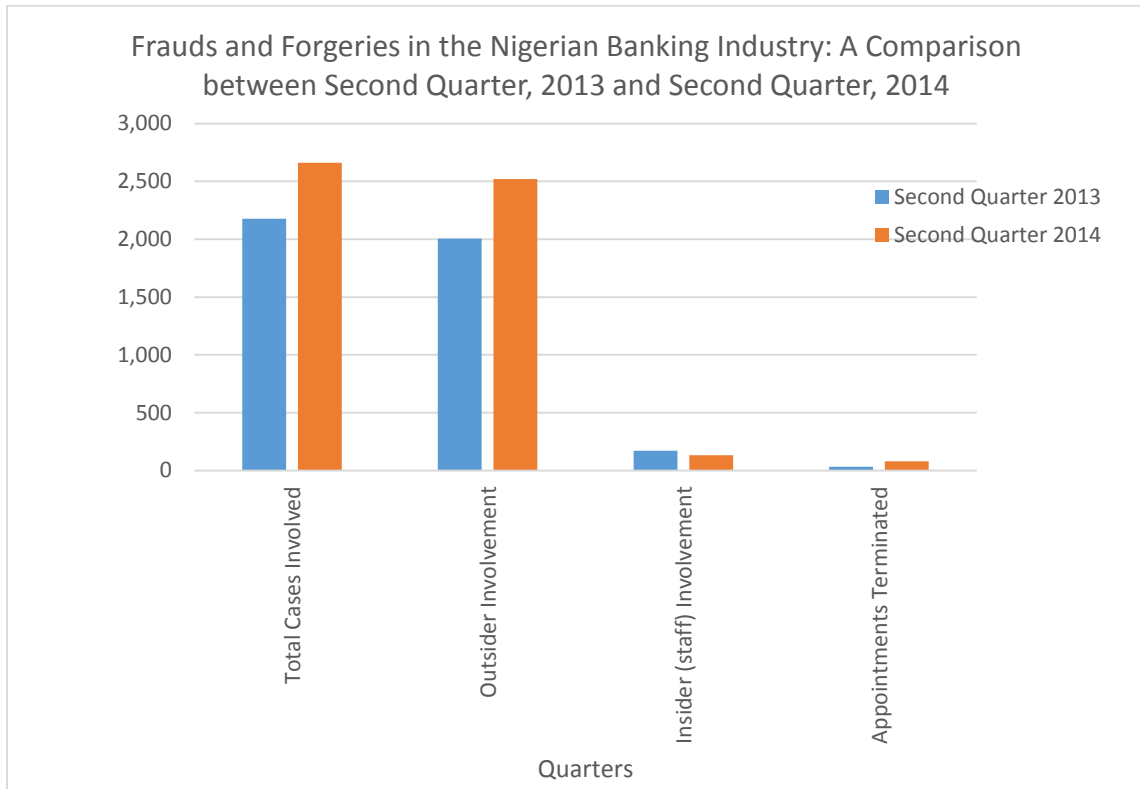


### Appendix I (D)

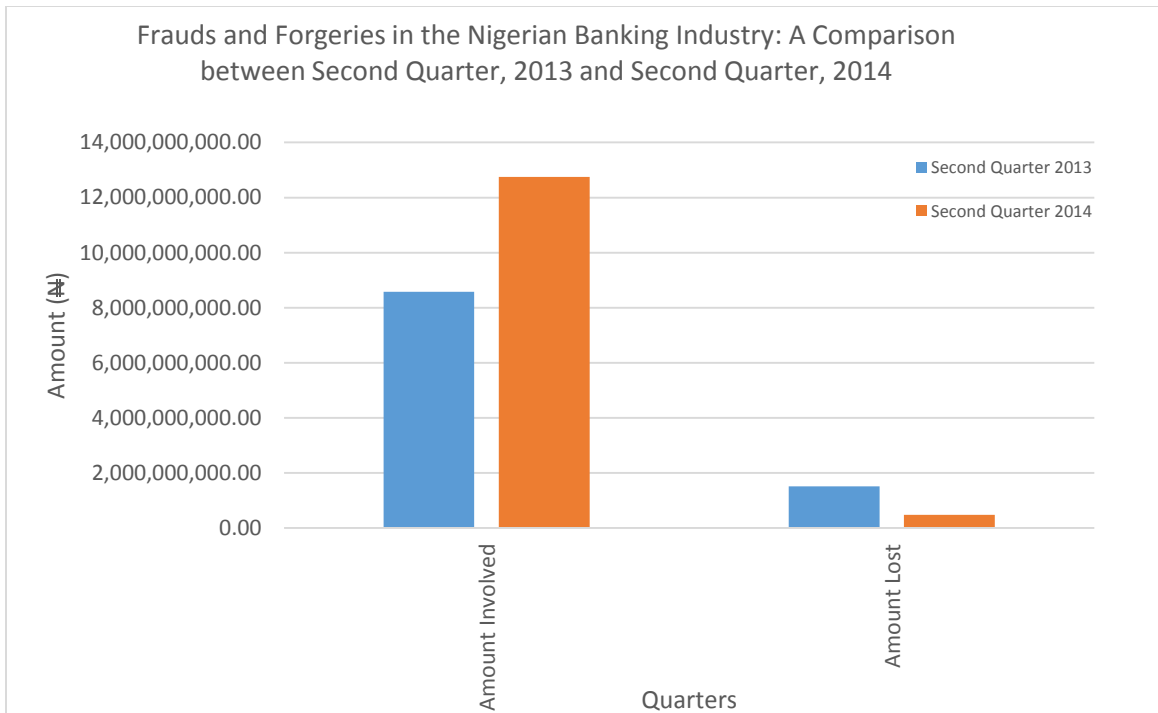
**Frauds and Forgeries in the Nigerian Banking Industry: A Comparison  
between Second Quarter, 2013 and Second Quarter, 2014**

S/N	Variables	Second Quarter, 2013	Second Quarter, 2014
1	Total Cases Involved	2,176	2,661
2	Total Amount Involved	<del>₦</del> 8,577,641,174.38	<del>₦</del> 12,750,672,060.44
3	Total Amount Lost	<del>₦</del> 917,773,724.87	<del>₦</del> 479,450,089.32
4	Outsider Involvement	2,006	2,520
5	Insider (Staff) Involvement	170	133
6	Appointments Terminated	32	79

### Appendix I (E)



### Appendix I (F)



**Appendix II (A): Frauds and Forgeries in the Nigerian Banking Industry (Second Quarter, 2014)**

<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>	10 (0.38)	10 (7.52)	0 (0)	0 (0)	0 (0)	3,817,940.00 (0.03)	1,139,000.00 (0.24)	29.8
<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>	36 (1.35)	3 (2.26)	30 (1.19)	3 (37.50)	0 (0)	18,558,624.08 (0.15)	2,267,500.00 (0.47)	12.2
<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>	7 (0.26)	0 (0)	7 (0.28)	0 (0)	0 (0)	11,201,000.00 (0.09)	1,426,500.00 (0.30)	12.7
<b>Computer/Web Fraud</b>	400 (15.03)	4 (3.01)	396 (15.71)	0 (0)	0 (0)	628,082,691.47 (4.93)	164,297,186.43 (34.27)	26.2
<b>Mobile Fraud</b>	4 (0.015)	0 (0)	4 (0.16)	0 (0)	0 (0)	8,739,200.00 (0.07)	4,445,200.00 (0.93)	50.9
<b>Foreign Exchange Fraud</b>	6 (0.23)	2 (1.50)	4 (0.16)	0 (0)	0 (0)	25,744,133.02 (0.20)	13,704,224.00 (2.86)	53.2
<b>Cross Firing Of Cheques and Kite Flying</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0

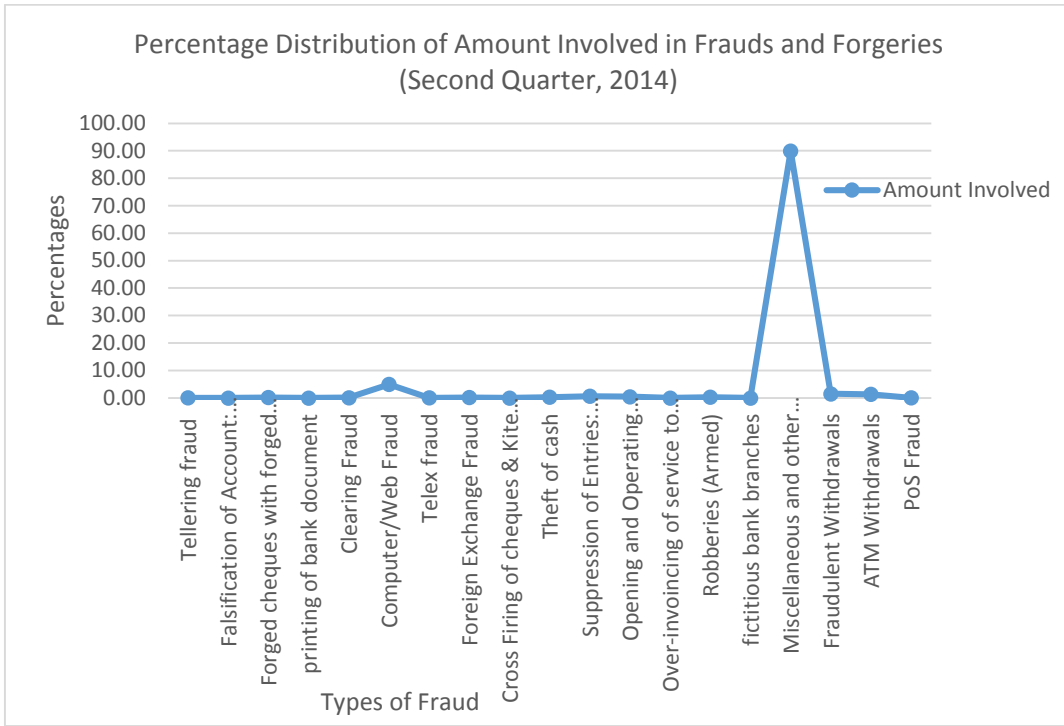
Note: All figures in parenthesis ( ) indicate percentages

Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry (Second Quarter, 2014)

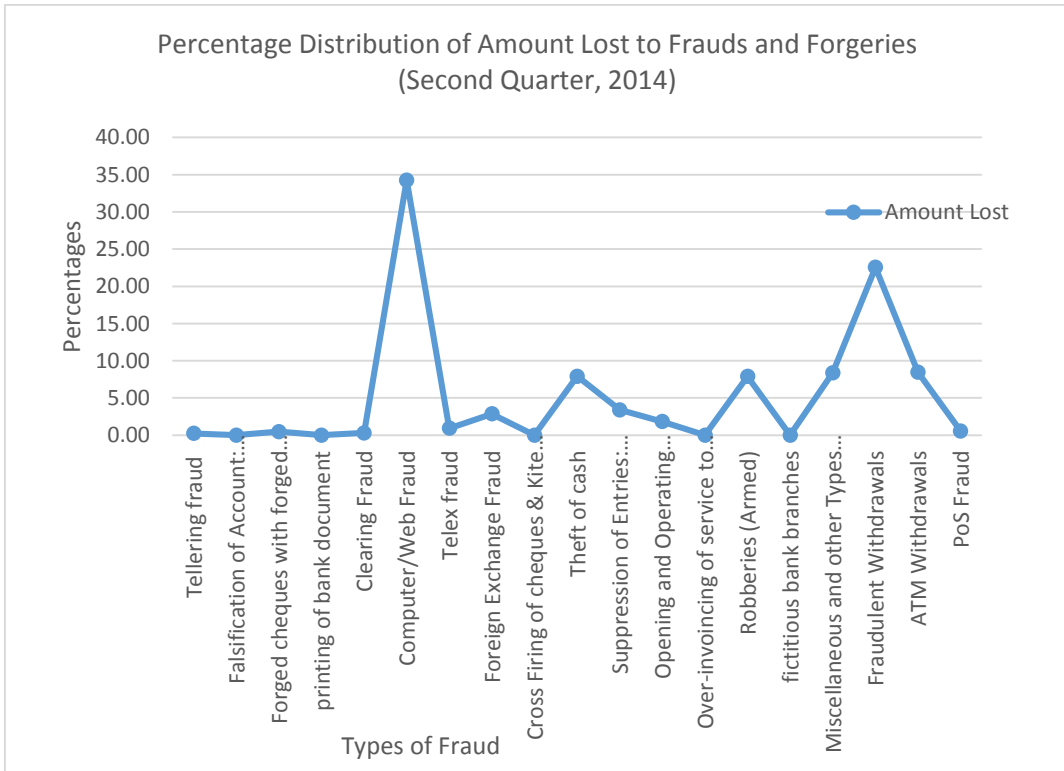
Types of Fraud	Total Number Of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (₦)	Actual /Expected Loss (₦)	Expected Loss/ Amount Involved (%)
Theft of Cash	19 (0.71)	18 (13.53)	1 (0.04)	0 (0)	0 (0)	39,507,120.00 (0.31)	37,886,295.10 (7.90)	95.9
Suppression of Entries: Cash/Cheques	53 (1.99)	52 (39.10)	1 (0.04)	0 (0)	0 (0)	83,560,390.00 (0.66)	16,336,005.00 (3.41)	19.5
Opening and Operating Fraudulent Loans and Accounts	46 (1.73)	0 (0)	46 (1.83)	0 (0)	0 (0)	57,310,016.50 (0.45)	8,764,000.00 (1.83)	15.3
Over-Invoicing of Service to the Bank	1 (0.04)	1 (0.75)	0 (0)	0 (0)	0 (0)	8,400.00 (0)	1,610.00 (0)	19.2
Robberies (Armed)	7 (0.26)	0 (0)	7 (0.28)	0 (0)	0 (0)	37,835,743.50 (0.30)	37,835,743.50 (7.89)	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	64 (2.41)	24 (18.05)	37 (1.47)	3 (37.5)	0 (0)	11,473,639,569.63 (89.98)	40,092,365.36 (8.36)	0.3
Fraudulent Withdrawals	66 (2.48)	17 (12.78)	47 (1.87)	2 (25.00)	0 (0)	191,218,100.10 (1.50)	108,081,510.10 (22.54)	56.5
ATM Withdrawals	1,926 (72.38)	2 (1.50)	1,924 (76.35)	0 (0)	0 (0)	167,693,931.40 (1.32)	40,510,063.94 (8.45)	24.2
PoS Fraud	16 (0.60)	0 (0)	16 (0.63)	0 (0)	0 (0)	3,755,200.74 (0.03)	2,662,885.89 (0.56)	70.9
<b>Total</b>	<b>2,661</b>	<b>133</b>	<b>2,520</b>	<b>8</b>	<b>0</b>	<b>12,750,672,060.44</b>	<b>479,450,089.32</b>	<b>586.9</b>

Note: All figures in parenthesis ( ) indicate percentages

### Appendix II (B)

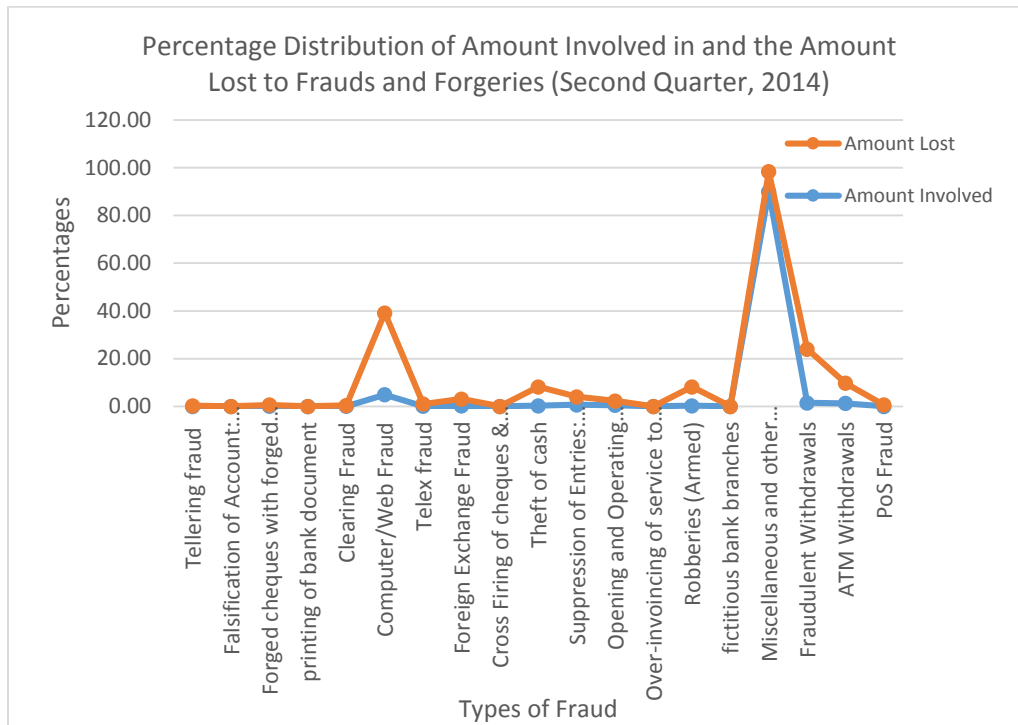


### Appendix II (C)





### Appendix II (D)



### Appendix III (A)

#### Fraud and Forgeries through various Payment Channels: A Comparison between First and Second Quarters, 2014

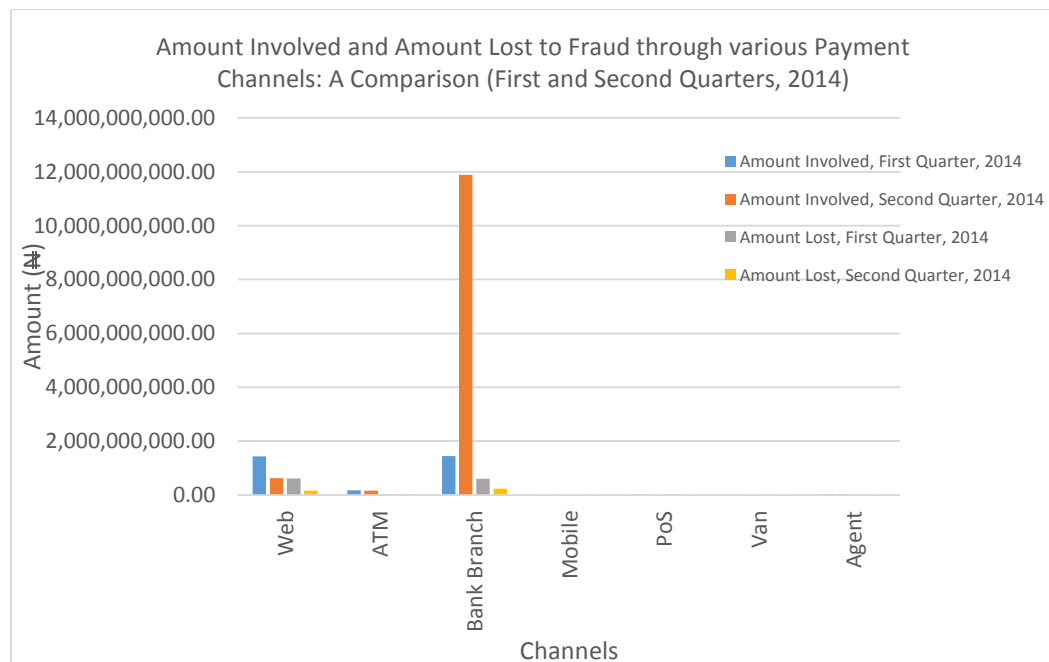
S/N	Channels	Cases: First Quarter, 2014	Cases: Second Quarter, 2014
1	Web	509	400
2	ATM	2,117	1,920
3	Bank Branch	289	301
4	Mobile	1	4
5	POS	32	22
6	Van	0	1
7	Agent	9	13
	<b>Total</b>	<b>2,957</b>	<b>2,661</b>

### Appendix III (B)

**Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison (First and Second Quarters, 2014)**

S/N	Channel	Amount Involved, First Quarter, 2014 (₦)	Amount Involved, Second Quarter, 2014 (₦)	Amount Lost, First Quarter, 2014 (₦)	Amount Lost, Second Quarter, 2014 (₦)
1	Web	1,432,947,697.71	628,082,691.47	616,231,062.94	164,297,186.43
2	ATM	169,936,471.42	162,715,467.89	38,740,195.94	36,055,665.86
3	Bank Branch	1,448,602,891.50	11,890,879,160.31	597,644,384.97	237,827,285.56
4	Mobile	1,650,000	8,739,200.00	1,650,000	4,445,200.00
5	POS	22,264,118.26	8,733,664.25	22,264,118.26	7,117,283.97
6	Van	0.00	14,576,743.50	0.00	14,576,743.50
7	Agent	30,354,302.51	36,945,133.02	0.00	15,130,724.00
	<b>Total</b>	<b>3,105,755,481.40</b>	<b>12,750,672,060.44</b>	<b>1,276,529,762.11</b>	<b>479,450,089.32</b>

### Appendix III (C)



### Appendix IV (A)

#### Frauds and Forgeries through various Instruments: A Comparison between First and Second Quarters, 2014

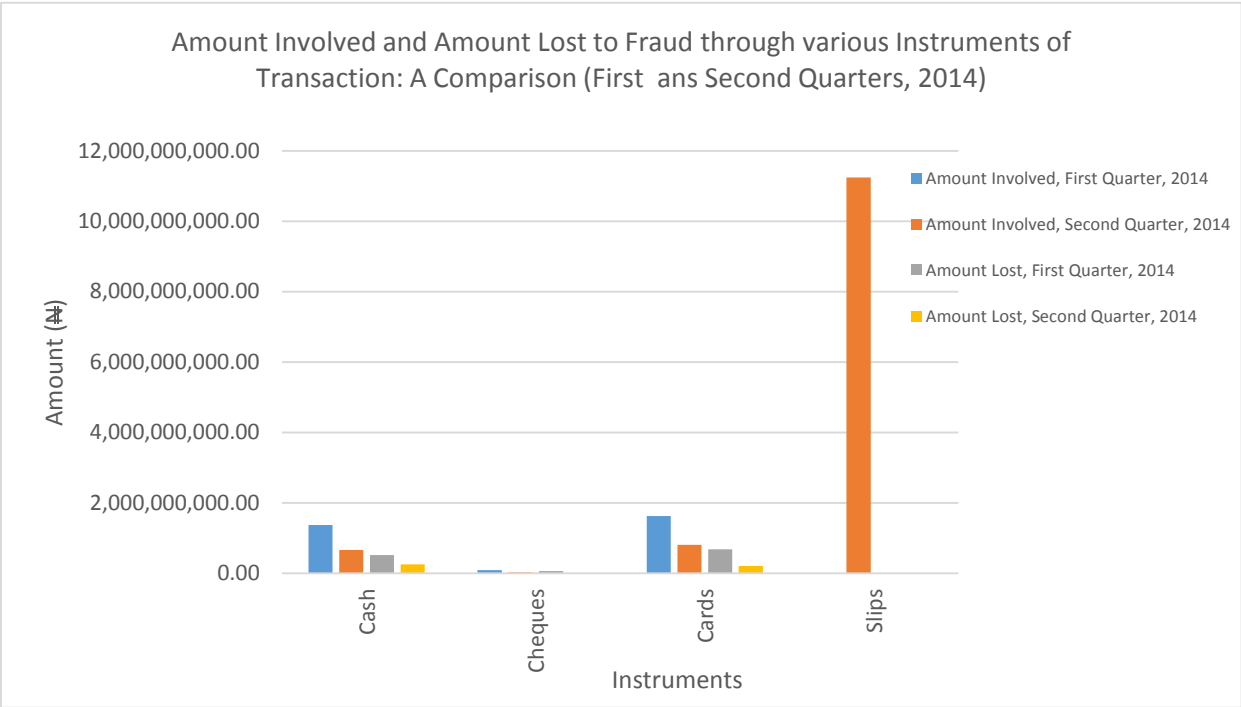
S/N	Instruments	Cases: First Quarter, 2014	Cases: Second Quarter, 2014
1	Cash	254	260
2	Cheques	37	43
3	Cards	2,659	2,345
4	Slips	7	13
	<b>Total</b>	<b>2,957</b>	<b>2,661</b>

### Appendix IV (B)

#### Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison (First and Second Quarters, 2014)

S/N	Instruments	Amount Involved, First Quarter, 2014 (₦)	Amount Involved, Second Quarter, 2014 (₦)	Amount Lost, First Quarter, 2014 (₦)	Amount Lost, Second Quarter, 2014 (₦)
1	Cash	1,371,978,032.32	669,534,674.86	522,472,174.43	260,520,853.06
2	Cheques	96,216,711.44	29,759,624.08	65,863,129.44	3,694,000.00
3	Cards	1,626,798,287.64	807,911,023.61	678,885,377.14	211,915,336.26
4	Slips	10,762,450.00	11,243,466,737.89	9,309,081.10	3,319,900.00
	<b>Total</b>	<b>3,105,755,481.40</b>	<b>12,750,672,060.44</b>	<b>1,276,529,762.11</b>	<b>479,450,089.32</b>

### Appendix IV (C)





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

**July - September, 2014**

# Report on Frauds and Forgeries in the Nigerian Banking Industry for the Period July - September, 2014

## Overview

During the second quarter of 2014, FITC received 64 returns from 22 deposit money banks<sup>1</sup> on incidence of fraud and forgery that occurred in their respective institutions during the period. Of these returns, 22 were received for the month of July and 21 each were received for the months of August and September.

## Volume and Value of Fraud Cases

Analysis of the returns shows that a total of 2,844 cases<sup>2</sup> (volume) of frauds and forgeries were reported in the banking industry during the period (July - September, 2014), compared to 2,661 cases reported in the preceding quarter, thus representing an increase of 6.88 per cent. The types of fraud that were reported to be predominant during the review period include: fraudulent ATM withdrawals, computer/web fraud, PoS fraud, opening/operating fraudulent accounts, fraudulent withdrawals, miscellaneous<sup>3</sup> (other types of) fraud, suppression of entries, and forged cheque with forged signature. **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 that was reported to be involved in fraud cases plunged to ₦7.48 billion from ₦12.75 billion in the previous quarter, indicating a significant 41.33 per cent decrease. Of the total amount (₦7.48 billion) involved in fraud, ₦1.25 billion (16.76 per cent) was actually lost to fraud in the banking industry; the difference of ₦6.23 billion (83.24 per cent) of the total amount involved in fraud was recovered through the collective efforts of banks' internal and external control techniques: i.e. internal procedural checks 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 clearing fraud ranked first at ₦3.25 billion (43.50 per cent), while computer/web fraud ranked second at ₦2.06 billion (27.48 per cent) of the total amount involved in fraud and forgery during the review period. Further analysis reveals that miscellaneous<sup>3</sup> (other types of) fraud ranked third at ₦1.49 billion (19.94 per cent), while fraudulent ATM withdrawals ranked fourth at ₦164.13 million (2.19 per cent). **Appendix II (B)** further provides a graphical illustration of the amount that was reported to be involved in fraud and forgery cases during the period under review.

Further analysis of the returns reveals that computer/web fraud accounted for ₦868.98 million (69.30 per cent) of the total amount that was actually lost to fraud during the quarter, while miscellaneous<sup>3</sup> (other types of) fraud and armed robbery accounted for ₦133.29 million (10.63 per cent) and ₦81.91 million (6.53 per cent)

respectively. **Appendix II (C)** shows the amount that was actually lost to fraud and forgery activities in the third quarter of 2014, 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, Instruments and Personalities involved in perpetrating Fraud**

During the review period, various types of channels were used to perpetrate fraud; they include: Web, ATM, bank branch, mobile payments, PoS, van and agent. Meanwhile, cash, cheques, cards and slips were the instruments used by fraudsters to commit fraud during the period. Analysing the banks' returns by the amount involved, the channel that was mostly used to perpetrate fraud was the Web, which increased significantly to ₦2.06 billion from ₦628.08 million recorded in the preceding quarter, representing an upsurge of 227.27 per cent. Also, fraud through PoS and mobile channels increased by 544.29 per cent and 104.89 per cent, rising to ₦56.27 million from ₦8.73 million and to ₦17.91 million from ₦8.74 million respectively.

Further analysis by the amount involved in fraud reveals that the instrument that was mostly used to perpetrate fraud during the quarter was cheque, which snowballed by an alarming 11,092.50 per cent to ₦3.33 billion from ₦29.76 million in the preceding quarter. This was followed by card which also increased significantly to ₦2.29 billion from ₦807.91 million in the previous period, thus representing a 183.92 per cent rise. Details of the channels and instruments that were used in perpetrating fraud are illustrated graphically in **Appendices III - IV**.

The banks' returns also revealed information on banks' employees that were either dismissed, or had their appointments terminated as a result of involvement in fraud related activities. The banks reported that 66 bank employees' appointment were terminated on fraud related activities; this indicates 6.46 per cent decrease from 79 employees whose appointments were terminated in the preceding quarter. The reduction in the number of appointments terminated on fraud related reasons indicates banks' increasing low tolerance for employees' involvement in fraud, and that this is being communicated effectively to staff by such terminations.

### **Conclusion and Recommendations**

Analyses of the banks' returns on fraud reveal that most of the parameters that were used to assess fraud and forgery in the banking industry during the third quarter indicated mixed performance, as some increased while others declined. For instance, the total amount that was lost to fraud soared to ₦1.25 billion up from ₦479.45 million that was reported in the second quarter, thus representing an increase of 161.53 per cent. Similarly, the total number of reported fraud cases in the banking industry rose by 6.88 per cent to 2,844 from 2,661 that was reported in the preceding quarter. However, the total amount that was reported to be involved in fraud plummeted significantly by 41.33 per cent to ₦7.48 billion from ₦12.75 billion in the previous quarter.

While the reduction in the total amount reported to be involved in fraud during the quarter is encouraging, it is worrisome to observe that the actual amount lost to fraud increased. In a similar vein, it is very worrisome to observe that the amount that was reported to be involved in electronic fraud<sup>5</sup> surged to ₦2.29 billion from ₦808.27 million in the previous quarter, increasing by 183.79 per cent. Similarly, the actual amount that was lost to electronic fraud rose significantly by 336.26 per cent to ₦924.51 million, up from ₦211.92 million in the previous quarter.

The observed increase in some of the parameters used in analysing fraud in the industry is instructive. For instance, clearing fraud which has been in the decline in previous quarters ranked first in the period under review. Also, armed robbery incidence recorded 100 per cent loss; these indicate that all types of channels and instruments of perpetrating fraud are important, and stakeholders need closer and firmer collaborations to ensure that all the possible avenues of perpetrating fraud are plugged, as fraudsters will continually seek the weakest point to perpetrate their criminal activities. It is, therefore very important that all stakeholders in the industry make committed efforts to help reduce the incidence of fraudulent activities. Banks must ensure that REGULAR Know Your Customer (KYC) checks are carried out on their customers, and ensure that security measures are beefed-up to discourage fraudulent attempts via electronic channels of banking transactions. The industry should come up with initiatives and strategies to preempt fraud; because the best defence against fraudsters is to attack them first and make fraud an “unprofitable business” to venture into. With increasingly more competitive environment, fraud losses must be mitigated.

*(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 2013, second and third quarters of 2014 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, and misappropriation of funds etc.

Note 4: Value of fraud and forgery.

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

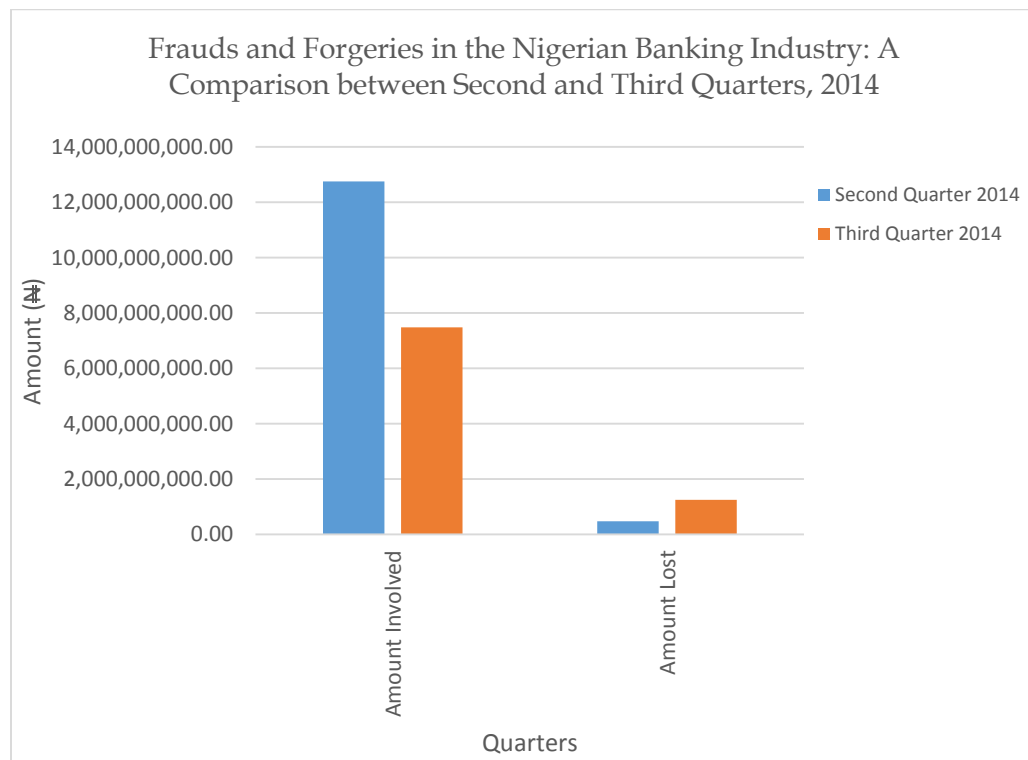


### Appendix I (A)

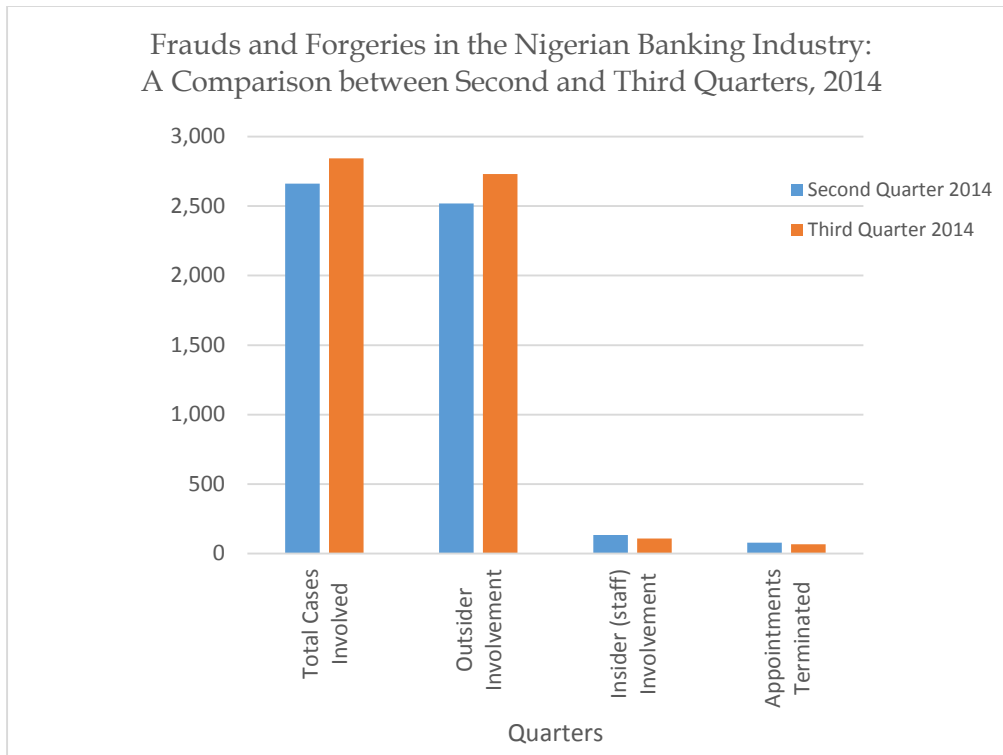
#### Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second and Third Quarters, 2014

S/N	Variables	Second Quarter, 2014	Third Quarter, 2014
1	Total Cases reported	2,661	2,844
2	Total Amount Involved	₦12,750,672,060.44	₦7,480,308,510.59
3	Total Amount Lost	₦479,450,089.32	₦1,253,913,330.87
4	Outsider Involvement	2520	2,731
5	Insider (Staff) Involvement	133	108
6	Appointments Terminated	79	66

### Appendix I (B)



### Appendix I (C)

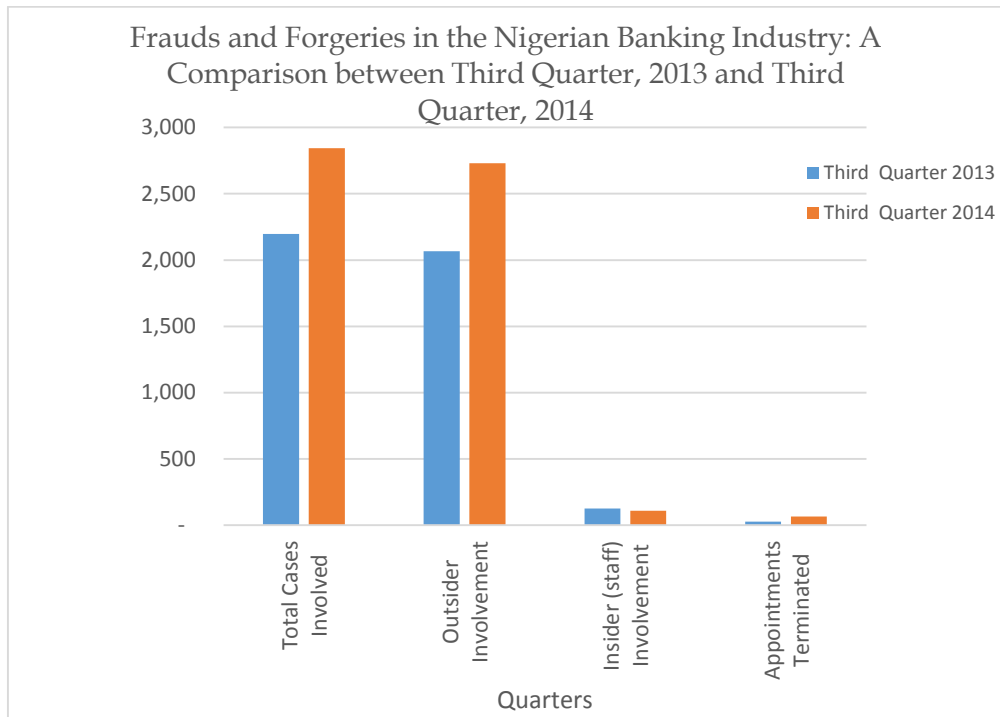


### Appendix I (D)

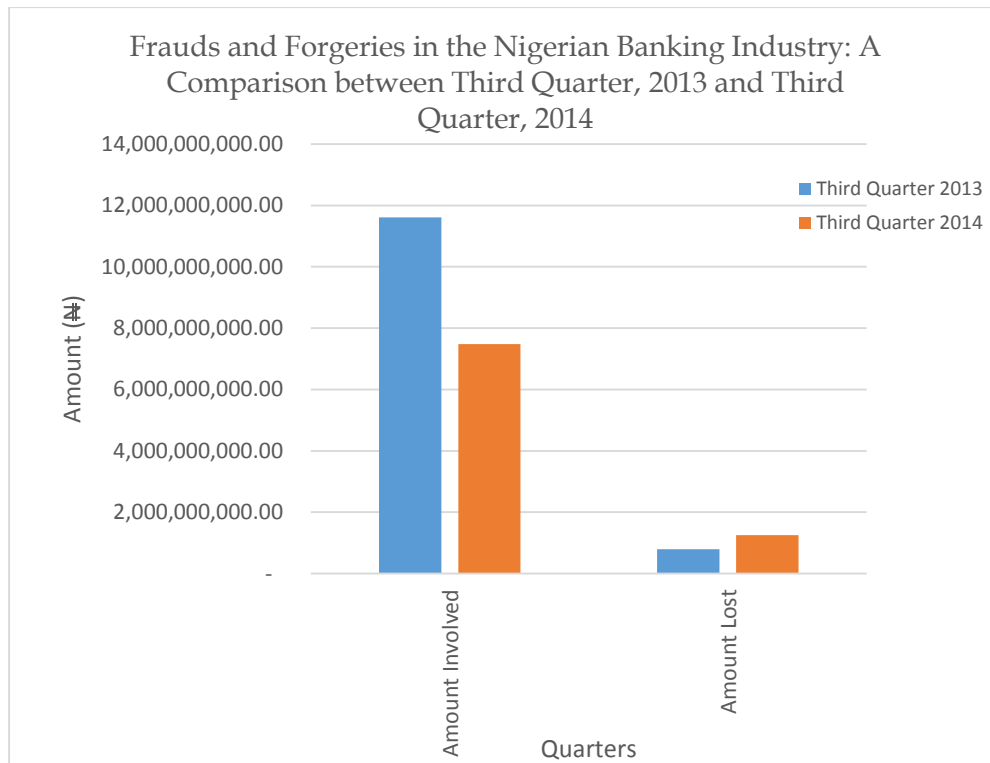
#### Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Third Quarter, 2013 and Third Quarter, 2014

S/N	Variables	Third Quarter, 2013	Third Quarter, 2014
1	Total Cases Involved	2,197	2,844
2	Total Amount Involved	₦11,609,976,562.20	₦7,480,308,510.59
3	Total Amount Lost	₦794,801,233.96	₦1,253,913,330.87
4	Outsider Involvement	2,067	2,731
5	Insider (Staff) Involvement	125	108
6	Appointments Terminated	26	66

### Appendix I (E)



### Appendix I (F)



**Appendix II (A): Frauds and Forgeries in the Nigerian Banking Industry (Third Quarter, 2014)**

<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 (0.21)	6 (5.56)	0 (0)	0 (0)	0 (0)	6,691,190.00 (0.09)	6,526,690.00 (0.52)	97.5
<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>	52 (1.83)	0 (0)	51 (1.87)	1 (25.00)	0 (0)	70,548,165.51 (0.94)	5,747,453.51 (0.46)	8.1
<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>	9 (0.32)	0 (0)	9 (0.33)	0 (0)	0 (0)	3,253,771,714.75 (43.50)	12,810,678.50 (1.02)	0.4
<b>Computer/Web Fraud</b>	563 (19.80)	5 (4.63)	556 (20.36)	1 (25.00)	1 (100)	2,055,500,435.52 (27.48)	868,980,341.01 (69.30)	42.3
<b>Mobile Fraud</b>	4 (0.14)	0 (0)	4 (0.15)	0 (0)	0 (0)	17,905,320.32 (0.24)	2,707,200.00 (0.22)	15.1
<b>Foreign Exchange Fraud</b>	2 (0.07)	1 (0.93)	1 (0.04)	0 (0)	0 (0)	25,000.00 (0.00)	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

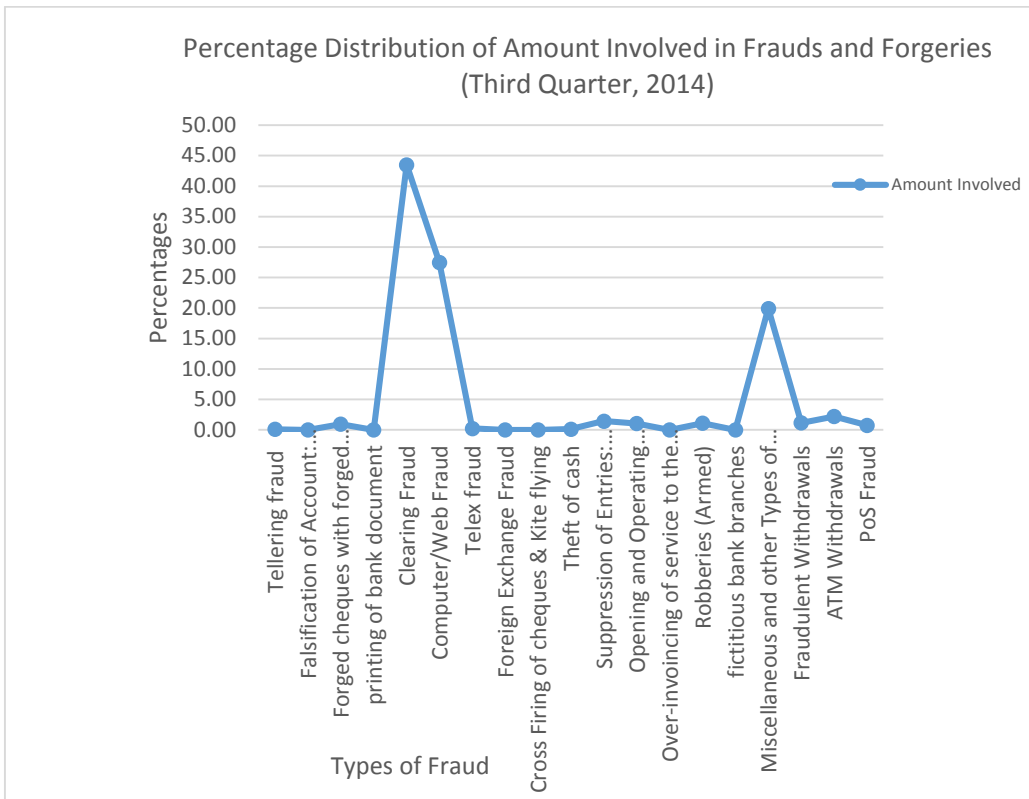
Note: All figures in parenthesis ( ) indicate percentages

Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry (Third Quarter, 2014)

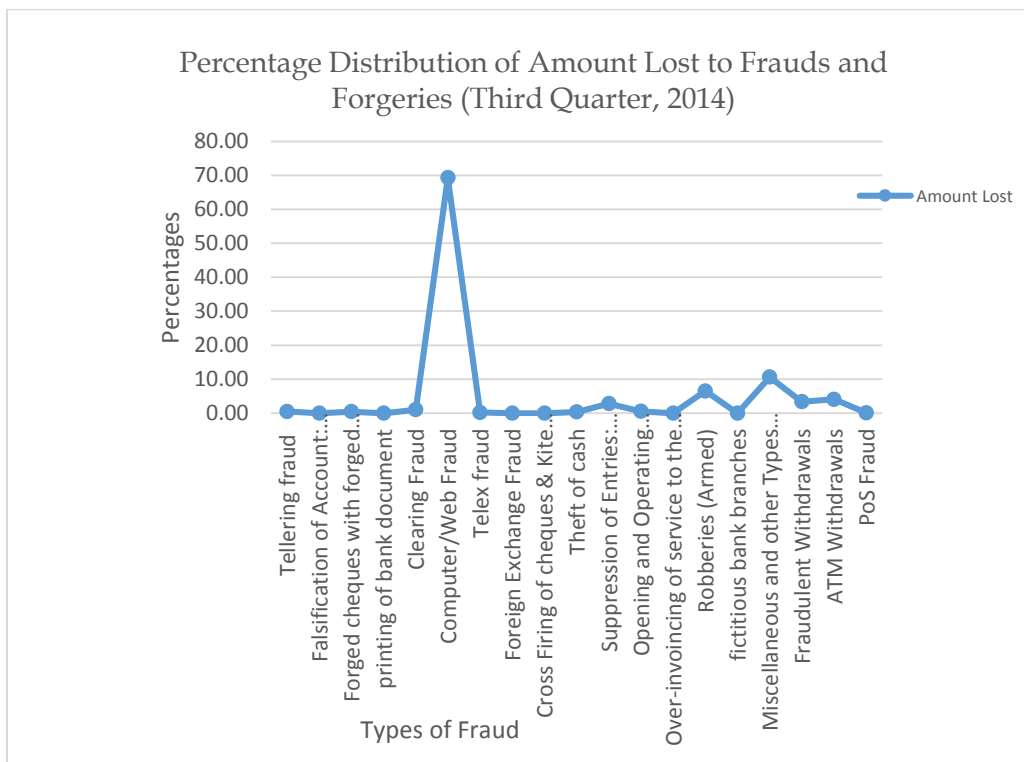
Types of Fraud	Total Number Of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (₦)	Actual /Expected Loss (₦)	Expected Loss/ Amount Involved (%)
Theft of Cash	12 (0.42)	10 (9.26)	2 (0.07)	0 (0)	0 (0)	9,999,585.00 (0.13)	4,792,985.00 (0.38)	47.9
Suppression of Entries: Cash/Cheques	52 (1.83)	51 (47.22)	1 (0.04)	0 (0)	0 (0)	108,175,636.86 (1.45)	35,007,732.96 (2.79)	32.4
Opening and Operating Fraudulent Loans and Accounts	100 (3.52)	2 (1.85)	97 (3.55)	1 (25.00)	0 (0)	78,821,303.75 (1.05)	7,017,048.43 (0.56)	8.9
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 (0.21)	0 (0)	6 (0.22)	0 (0)	0 (0)	81,905,565.00 (1.09)	81,905,565.00 (6.53)	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	73 (2.57)	17 (15.74)	56 (2.05)	0 (0)	0 (0)	1,491,209,338.09 (19.94)	133,294,087.16 (10.63)	8.9
Fraudulent Withdrawals	64 (2.25)	14 (12.96)	49 (1.79)	1 (25.00)	0 (0)	85,353,946.04 (1.14)	42,302,541.24 (3.37)	49.6
ATM Withdrawals	1,787 (62.83)	2 (1.85)	1,785 (65.36)	0 (0)	0 (0)	164,131,373.62 (2.19)	51,192,962.86 (4.08)	31.2
PoS Fraud	114 (4.01)	0 (0)	114 (4.17)	0 (0)	0 (0)	56,269,936.13 (0.75)	1,628,045.20 (0.13)	2.9
<b>Total</b>	<b>2,844</b>	<b>108</b>	<b>2,731</b>	<b>4</b>	<b>1</b>	<b>7,480,308,510.59</b>	<b>1,253,913,330.87</b>	<b>445.3</b>

Note: All figures in parenthesis ( ) indicate percentages

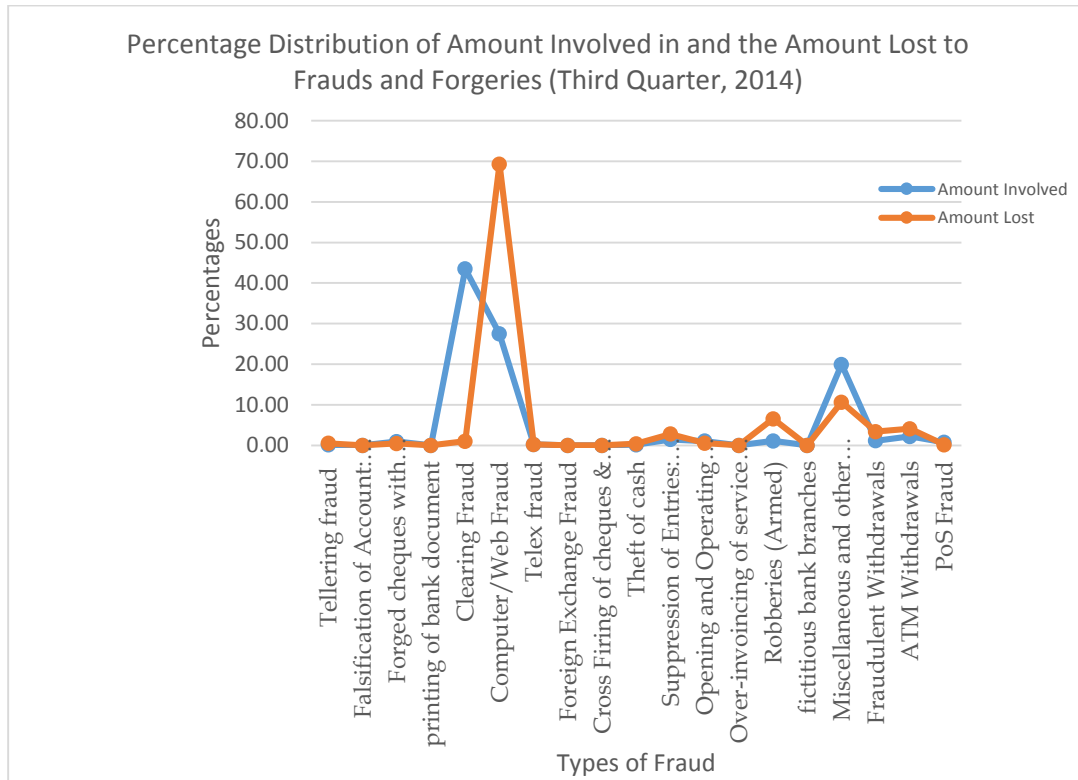
## Appendix II (B)



## Appendix II (C)



### Appendix II (D)



### Appendix III (A)

#### Fraud and Forgeries through various Payment Channels: A Comparison between Second and Third Quarters, 2014

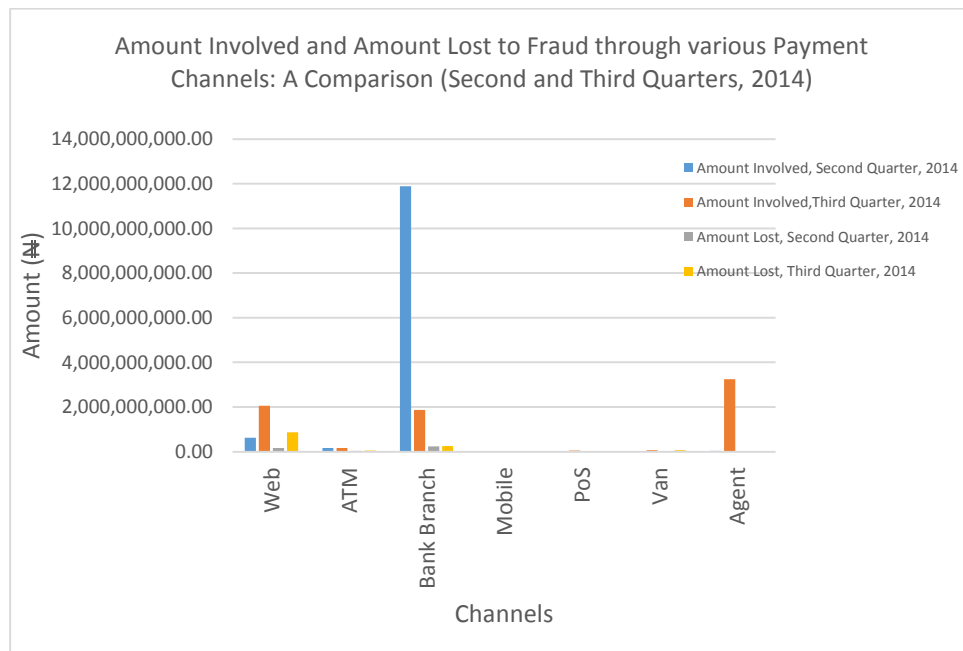
S/N	Channels	Cases: Second Quarter, 2014	Cases: Third Quarter, 2014
1	Web	400	563
2	ATM	1,920	1,787
3	Bank Branch	301	364
4	Mobile	4	4
5	POS	22	114
6	Van	1	1
7	Agent	13	11
	<b>Total</b>	<b>2,661</b>	<b>2,844</b>

### Appendix III (B)

**Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison (Second and Third Quarters, 2014)**

S/N	Channel	Amount Involved, Second Quarter, 2014 (₦)	Amount Involved, Third Quarter, 2014 (₦)	Amount Lost, Second Quarter, 2014 (₦)	Amount Lost, Third Quarter, 2014 (₦)
1	Web	628,082,691.47	2,055,500,435.52	164,297,186.43	868,980,341.01
2	ATM	162,715,467.89	164,131,373.62	36,055,665.86	51,192,962.86
3	Bank Branch	11,890,879,160.31	1,868,204,730.25	237,827,285.56	252,094,103.30
4	Mobile	8,739,200.00	17,905,320.32	4,445,200.00	2,707,200.00
5	POS	8,733,664.25	56,269,936.13	7,117,283.97	1,628,045.20
6	Van	14,576,743.50	64,500,000.00	14,576,743.50	64,500,000.00
7	Agent	36,945,133.02	3,253,796,714.75	15,130,724.00	12,810,678.50
	<b>Total</b>	<b>12,750,672,060.44</b>	<b>7,480,308,510.59</b>	<b>479,450,089.32</b>	<b>1,253,913,330.87</b>

### Appendix III (C)





### Appendix IV (A)

#### Frauds and Forgeries through various Instruments: A Comparison between Second and Third Quarters, 2014

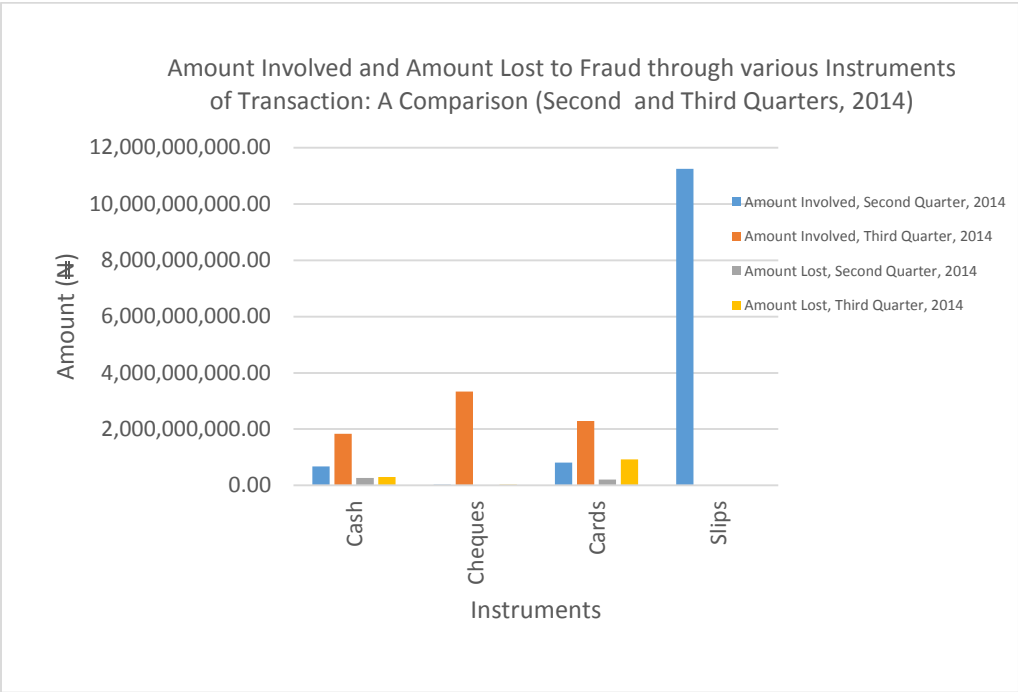
S/N	Instruments	Cases: Second Quarter, 2014	Cases: Third Quarter, 2014
1	Cash	260	288
2	Cheques	43	62
3	Cards	2,345	2468
4	Slips	13	26
	<b>Total</b>	<b>2,661</b>	<b>2,844</b>

### Appendix IV (B)

#### Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison (Second and Third Quarters, 2014)

S/N	Instruments	Amount Involved, Second Quarter, 2014 (₦)	Amount Involved, Third Quarter, 2014 (₦)	Amount Lost, Second Quarter, 2014 (₦)	Amount Lost, Third Quarter, 2014 (₦)
1	Cash	669,534,674.86	1,836,188,215.00	260,520,853.06	294685299.8
2	Cheques	29,759,624.08	3,330,846,570.00	3,694,000.00	25084822.01
3	Cards	807,911,023.61	2,293,807,065.59	211,915,336.26	924508549.1
4	Slips	11,243,466,737.89	19,466,660	3,319,900.00	9634660
	<b>Total</b>	<b>12,750,672,060.44</b>	<b>7,480,308,510.59</b>	<b>479,450,089.32</b>	<b>1,253,913,330.87</b>

**Appendix IV (C)**





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

**October - December, 2014**

# Report on Frauds and Forgeries in the Nigerian Banking Industry for the Period October - December, 2014

## Overview

During the fourth quarter of 2014, FITC received 63 returns from 21 deposit money banks<sup>1</sup> on incidence of frauds and forgeries that occurred in their institutions during the period. Of these returns, 21 were received for each of the months of October, November and December.

## Volume and Value of Fraud Cases

Analysis of the returns shows that a total of 4,179 cases<sup>2</sup> of frauds and forgeries (volume) were reported in the banking industry during the period October to December, 2014. Comparing this number to the 2,844 cases that was reported in the preceding quarter, there was an increase of 46.94 per cent in the reported cases of fraud in the banking industry. The types of fraud that were reported to be predominant during the review period include fraudulent ATM withdrawals, computer/Web fraud, miscellaneous<sup>3</sup> fraud, opening/operating fraudulent accounts, fraudulent withdrawals, suppression of entries, and PoS fraud. **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 (value) that was reported as being involved in fraud cases plummeted to ₦4.57 billion from ₦7.48 billion in the previous quarter, indicating a significant 38.85 per cent decrease. Of the total amount (i.e. ₦4.57 billion) involved in fraud, ₦1.61 billion (approximately 35.31 per cent) was actually lost to fraud in the banking industry. The difference of ₦2.96 billion (64.69 per cent) of the total amount involved in fraud was recovered through the combined efforts of banks' internal control systems and external control from relevant agencies of the government (i.e. 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 ₦1.54 billion (33.77 per cent), while miscellaneous (other types of) fraud ranked second at ₦1.35 billion (29.43 per cent) of the total amount involved in fraud and forgery during the review period, and fraudulent ATM withdrawals ranked third at ₦1.25 billion (27.28 per cent). **Appendix II (B)** further provides a graphical illustration of the amount that was reported to be involved in fraud and forgery cases during the period under review.

Further analysis of the returns reveals that fraudulent ATM withdrawals accounted for ₦984.31 million (60.95 per cent) of the total amount that was actually lost to fraud during the quarter, while computer/Web fraud accounted for ₦260.72 million (16.15 per cent), and miscellaneous (other types of) fraud accounted for ₦146.73 million (9.09 per cent). **Appendix II (C)** shows the amount that was actually lost to fraud and forgery activities in the fourth quarter of 2014,

while **Appendix II (D)** shows graphical comparison of the amount involved in fraud and the actual amount that was lost to fraud during the period.

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

During the review period, various types of channels were used to perpetrate fraud; these include the Web, ATM, bank branch, PoS and agent. Meanwhile, cash, cheques, cards and slips were the instruments used by fraudsters, to execute fraud during the period.

Analysing the banks' returns by the amount involved, the channel that was mostly used to perpetrate fraud was bank branch, even though it dropped by 9.73 per cent to ₦1.69 billion from ₦1.87 billion that was recorded in the preceding quarter. Also, fraud through the Web decreased considerably by 24.86 per cent to ₦1.54 billion from ₦2.06 billion. However, there was a significant upsurge in the fraud perpetrated through the ATM by 660.09 per cent, rising to ₦1.25 billion from ₦164.13 million that was recorded in the preceding quarter.

Further analysis by the amount involved in fraud reveals that the instrument that was mostly used to perpetrate fraud during the fourth quarter of 2014 were cards, which increased by 22.47 per cent to ₦2.81 billion from ₦2.29 billion that was reported in the preceding quarter. The second instrument that was used to perpetrate fraud was cash, even though it decreased by 8.19 per cent to ₦1.69 billion from ₦1.84 billion in the previous period. Details of the channels and instruments that were used in perpetrating fraud are illustrated graphically in **Appendices III - IV**.

The banks' returns also revealed information about banks' employees that were either dismissed or had their appointments terminated as a result of involvement in fraud related activities. The banks reported that 40 employees' appointments were terminated for this reason, which shows a 39.39 per cent decrease from the 66 employees whose appointments were terminated in the preceding quarter. The reduction in the number of bank employees whose appointments were terminated on fraud related reasons indicate banks' increasing low tolerance for employees' involvement in fraud.

### **Conclusion and Recommendations**

Analyses of the banks' returns on fraud reveal that the parameters that were used to assess fraud and forgery in the banking industry during the fourth quarter indicated dismal performance, as some of them decreased within the quarter. For instance, the total amount that was involved in fraud cases decreased considerably to ₦4.57 billion from ₦7.48 billion that was reported in the third quarter, thus representing a decrease of 38.85 per cent. However, the total number of reported fraud cases in the banking industry increased by 46.94 per cent to 4,179 from 2,844 that was reported in the preceding quarter. Similarly, the total amount that was reported to be lost to fraud rose significantly by 28.78 per cent to ₦1.61 billion from ₦1.25 billion in the previous quarter.

It is worrisome that for the second consecutive quarter (i.e. the third and fourth quarters of 2014) and despite the reduction in the total amount that was reported to be involved in fraud, the actual amount that was lost to fraud actually increased. It is also very worrisome to observe that the amount that was reported as being involved in electronic fraud<sup>5</sup> also increased to ₦2.81 billion from ₦2.29 billion in the previous quarter, thus indicating an increase of 22.47 per cent. In the same vein, the actual amount that was lost to electronic fraud rose significantly by 35.14 per cent to ₦1.25 billion, up from ₦924.51 million in the previous quarter.

The incidence of fraud and forgery in the fourth quarter of 2014 was mostly dismal as revealed in the analyses. The upsurge in electronic fraud is a source of concern, and should be urgently addressed by industry stakeholders, in order to nip the problem in the bud. The regulatory authorities should expedite actions to put in place, the much awaited anti-fraud system in order to prevent further deterioration of fraud cases 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 2013, third and fourth quarters of 2014 on selected concerns.)*

**Notes:**

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

Note 2: Volume of fraud and forgery.

Note 3: Miscellaneous fraud includes such fraud as 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, and misappropriation of funds.

Note 4: Value of fraud and forgery.

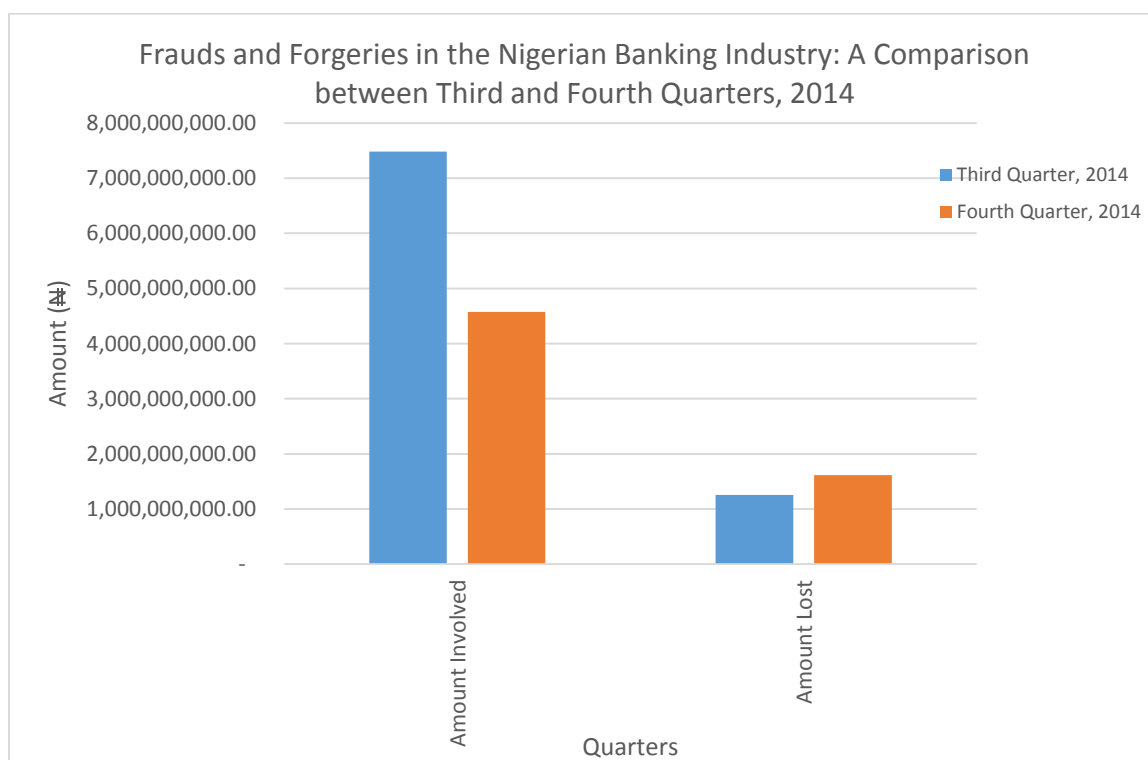
Note 5: Consisting of computer/web fraud, PoS fraud, mobile banking fraud, and ATM fraud.

## Appendix I (A)

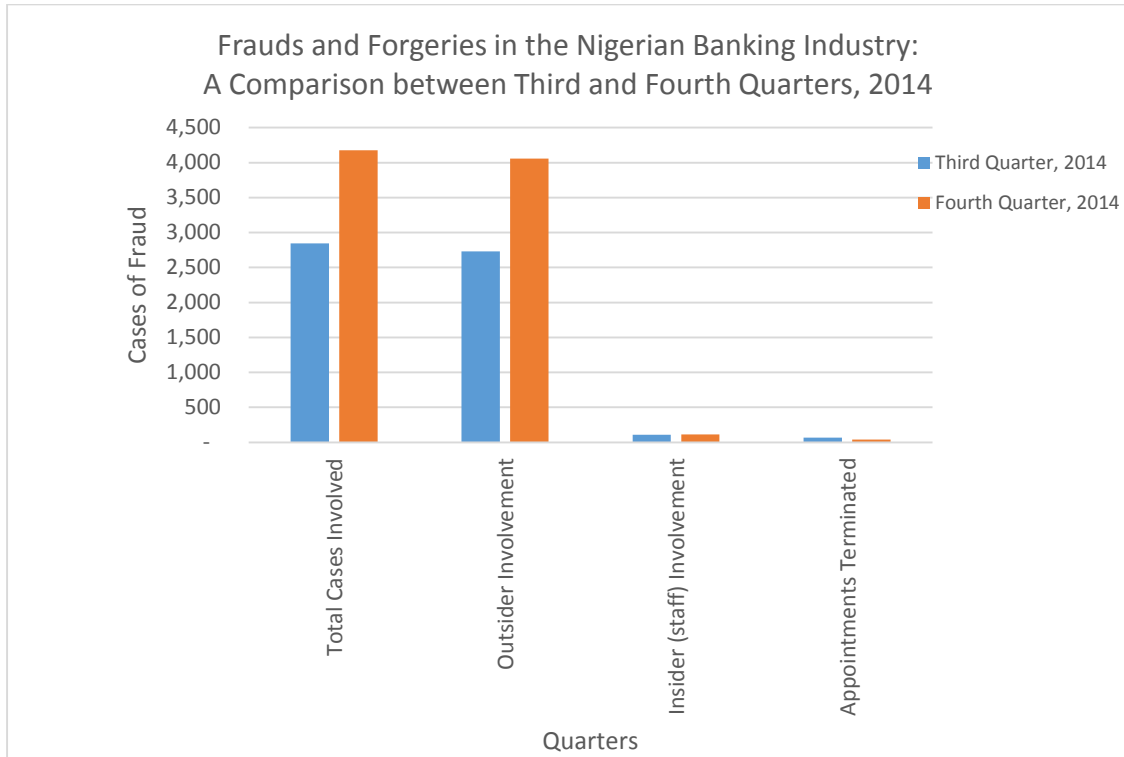
### Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Third and Fourth Quarters, 2014

S/N	Variables	Third Quarter, 2014	Fourth Quarter, 2014
1	Total Cases reported	2,844	4,179
2	Total Amount Involved	₦7,480,308,510.59	₦4,573,855,855.50
3	Total Amount Lost	₦1,253,913,330.87	₦1,614,827,480.55
4	Outsider Involvement	2,731	4,059
5	Insider (Staff) Involvement	108	115
6	Appointments Terminated	66	40

## Appendix I (B)



### Appendix I (C)



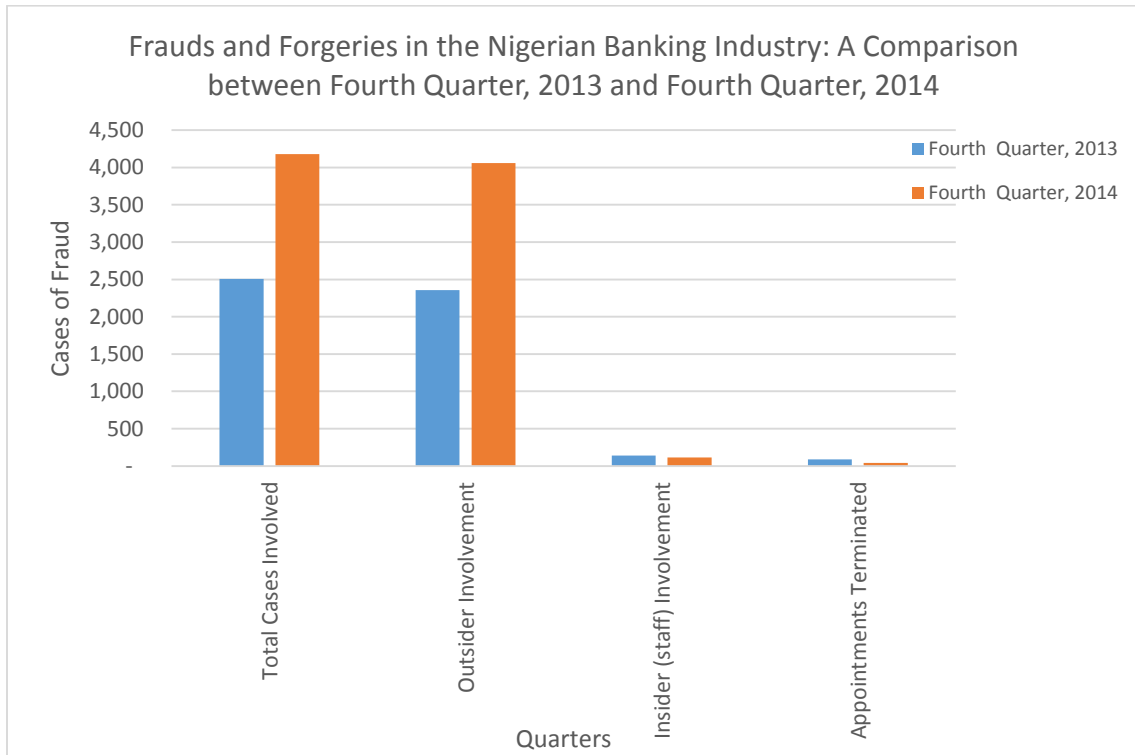
### Appendix I (D)

**Frauds and Forgeries in the Nigerian Banking Industry: A Comparison  
between Fourth Quarter, 2013 and Fourth Quarter, 2014**

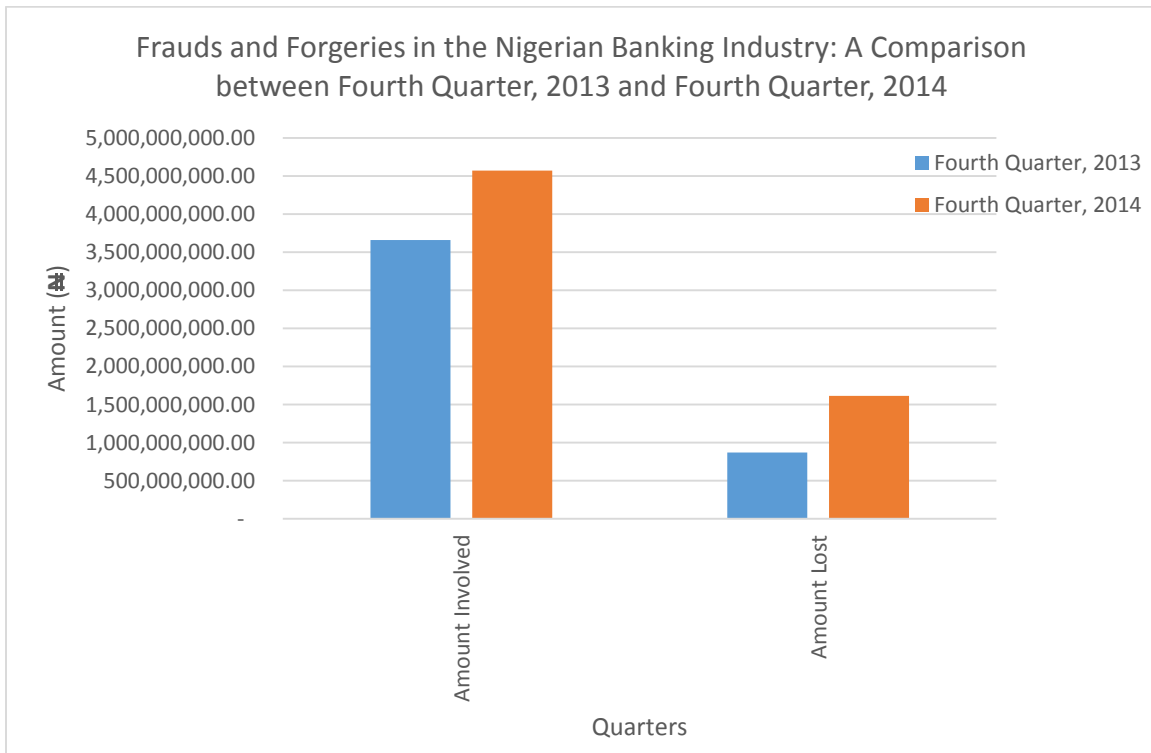
S/N	Variables	Fourth Quarter, 2013	Fourth Quarter, 2014
1	Total Cases Involved	2,507	4,179
2	Total Amount Involved	<del>₦</del> 3,661,564,681.26	<del>₦</del> 4,573,855,855.50
3	Total Amount Lost	<del>₦</del> 870,194,036.10	<del>₦</del> 1,614,827,480.55
4	Outsider Involvement	2,358	4,059
5	Insider (Staff) Involvement	141	115
6	Appointments Terminated	87	40



### Appendix I (E)



### Appendix I (F)



**Appendix II (A): Frauds and Forgeries in the Nigerian Banking Industry (Fourth Quarter, 2014)**

<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>	7 (0.17)	7 (6.09)	0 (0)	0 (0)	0 (0)	4,829,695.00 (0.11)	1,115,000.00 (0.07)	23.1
<b>Falsification of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts</b>	1 (0.02)	0 (0)	1 (0.02)	0 (0)	0 (0)	6,478,000.00 (0.14)	0 (0)	0
<b>Forged Cheques with Forged Signature</b>	18 (0.43)	2 (1.74)	16 (0.39)	0 (0)	0 (0)	26,005,586.73 (0.57)	10,906,139.73 (0.68)	41.9
<b>Printing of Bank Document Illegally</b>	2 (0.05)	0 (0)	2 (0.05)	0 (0)	0 (0)	0 (0)	0 (0)	0
<b>Clearing Fraud</b>	7 (0.17)	0 (0)	7 (0.17)	0 (0)	0 (0)	39,142,560.39 (0.86)	3,217,800.70 (0.20)	8.2
<b>Computer/Web Fraud</b>	501 (11.99)	3 (2.61)	497 (12.24)	1 (25.00)	0 (0)	1,544,463,882.73 (33.77)	260,717,794.13 (16.15)	16.90
<b>Mobile Fraud</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
<b>Foreign Exchange Fraud</b>	4 (0.10)	2 (1.74)	2 (0.05)	0 (0)	0 (0)	39,246,403.95 (0.86)	6,655,000.00 (0.41)	16.96
<b>Cross Firing of Cheques and Kite Flying</b>	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0

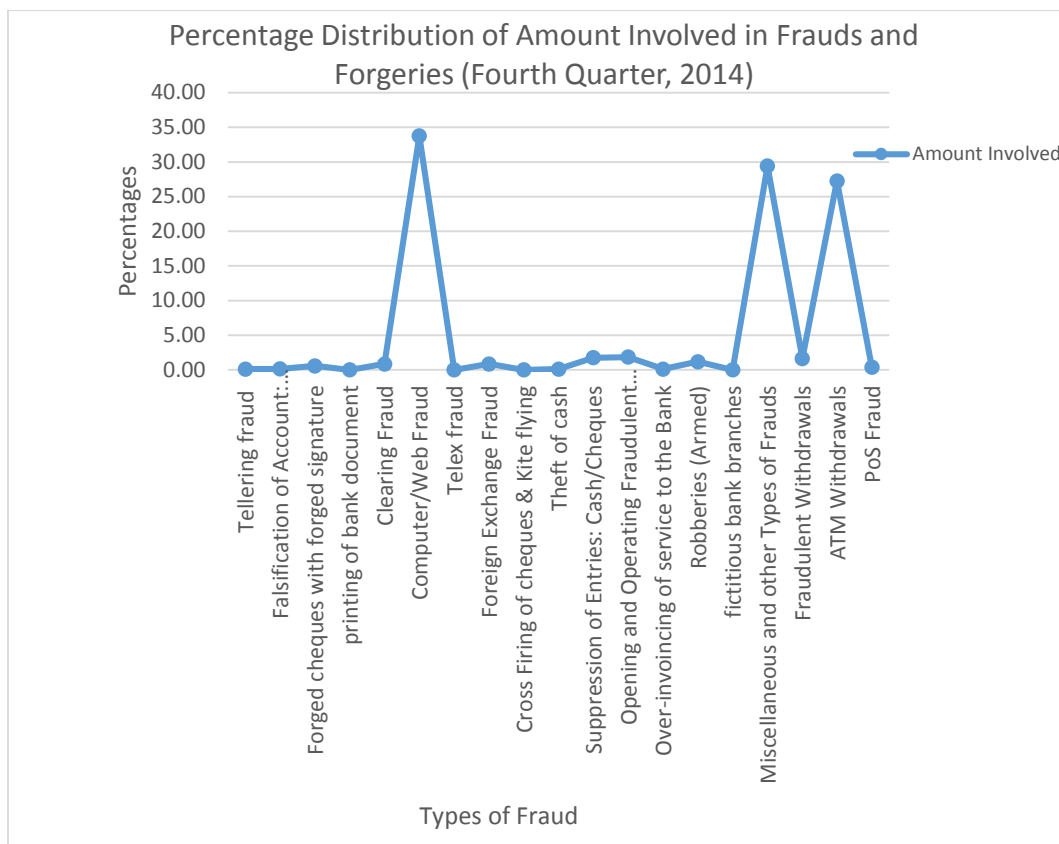
Note: All figures in parenthesis ( ) indicate percentages

Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry (Fourth Quarter, 2014)

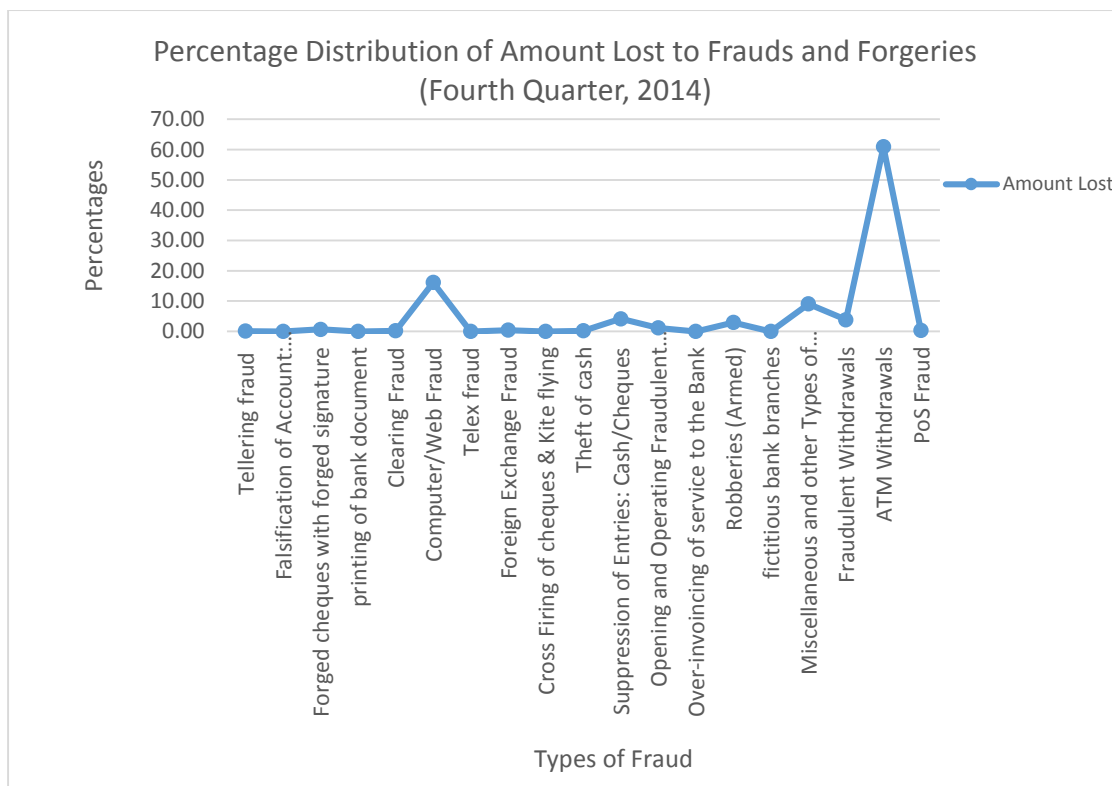
Types of Fraud	Total Number Of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (₦)	Actual /Expected Loss (₦)	Expected Loss/ Amount Involved (%)
Theft of Cash	10 (0.24)	9 (7.83)	1 (0.02)	0 (0)	0 (0)	5,090,100.00 (0.11)	2,680,000.00 (0.17)	52.7
Suppression of Entries: Cash/Cheques	57 (1.36)	55 (47.83)	1 (0.02)	0 (0)	1 (100)	80,239,411.24 (1.75)	67,374,391.74 (4.17)	84.0
Opening and Operating Fraudulent Loans and Accounts	64 (1.53)	1 (0.87)	63 (1.55)	0 (0)	0 (0)	84,019,061.63 (1.84)	18,174,348.41 (1.13)	21.6
Over-Invoicing of Service to the Bank	1 (0.02)	0 (0)	1 (0.02)	0 (0)	0 (0)	4,777,100.00 (0.10)	0 (0)	0
Robberies (Armed)	7 (0.17)	0 (0)	7 (0.17)	0 (0)	0 (0)	54,261,485.00 (1.19)	47,000,985.00 (2.91)	86.6
Fictitious Bank Branches	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Miscellaneous and Other Types of Fraud	84 (2.01)	15 (13.04)	67 (1.65)	2 (50.00)	0 (0)	1,345,960,231.99 (29.43)	146,734,336.68 (9.09)	10.9
Fraudulent Withdrawals	57 (1.36)	20 (17.39)	36 (0.89)	1 (25.00)	0 (0)	74,688,807.22 (1.63)	61,581,107.07 (3.81)	82.5
Fraudulent ATM Withdrawals	3,316 (79.35)	1 (0.87)	3,315 (81.67)	0 (0)	0 (0)	1,247,547,257.10 (27.28)	984,306,752.26 (60.95)	78.9
PoS Fraud	43 (4.01)	0 (0)	43 (4.17)	0 (0)	0 (0)	17,106,272.53 (0.37)	4,363,824.83 (0.27)	25.5
<b>Total</b>	<b>4,179</b>	<b>115</b>	<b>4,059</b>	<b>4</b>	<b>1</b>	<b>4,573,855,855.50</b>	<b>1,614,827,480.55</b>	<b>549.7</b>

Note: All figures in parenthesis ( ) indicate percentages

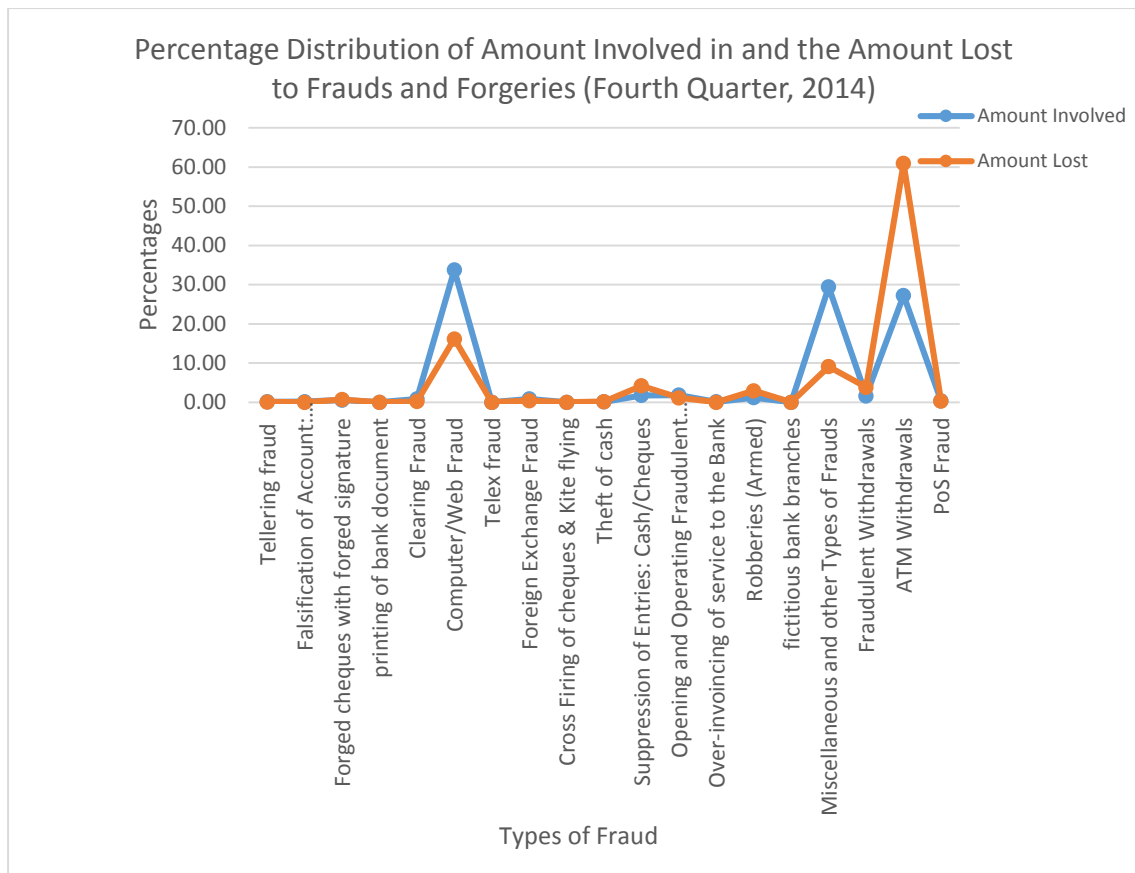
## Appendix II (B)



## Appendix II (C)



## Appendix II (D)



## Appendix III (A)

### Fraud and Forgeries through various Payment Channels: A Comparison between Third and Fourth Quarters, 2014

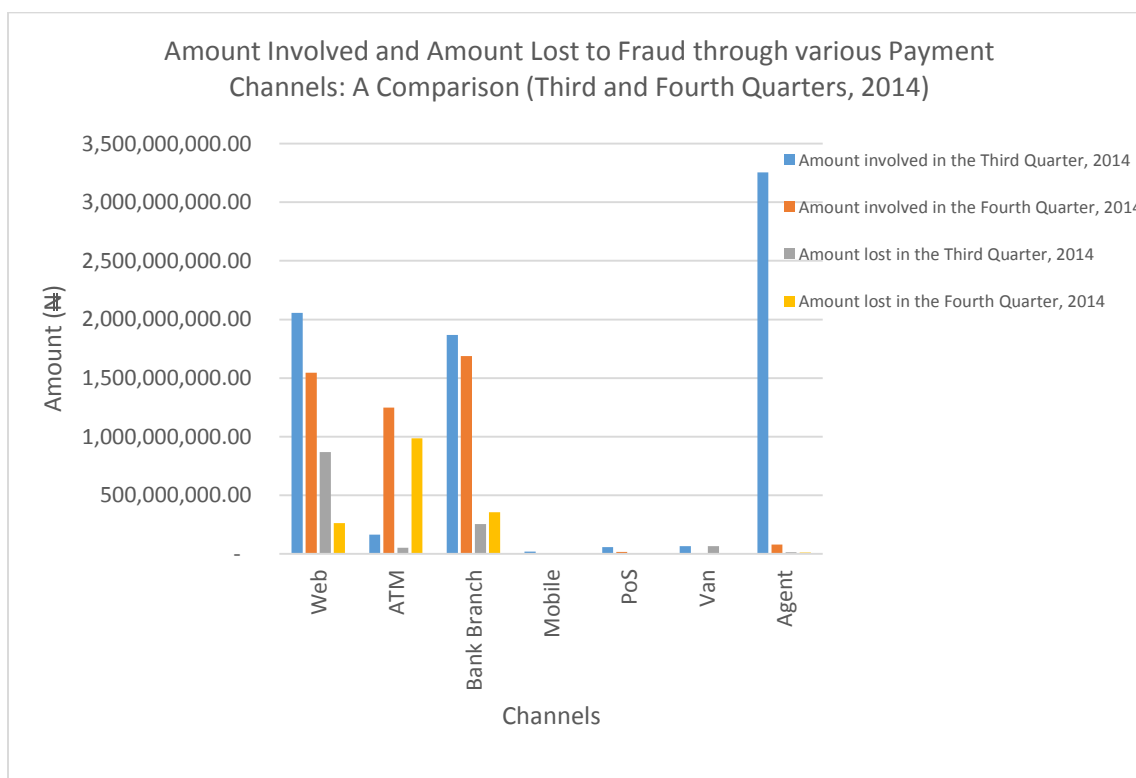
S/N	Channels	Cases: Third Quarter, 2014	Cases: Fourth Quarter, 2014
1	Web	563	501
2	ATM	1,787	3,316
3	Bank Branch	364	308
4	Mobile	4	0
5	POS	114	43
6	Van	1	0
7	Agent	11	11
	<b>Total</b>	<b>2,844</b>	<b>4,179</b>

### Appendix III (B)

#### Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison (Third and Fourth Quarters, 2014)

S/N	Channel	Amount Involved, Third Quarter, 2014 (₦)	Amount Involved, Fourth Quarter, 2014 (₦)	Amount Lost, Third Quarter, 2014 (₦)	Amount Lost, Fourth Quarter, 2014 (₦)
1	Web	2,055,500,435.52	1,544,463,882.73	868,980,341.01	260,717,794.13
2	ATM	164,131,373.62	1,247,547,257.10	51,192,962.86	984,306,752.26
3	Bank Branch	1,868,204,730.25	1,686,349,478.80	252,094,103.30	355,566,308.63
4	Mobile	17,905,320.32	0.00	2,707,200.00	0.00
5	POS	56,269,936.13	17,106,272.53	1,628,045.20	4,363,824.83
6	Van	64,500,000.00	0.00	64,500,000.00	0.00
7	Agent	3,253,796,714.75	78,388,964.34	12,810,678.50	9,872,800.70
	<b>Total</b>	<b>7,480,308,510.59</b>	<b>4,573,855,855.50</b>	<b>1,253,913,330.87</b>	<b>1,614,827,480.55</b>

### Appendix III (C)



**Appendix IV (A)**

**Frauds and Forgeries through various Instruments: A Comparison between Third and Fourth Quarters, 2014**

S/N	Instruments	Cases: Third Quarter, 2014	Cases: Fourth Quarter, 2014
1	Cash	288	283
2	Cheques	62	25
3	Cards	2,468	3,860
4	Slips	26	11
	<b>Total</b>	<b>2,844</b>	<b>4,179</b>

**Appendix IV (B)**

**Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison (Third and Fourth Quarters, 2014)**

S/N	Instruments	Amount Involved, Third Quarter, 2014 (₦)	Amount Involved, Fourth Quarter, 2014 (₦)	Amount Lost, Third Quarter, 2014 (₦)	Amount Lost, Fourth Quarter, 2014 (₦)
1	Cash	1,836,188,215.00	1,685,882,866.29	294,685,299.79	344,765,739.16
2	Cheques	3,330,846,570.00	65,148,147.12	25,084,822.01	14,123,940.43
3	Cards	2,293,807,065.59	2,809,117,412.35	924,508,549.07	1,249,388,371.22
4	Slips	19,466,660	13,707,429.74	9,634,660.00	6,549,429.74
	<b>Total</b>	<b>7,480,308,510.59</b>	<b>4,573,855,855.50</b>	<b>1,253,913,330.87</b>	<b>1,614,827,480.55</b>

## Appendix IV (C)

