



Report on Frauds and Forgeries in Banks

January - March, 2015

Report on Frauds and Forgeries in the Nigerian Banking Industry for the period January - March, 2015

Overview

During the first quarter of 2015, FITC received 71 returns from 24 deposit money banks¹ on incidence of frauds and forgeries that occurred in their various institutions during the period. 23 of the returns were received for the month of January, and 24 returns were received each for the month of February and March, 2015.

Volume and Value of Fraud Cases

Analysis of the returns shows that a total of 3,657 cases² of frauds and forgeries were reported in the banking industry during the first quarter of 2015, compared to 4,179 cases reported in the fourth quarter of 2014. By this figure, there was a decrease of 12.49 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, PoS fraud, miscellaneous (other types of) fraud, opening/operating fraudulent accounts, 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 quarter, the total amount⁴ of money that was reported as being involved in fraud cases reduced to ₦3.06 billion from ₦4.57 billion in the previous quarter, indicating a significant 33.18 per cent decrease. Of the total amount (i.e. ₦3.06 billion) involved in fraud, ₦880.43 million (approximately 28.81 per cent) was actually lost to fraud in the banking industry. The difference of ₦2.18 billion (71.19 per cent) of the total amount involved in fraud was recovered through the collective efforts of banks' internal control systems as well as external monitoring from relevant agencies of the government including intervention of the law enforcement and anti-graft agencies.

Rating the fraud types according to their value, **Appendix II (A)** shows that fraudulent withdrawals ranked first at ₦706.61 million (23.12 per cent), and computer/Web fraud ranked second at ₦578.34 million (18.92 per cent), while miscellaneous (other types of) fraud ranked third at ₦475.90 million (15.57 per cent), of the total amount involved in fraud and forgery during the review period. **Appendix II (B)** further provides a graphical illustration of the amount that was reported to be involved in fraud and forgery cases during the review period.

Further analysis of the returns shows that miscellaneous (other types of) fraud accounted for ₦410.13 million (46.58 per cent) of the total amount that was actually lost to fraud during the quarter, while mobile banking fraud accounted for ₦244.00 million (27.71 per cent), and computer/Web fraud accounted for ₦101.70 million (11.55 per cent). **Appendix II (C)** shows the amount that was actually lost to fraud and forgery activities in the first quarter of 2015, 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 included the Web, ATM, bank branch, PoS and agent. Meanwhile, the instruments used by fraudsters to carry out fraud during the period were cash, cheque, cards and slips.

Analysing the banks' returns by the amount involved, the channel that was mostly used to perpetrate fraud was bank branch, which increased by 16.89 per cent to ₦1.97 billion from ₦1.69 billion recorded in the preceding quarter. However, it is heartening to note that incidences of fraud through the ATM decreased significantly by 87.31 per cent to ₦158.28 million from ₦1.25 billion in the previous quarter. There was also a significant decrease in the fraud perpetrated through the Web by 62.55 per cent dropping to ₦578.34 million from ₦1.54 billion, that was recorded in the preceding quarter.

Analysis by the amount involved in fraud through the use of various instruments reveals that cards were mostly used to perpetrate fraud during the review quarter, which decreased considerably by 63.20 per cent to ₦1.03 billion from ₦2.81 billion that was reported in the preceding quarter. Similarly, fraud through the use of cash plummeted by 43.04 per cent to ₦960.30 million from ₦1.69 billion in the previous period. Details of the channels and instruments that were used in perpetrating fraud are graphically illustrated in **Appendices III - IV**.

The banks' returns also reported information about banks' employees whose appointments were either terminated or dismissed as a result of fraud related offences. The returns revealed that 90 employees' appointments were terminated for fraud-related offences, which indicates a 125 per cent increase from the 40 employees whose appointments were terminated in the preceding quarter. The upsurge in the number of bank employees whose appointments were terminated on fraud related offences further indicate banks' zero tolerance of fraudulent offences among their employees. However, it also indicates a need for banks to investigate causal factors for this observation, as the actual reasons may require interventions to ensure employees' satisfaction and loyalty, as well as effective background checks during recruitment.

Conclusion and Recommendations

The parameters used to assess fraud and forgery occurrences in the banking industry within the first quarter revealed an improved performance, as many of the fraud incidence parameters decreased within the quarter. For instance, the total amount that was involved in fraud cases decreased significantly to ₦3.06 billion from ₦4.57 billion that was reported in the fourth quarter of 2014, thus indicating a decrease of 33.18 per cent. In a similar vein, the total amount that was reported to be lost to fraud and the total number of reported fraud cases in the

banking industry both declined considerably to ₦880.43 million (from ₦1.61 billion) and 3,657 (from 4,179), thus representing 45.48 per cent and 12.49 per cent decrease respectively.

It is, therefore, cheering to observe declines in the total amount that was reported to be involved in fraud, the actual amount that was lost to fraud, and the number of cases involved in fraud in the first quarter of 2015. Likewise, it is very heartening to observe that the amount that was reported as being involved in electronic fraud⁵ and the actual amount that was actually lost to electronic fraud decreased to ₦1.03 billion from ₦2.81 billion and ₦368.52 million from ₦1.25 billion in the previous quarter, thus representing 63.20 per cent and 70.50 per cent decrease respectively.

In order to continually prevent fraud and sustain the achievement recorded in the first quarter, the collective effort of all stakeholders in the banking industry must be brought to bear, with focus on addressing areas where lapses might seem to be occurring. This is paramount as economic activities are expected to pick up in subsequent quarters of the year.

The recent directive to banks on establishment of Fraud desks is worthy of note and the impact as well as modus operandi vis-à-vis cost of governance, will be of interest in the unfolding scenarios, in terms of impact on the system.

(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 2014, fourth quarter of 2014 and the first quarter of 2015, on selected concerns.)

Notes:

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

Note 2: Volume of fraud and forgery.

Note³: 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.

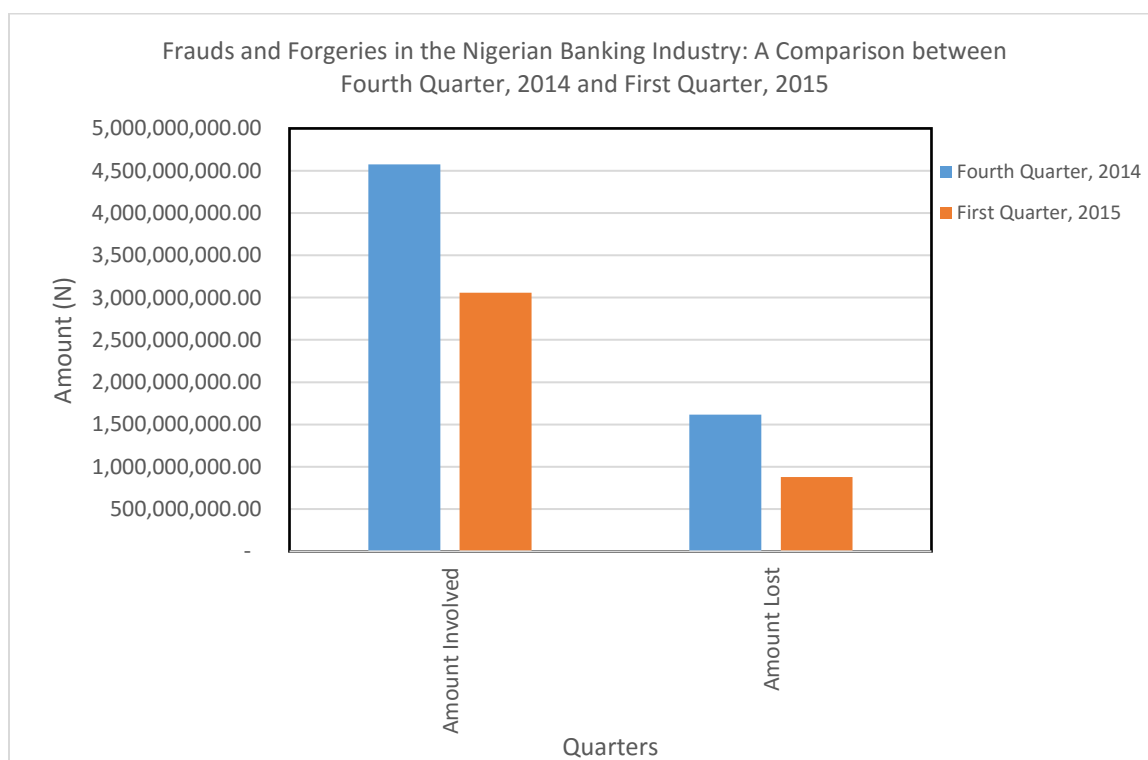
Note 5: Consisting of computer/Web fraud, PoS fraud, mobile banking fraud, and ATM fraud.

Appendix I (A)

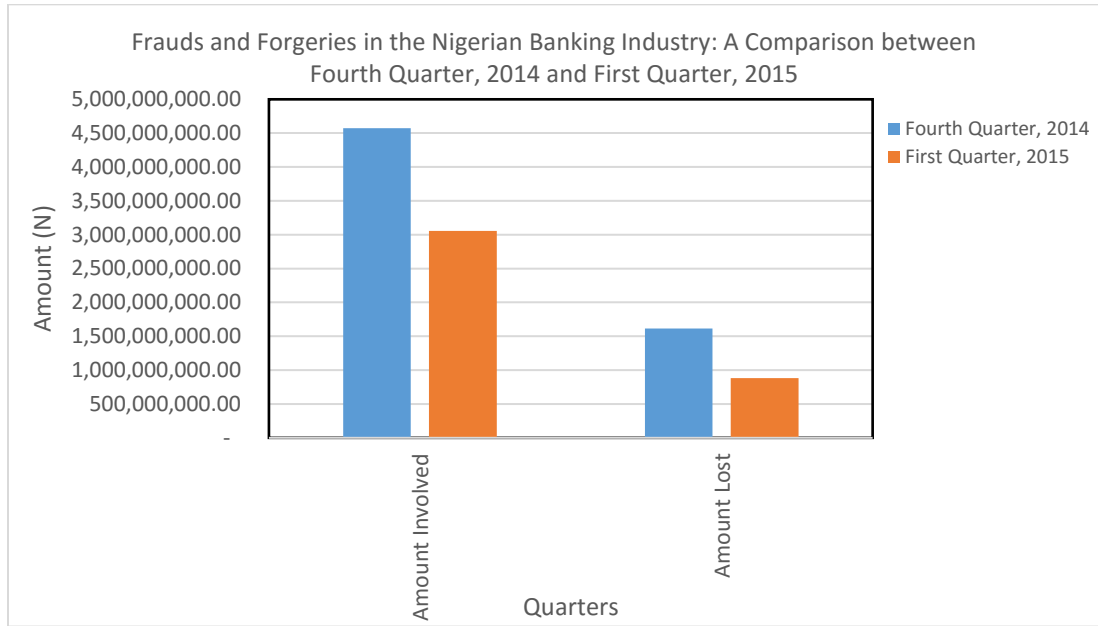
Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter, 2014 and First Quarter, 2015

S/N	Variables	Fourth Quarter, 2014	First Quarter, 2015
1	Total Cases reported	4,179	3,657
2	Total Amount Involved	₦ 4,573,855,855.50	₦ 3,056,242,618.32
3	Total Amount Lost	₦ 1,614,827,480.55	₦ 880,428,333.54
4	Outsider Involvement	4,059	2,820
5	Insider (Staff) Involvement	115	125
6	Appointments Terminated	40	90

Appendix I (B)



Appendix I (C)

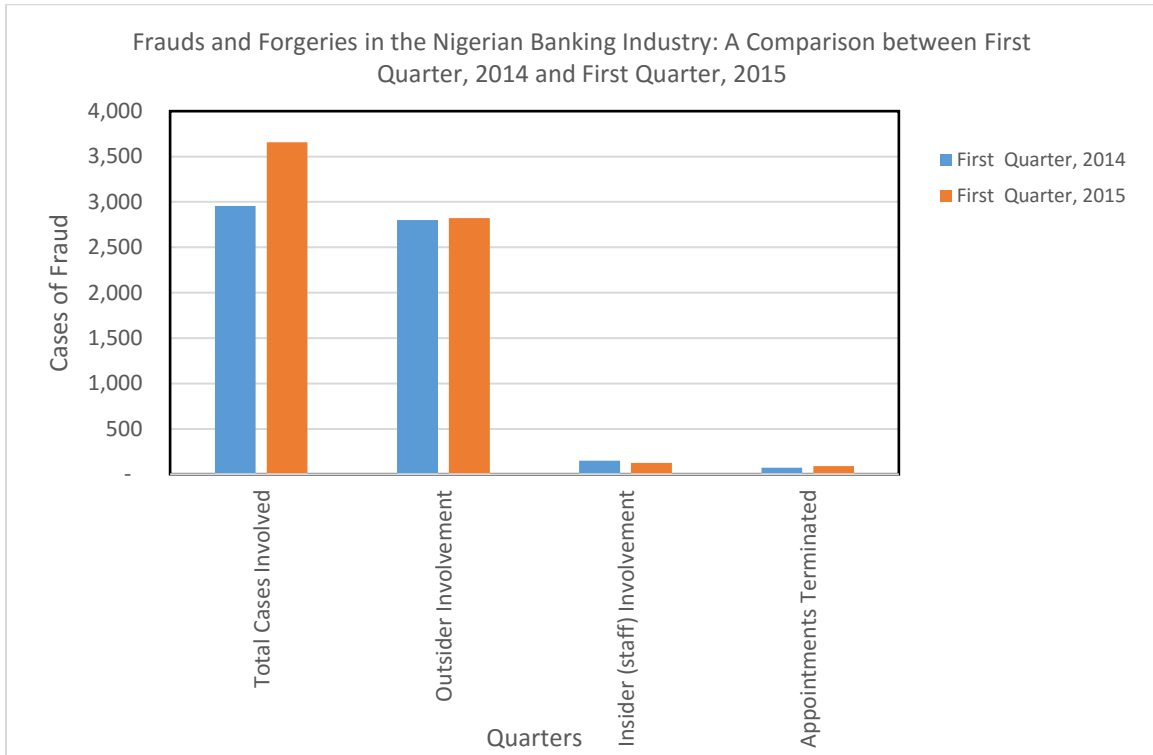


Appendix I (D)

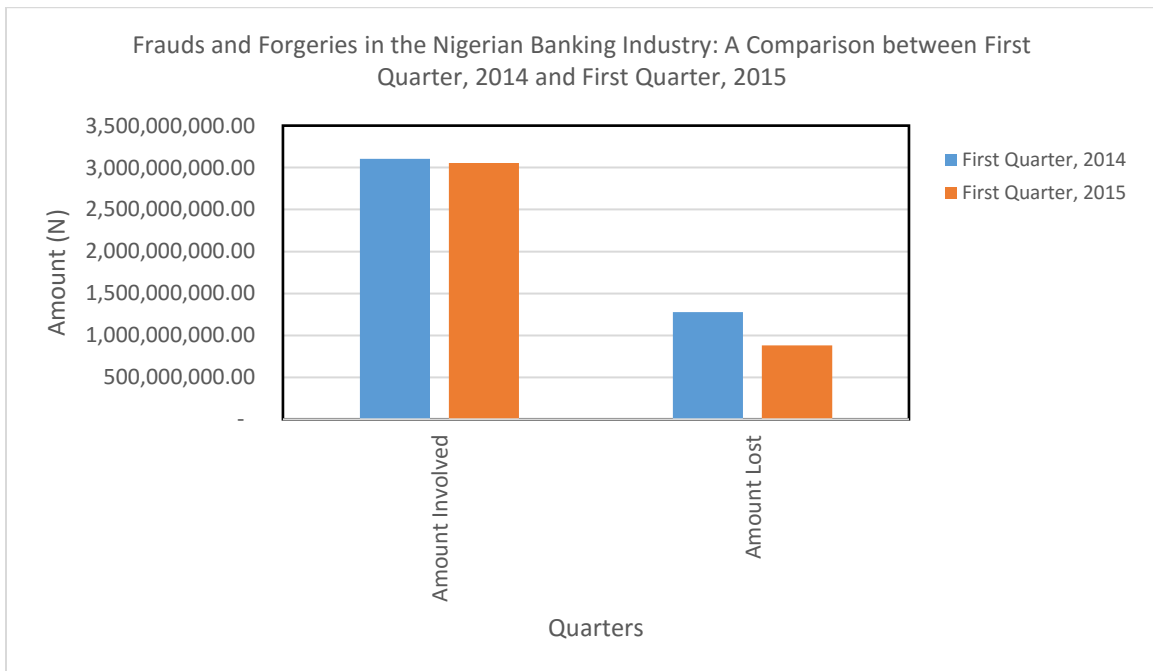
Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between First Quarter, 2014 and First Quarter, 2015

S/N	Variables	First Quarter, 2014	First Quarter, 2015
1	Total Cases Involved	2,957	3,657
2	Total Amount Involved	₦3,105,755,481.40	₦3,056,242,618.32
3	Total Amount Lost	₦1,276,529,762.11	₦880,428,333.54
4	Outsider Involvement	2,800	2,820
5	Insider (Staff) Involvement	148	125
6	Appointments Terminated	73	90

Appendix I (E)



Appendix I (F)



Appendix II (A): Frauds and Forgeries in the Nigerian Banking Industry (First Quarter, 2015)

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 (%)
Teller Fraud	5 (0.14)	5 (4.00)	0 (0)	0 (0)	0 (0)	4,327,460.00 (0.14)	3,690,460.00 (0.42)	85.3
Falsification of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts	1 (0.03)	0 (0)	1 (0.04)	0 (0)	0 (0)	1,054,015.00 (0.03)	0 (0)	0
Forged Cheques with Forged Signature	32 (0.88)	3 (2.40)	25 (0.89)	2 (66.67)	2 (0.28)	370,743,200.00 (12.13)	3,559,000.00 (0.40)	1.0
Printing of Bank Document Illegally	1 (0.03)	1 (0.80)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Clearing Fraud	10 (0.27)	0 (0)	9 (0.32)	0 (0)	1 (0.14)	44,609,880.18 (1.46)	995,000.00 (0.11)	2.2
Computer/Web Fraud	531 (14.52)	5 (4.00)	407 (14.43)	0 (0)	119 (16.78)	578,341,025.22 (18.92)	101,704,718.49 (11.55)	17.6
Mobile Fraud	7 (0.19)	1 (0.80)	5 (0.18)	0 (0)	1 (0.14)	287,502,784.00 (9.41)	244,000,000.00 (27.71)	0
Foreign Exchange Fraud	4 (0.11)	1 (0.80)	3 (0.11)	0 (0)	0 (0)	6,672,500.00 (0.22)	101,000.00 (0.01)	1.51
Cross Firing of Cheques and Kite Flying	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0

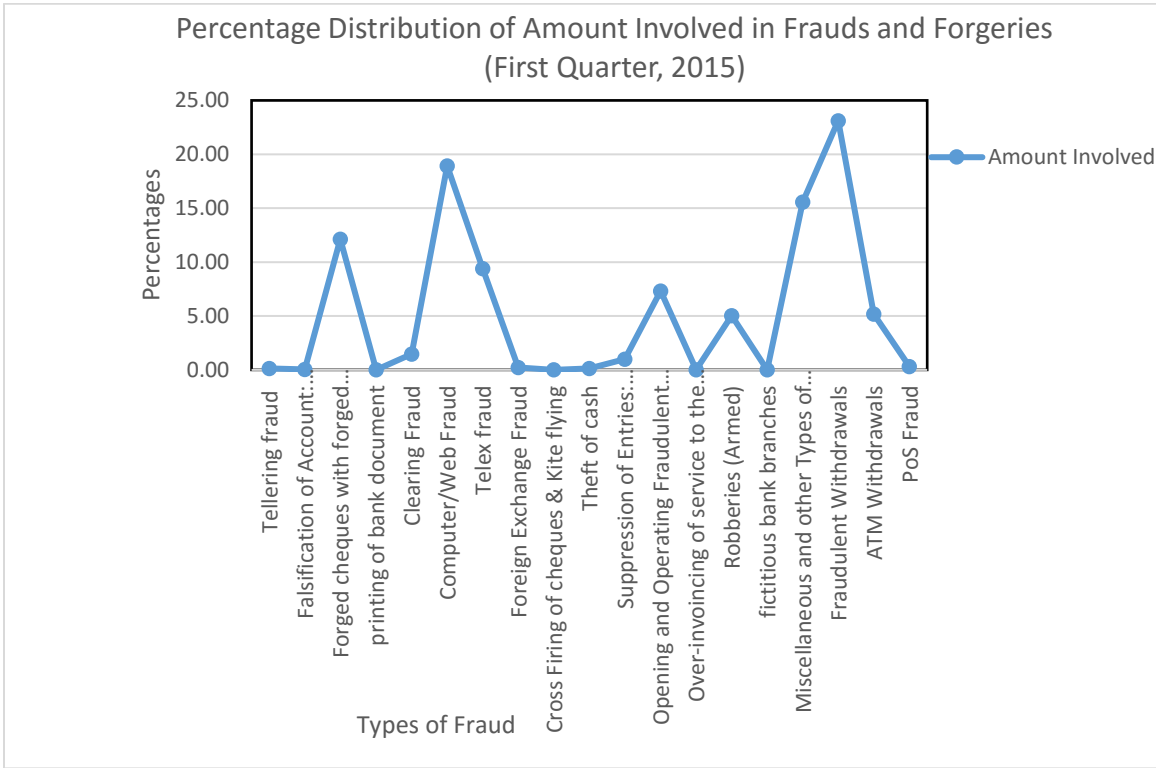
Note: All figures in parenthesis () indicate percentages

Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry (First Quarter, 2015)

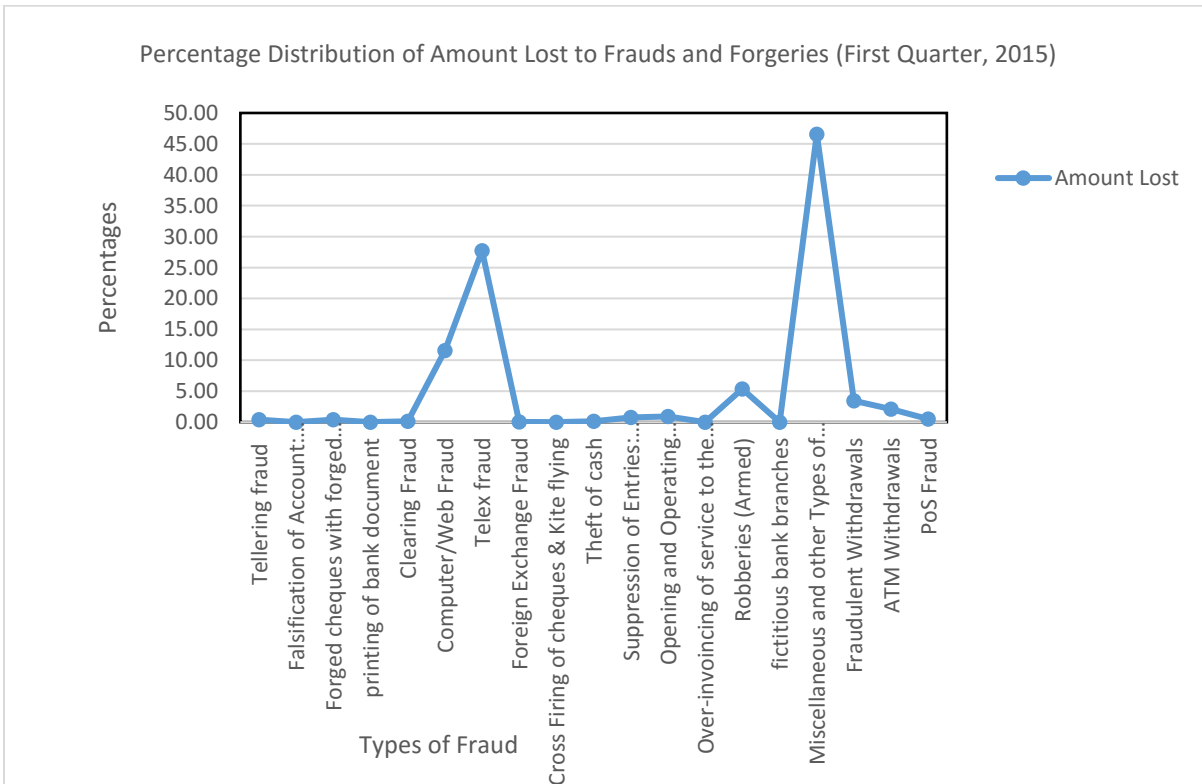
Types of Fraud	Total Number Of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (₦)	Actual /Expected Loss (₦)	Expected Loss/ Amount Involved (%)
Theft of Cash	10 (0.27)	6 (4.80)	2 (0.07)	1 (33.33)	1 (0.14)	4,391,000.00 (0.14)	1,252,500.00 (0.14)	28.5
Suppression of Entries: Cash/Cheques	52 (1.42)	52 (41.60)	0 (0)	0 (0)	0 (0)	30,755,134.91 (1.01)	6,758,628.00 (0.77)	22.0
Opening and Operating Fraudulent Loans and Accounts	67 (1.83)	3 (2.40)	64 (2.27)	0 (0)	0 (0)	223,562,534.87 (7.31)	7,848,800.00 (0.89)	3.5
Over-Invoicing of Service to the Bank	1 (0.03)	1 (0.80)	0 (0.02)	0 (0)	0 (0)	111,725.00 (0)	0 (0)	0
Robberies (Armed)	4 (0.11)	0 (0)	4 (0.14)	0 (0)	0 (0)	153,712,613.34 (5.03)	47,389,106.34 (5.38)	30.8
Fictitious Bank Branches	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Miscellaneous and Other Types of Fraud	80 (2.19)	25 (20.00)	53 (1.88)	0 (0)	2 (0.28)	475,903,017.26 (15.57)	410,125,312.79 (46.58)	86.2
Fraudulent Withdrawals	62 (1.70)	17 (13.60)	44 (1.56)	0 (0)	1 (0.14)	706,609,846.57 (23.12)	30,193,200.00 (3.43)	4.3
Fraudulent ATM Withdrawals	2,688 (73.50)	4 (3.20)	2,115 (75.00)	0 (0)	569 (80.25)	158,277,754.46 (5.18)	18,431,462.01 (2.09)	11.6
PoS Fraud	102 (2.79)	1 (0.80)	88 (3.12)	0 (0)	13 (1.83)	9,668,127.51 (0.32)	4,379,145.91 (0.50)	45.3
Total	3,657	125	2,820	3	709	3,056,242,618.32	880,428,333.54	339.8

Note: All figures in parenthesis () indicate percentages

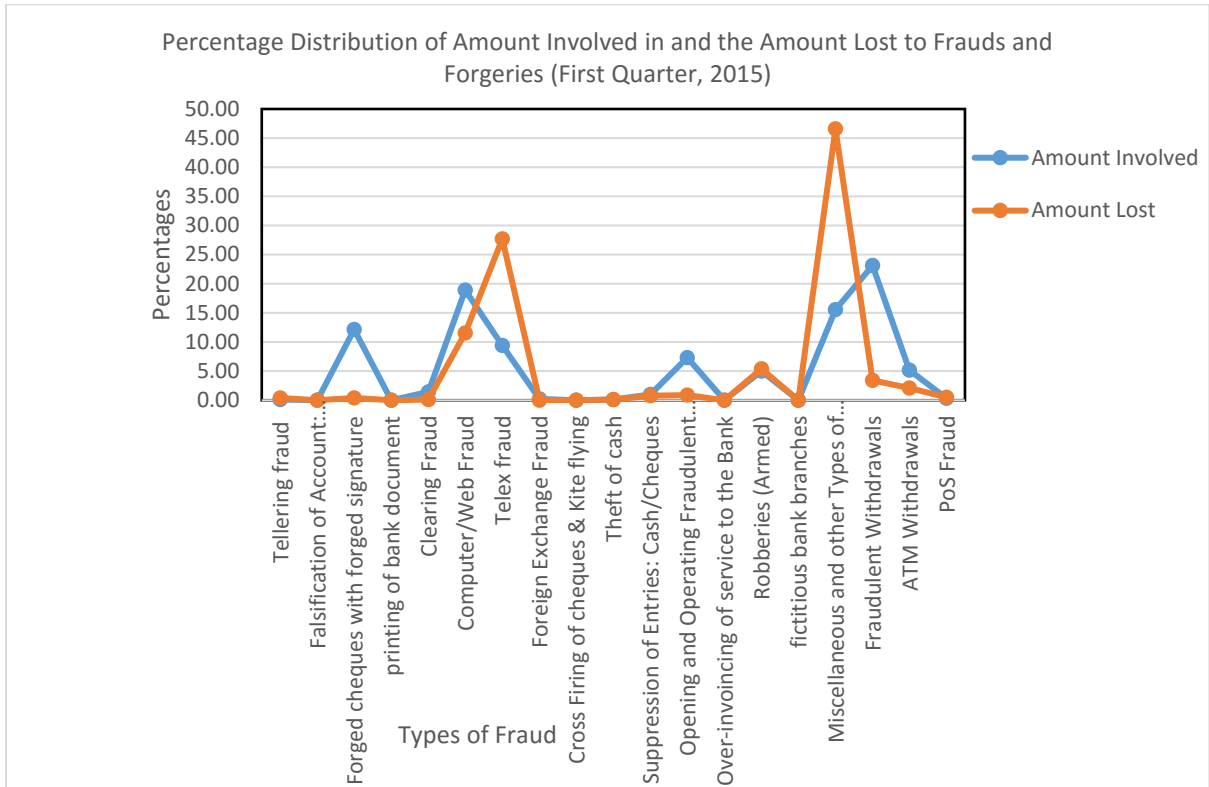
Appendix II (B)



Appendix II (C)



Appendix II (D)



Appendix III (A)

Fraud and Forgeries through various Payment Channels: A Comparison between Fourth Quarter, 2014 and First Quarter, 2015

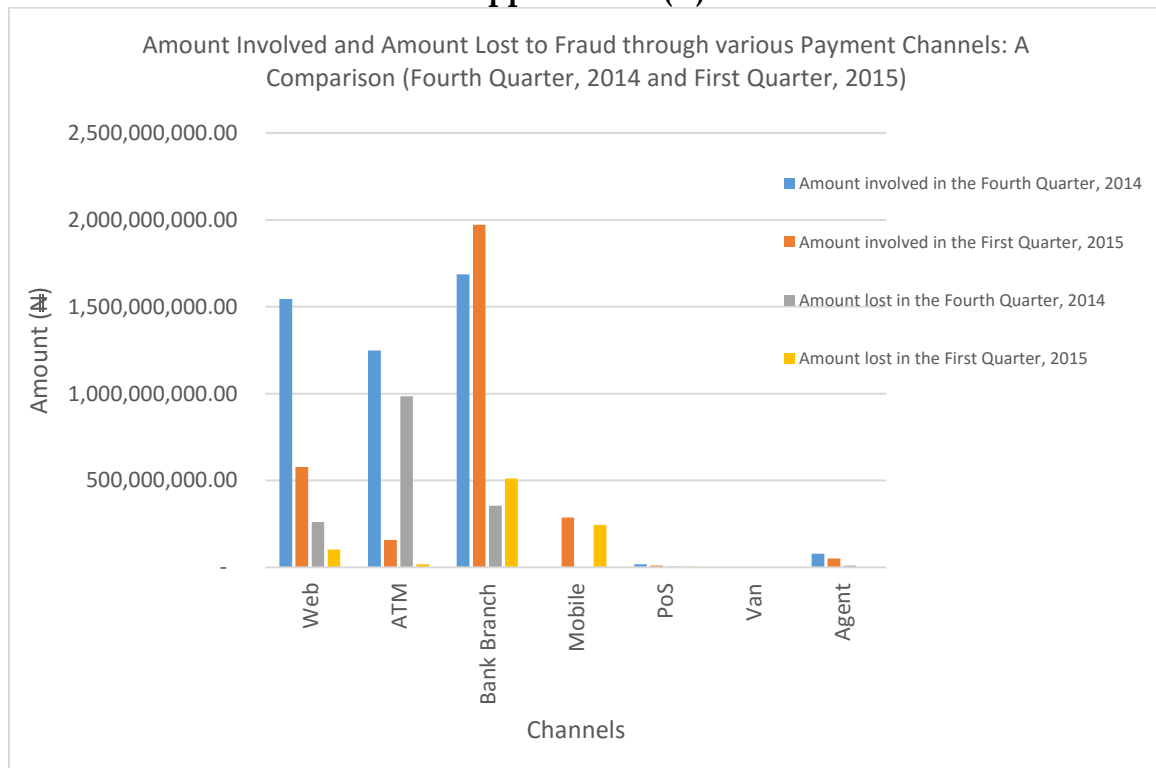
S/N	Channels	Cases: Fourth Quarter, 2014	Cases: First Quarter, 2015
1	Web	501	531
2	ATM	3,316	2,688
3	Bank Branch	308	315
4	Mobile	0	7
5	POS	43	102
6	Van	0	0
7	Agent	11	14
	Total	4,179	3,657

Appendix III (B)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison (Fourth Quarter, 2014 and First Quarter, 2015)

S/N	Channel	Amount Involved, Fourth Quarter, 2014 (₦)	Amount Involved, First Quarter, 2015 (₦)	Amount Lost, Fourth Quarter, 2014 (₦)	Amount Lost, First Quarter, 2015 (₦)
1	Web	1,544,463,882.73	578,341,025.22	260,717,794.13	101,704,718.49
2	ATM	1,247,547,257.10	158,277,754.46	984,306,752.26	18,431,462.01
3	Bank Branch	1,686,349,478.80	1,971,170,546.95	355,566,308.63	510,817,007.13
4	Mobile	0.00	287,502,784.00	0.00	244,000,000.00
5	POS	17,106,272.53	9,668,127.51	4,363,824.83	4,379,145.91
6	Van	0.00	0.00	0.00	0.00
7	Agent	78,388,964.34	51,282,380.18	9,872,800.70	1,096,000.00
	Total	4,573,855,855.50	3,056,242,618.32	1,614,827,480.55	880,428,333.54

Appendix III (C)



Appendix IV (A)

Frauds and Forgeries through various Instruments: A Comparison between Fourth Quarter, 2014 and First Quarter, 2015

S/N	Instruments	Cases: Fourth Quarter, 2014	Cases: First Quarter, 2015
1	Cash	283	284
2	Cheques	25	41
3	Cards	3,860	3,328
4	Slips	11	4
	Total	4,179	3,657

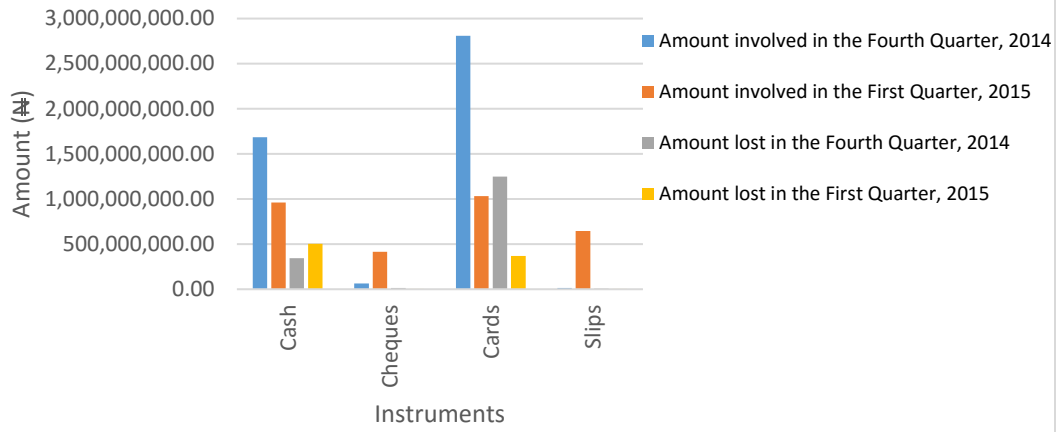
Appendix IV (B)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison (Fourth Quarter, 2014 and First Quarter, 2015)

S/N	Instruments	Amount Involved, Fourth Quarter, 2014 (₦)	Amount Involved, First Quarter, 2015 (₦)	Amount Lost, Fourth Quarter, 2014 (₦)	Amount Lost, First Quarter, 2015 (₦)
1	Cash	1,685,882,866.29	960,296,661.13	344,765,739.16	504,946,657.13
2	Cheques	65,148,147.12	414,993,916.00	14,123,940.43	4,554,000.00
3	Cards	2,809,117,412.35	1,033,789,691.19	1,249,388,371.22	368,515,326.41
4	Slips	13,707,429.74	647,162,350.00	6,549,429.74	2,412,350.00
	Total	4,573,855,855.50	3,056,242,618.32	1,614,827,480.55	880,428,333.54

Appendix IV (C)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison (Fourth Quarter, 2014 and First Quarter, 2015)





Report on Frauds and Forgeries in Banks

April - June, 2015

Report on Frauds and Forgeries in the Nigerian Banking Industry for the period April - June, 2015

Overview

During the second quarter of 2015, FITC received 69 returns from 24 deposit money banks¹ on reported incidence of frauds and forgeries that occurred in their various organisations during the period. FITC received 23 returns for each of the months April, May and June, 2015.

Volume and Value of Fraud Cases

Analysis of the returns shows that a total of 3,336 cases² of frauds and forgeries were reported in the banking industry during the second quarter of 2015, compared to 3,657 cases reported in the first quarter of the same year. This figure shows a decrease of 8.78 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, PoS fraud, opening/operating fraudulent accounts, fraudulent withdrawals, miscellaneous (other types of) fraud, 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 review quarter, the total amount⁴ of money that was reported as being involved in fraud cases increased to ₦5.64 billion from ₦3.06 billion in the preceding quarter, indicating 84.48 per cent rise. Of the total amount (i.e. ₦5.64 billion) involved in fraud, ₦1.02 billion (approximately 18.16 per cent) was actually lost to fraud in the banking industry. The difference of ₦4.61 billion (81.84 per cent) of the total amount involved in fraud was recovered through the combined efforts of banks' internal control systems and external intervention from relevant government agencies such as 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 ₦2.67 billion (47.43 per cent), and miscellaneous (other types of) fraud ranked second at ₦2.05 billion (36.29 per cent), while opening and operating fraudulent loans and accounts ranked third at ₦211.35 million (3.75 per cent), of the total amount involved in fraud and forgery during the review period. **Appendix II (B)** further provides a graphical illustration of the amount that was reported to be involved in fraud and forgery cases during the review period.

Further analysis of the returns shows that computer/Web fraud accounted for ₦540.51 million (52.79 per cent) of the total amount that was actually lost to fraud during the quarter, while opening and operating fraudulent loans and accounts accounted for ₦182.34 million (17.81 per cent), and miscellaneous (other types of) fraud accounted for ₦98.78 million (9.65 per cent). **Appendix II (C)** shows the amount that was actually lost to fraud and forgery activities in the second quarter

of 2015, 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: the channels include ATMs, the Web, bank branch, PoS, agent and mobile banking channels. The instruments used by fraudsters to carry out fraud during the period were mostly cards, cash, cheques and slips.

Analysis of the banks' returns by the amount involved shows that the channel that was mostly used to perpetrate fraud was bank branch, which increased to ₦2.73 billion from ₦1.97 billion recorded in the preceding quarter, thus representing 38.51 per cent increase. Also, fraud through the Web increased significantly by 362.39 per cent to ₦2.67 billion from ₦578.34 million. Fraud through ATM increased by 18.09 per cent from ₦158.28 million to ₦186.92 million. However, fraud attempts through mobile banking channels plunged significantly by 99.99 per cent to from ₦287.50 million recorded in the previous quarter to ₦15,400 in the period under review.

Further analysis of the amount involved in fraud attempts through the use of various instruments, shows that cards were mostly used by fraudsters during the period, as it increased considerably by 177.31 per cent to ₦2.87 billion from ₦1.03 billion that was reported in the preceding quarter. In a similar vein, fraud attempts involving cash rose by 169.50 per cent to ₦2.59 billion from ₦960.30 million in the preceding quarter. Further details on the channels and instruments that were used in attempting fraud are graphically illustrated in **Appendices III - IV**.

The banks also reported on their employees who were either dismissed or had their appointments terminated as a result of involvement in fraud-related offences. The returns showed that 75 employees' appointments were terminated on fraud-related grounds, which indicates a 16.67 per cent decrease from the 90 employees whose appointments were terminated in the preceding quarter. The decrease in the number of bank employees whose appointments were terminated for fraud related offences further indicates banks' zero tolerance of fraudulent offence among their employees.

Conclusion and Recommendations

The parameters used to assess fraud and forgery incidence in the Nigerian banking industry during the second quarter revealed a mixed performance. As some parameters increased considerably, some actually decreased. For instance, the total amount that was involved in fraud cases increased significantly to ₦5.64 billion from ₦3.06 billion that was reported in the preceding quarter, thus indicating a decrease of 84.48 per cent. Similarly, the total amount that was reported to have been lost to fraud-related activities also increased to ₦1.02 billion from ₦880.43 million, representing 16.29 per cent increment. However the total number of reported fraud cases in the banking industry decreased marginally to 3,336 from 3,657, representing 8.78 per cent decline.

The analysis also revealed that the amount involved and the amount that was eventually (actually) lost to electronic fraud⁵ increased during the period. Specifically, the figure for the amount involved in electronic fraud increased to ₦2.87 billion from ₦1.03 billion, while the actual amount lost to electronic fraud increased to ₦579.18 million from ₦368.52 million in the previous quarter, thus representing 177.31 per cent and 57.17 per cent increase respectively.

The need for closer collaborative effort involving all stakeholders in mitigating and curbing fraud in the banking industry cannot be over-emphasised. The industry has achieved much in combating fraud; however, there is need for every bank to continually watch and monitor their financial assets, because a successful fraud attempt on one bank could set the industry back and undermine efforts to the industry fraud-proof.

(Please see the appendices below for summaries of the cases of frauds and forgeries covered in this report, with comparisons between the second quarter of 2014, first quarter of 2015 and the second quarter of 2015, on selected concerns.)

Notes:

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

Note 2: Volume of fraud and forgery.

Note³: 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.

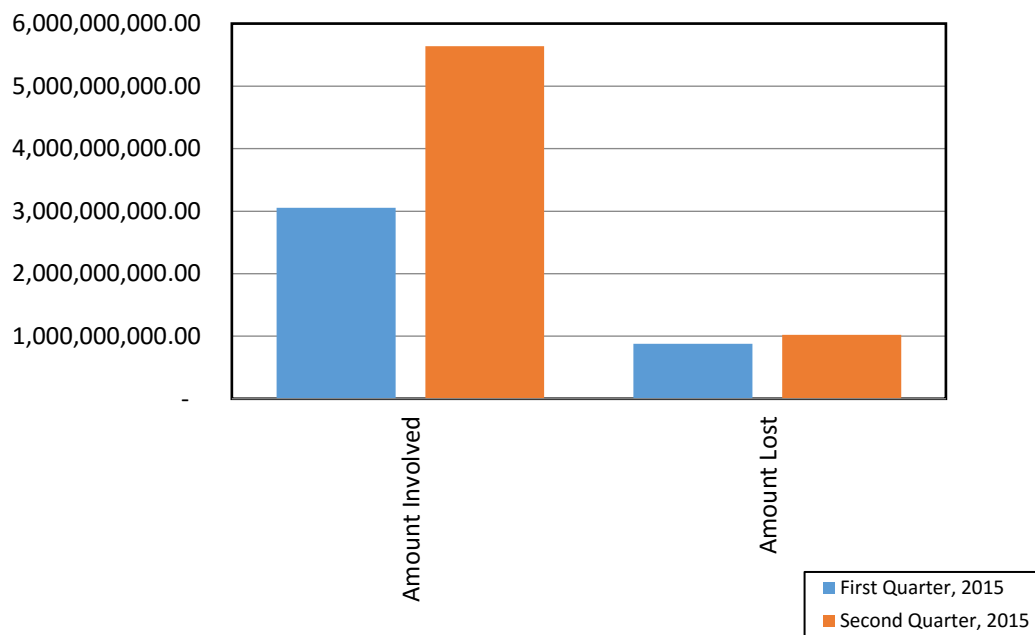
Appendix I (A)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between First and Second Quarters, 2015

S/N	Variables	First Quarter, 2015	Second Quarter, 2015
1	Total Cases reported	3,657	3,336
2	Total Amount Involved	₦ 3,056,242,618.32	₦ 5,638,016,813.06
3	Total Amount Lost	₦ 880,428,333.54	₦ 1,023,857,465.56
4	Outsider Involvement	2,820	2,235
5	Insider (Staff) Involvement	125	84
6	Appointments Terminated	90	75

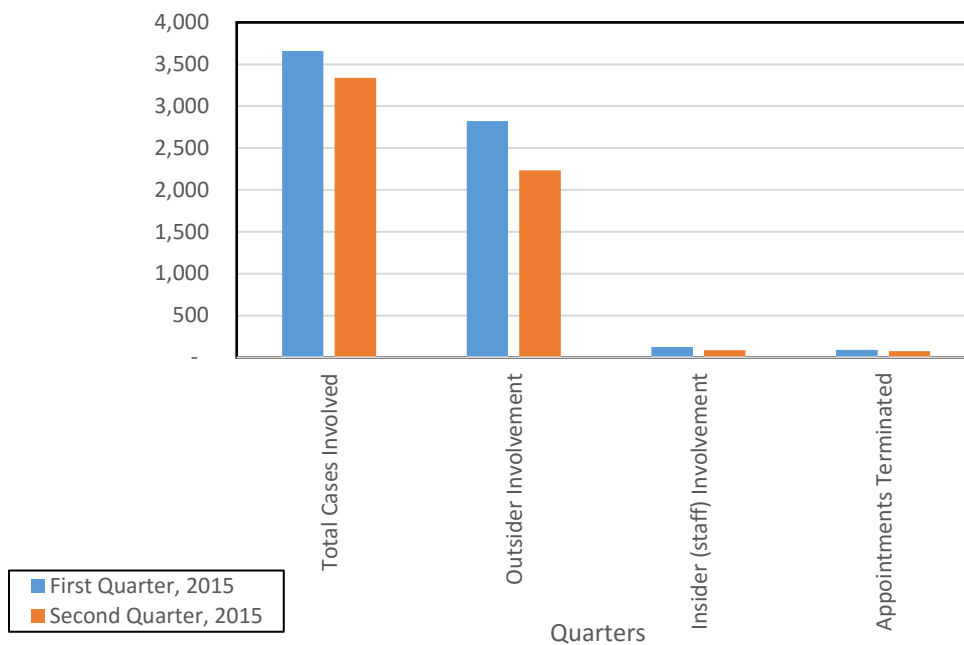
Appendix I (B)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between First and Second Quarters, 2015



Appendix I (C)

Frauds and Forgeries in the Nigerian Banking Industry:
A Comparison between First and Second Quarters, 2015



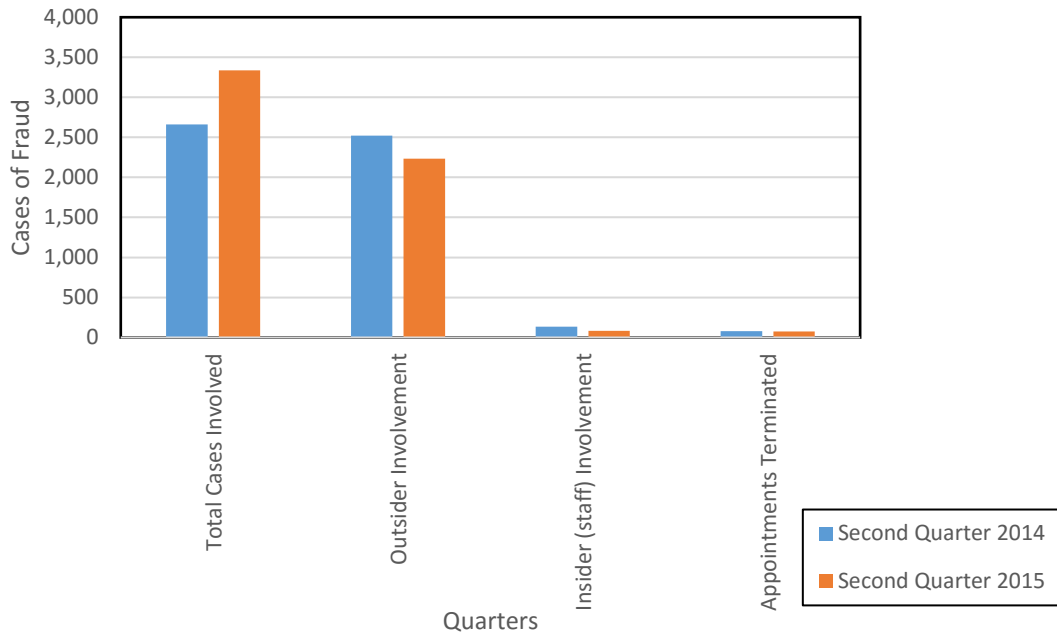
Appendix I (D)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison
between Second Quarter, 2014 and Second Quarter, 2015

S/N	Variables	Second Quarter, 2014	Second Quarter, 2015
1	Total Cases Involved	2,661	3,336
2	Total Amount Involved	₦12,750,672,060.44	₦5,638,016,813.06
3	Total Amount Lost	₦479,450,089.32	₦1,023,857,465.56
4	Outsider Involvement	2,520	2,235
5	Insider (Staff) Involvement	133	84
6	Appointments Terminated	79	75

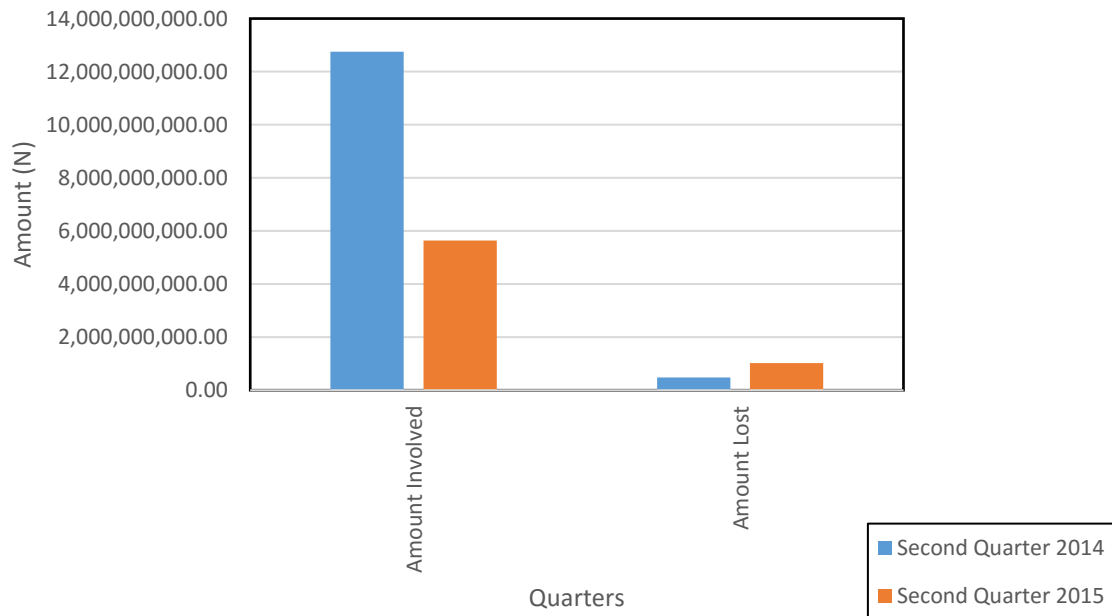
Appendix I (E)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second Quarter, 2014 and Second Quarter, 2015



Appendix I (F)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second Quarter, 2014 and Second Quarter, 2015



Appendix II (A): Frauds and Forgeries in the Nigerian Banking Industry (Second Quarter, 2015)

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 (%)
Tellering Fraud	6 (0.18)	5 (5.95)	0 (0)	1 (8.33)	0 (0)	1,964,500.00 (0.03)	500,000.00 (0.05)	25.5
Falsification of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts	1 (0.03)	0 (0)	0 (0)	0 (0)	1 (10)	208,000,000.00 (3.69)	0 (0)	0
Forged Cheques with Forged Signature	22 (0.66)	2 (2.38)	18 (0.81)	0 (0)	2 (0.20)	147,190,790.75 (2.61)	82,168,836.24 (8.03)	55.8
Printing of Bank Document Illegally	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Clearing Fraud	8 (0.24)	0 (0)	7 (0.31)	0 (0)	1 (0.10)	32,898,687.00 (0.58)	12,075,000.00 (1.18)	36.7
Computer/Web Fraud	644 (19.30)	6 (7.14)	488 (21.83)	0 (0)	150 (14.93)	2,674,214,786.59 (47.43)	540,506,382.63 (52.79)	20.2
Mobile Fraud	2 (0.06)	0 (0)	1 (0.04)	1 (8.33)	0 (0)	15,400.00 (0)	0 (0)	0
Foreign Exchange Fraud	5 (0.15)	2 (2.38)	0 (0)	3 (25.00)	0 (0)	8,162,623.08 (0.14)	5,763,857.44 (0.56)	70.61
Cross Firing of Cheques and Kite Flying	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0

Note: All figures in parenthesis () indicate percentages

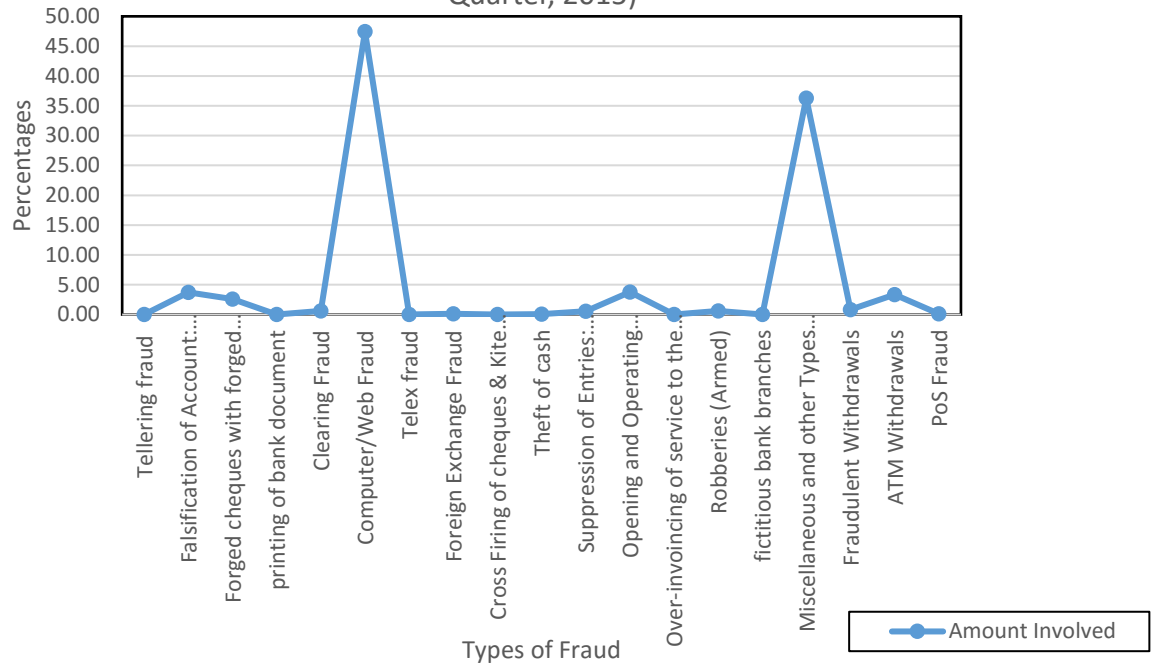
Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry (Second Quarter, 2015)

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	3 (0.09)	1 (1.19)	1 (0.04)	1 (8.33)	0 (0)	3,056,000.00 (0.05)	528,000.00 (0.05)	17.3
Suppression of Entries: Cash/Cheques	49 (1.47)	45 (53.57)	3 (0.13)	1 (8.33)	0 (0)	32,211,773.00 (0.57)	16,098,323.00 (1.57)	50.0
Opening and Operating Fraudulent Loans and Accounts	57 (1.71)	1 (1.19)	46 (2.06)	1 (8.33)	9 (0.90)	211,348,637.17 (3.75)	182,341,037.17 (17.81)	86.3
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 (0.18)	0 (0)	6 (0.27)	0 (0)	0 (0)	34,384,530.00 (0.61)	16,620,595.00 (1.62)	48.3
Fictitious Bank Branches	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Miscellaneous and Other Types of Fraud	52 (1.56)	9 (10.71)	37 (1.66)	3 (25.00)	3 (0.30)	2,046,096,959.65 (36.29)	98,779,919.61 (9.65)	4.8
Fraudulent Withdrawals	55 (1.65)	7 (8.33)	43 (1.92)	1 (8.33)	4 (0.40)	45,922,499.11 (0.81)	29,798,420.10 (2.91)	64.9
Fraudulent ATM Withdrawals	2,314 (69.36)	6 (7.14)	1,476 (66.04)	0 (0)	832 (82.79)	186,915,222.93 (3.32)	38,644,987.03 (3.77)	20.7
PoS Fraud	112 (3.36)	0 (0)	109 (4.88)	0 (0)	3 (0.30)	5,634,403.79 (0.10)	32,107.34 (0)	0.6
Total	3,336	84	2,235	12	1,005	5,638,016,813.06	1,023,857,465.56	501.71

Note: All figures in parenthesis () indicate percentages

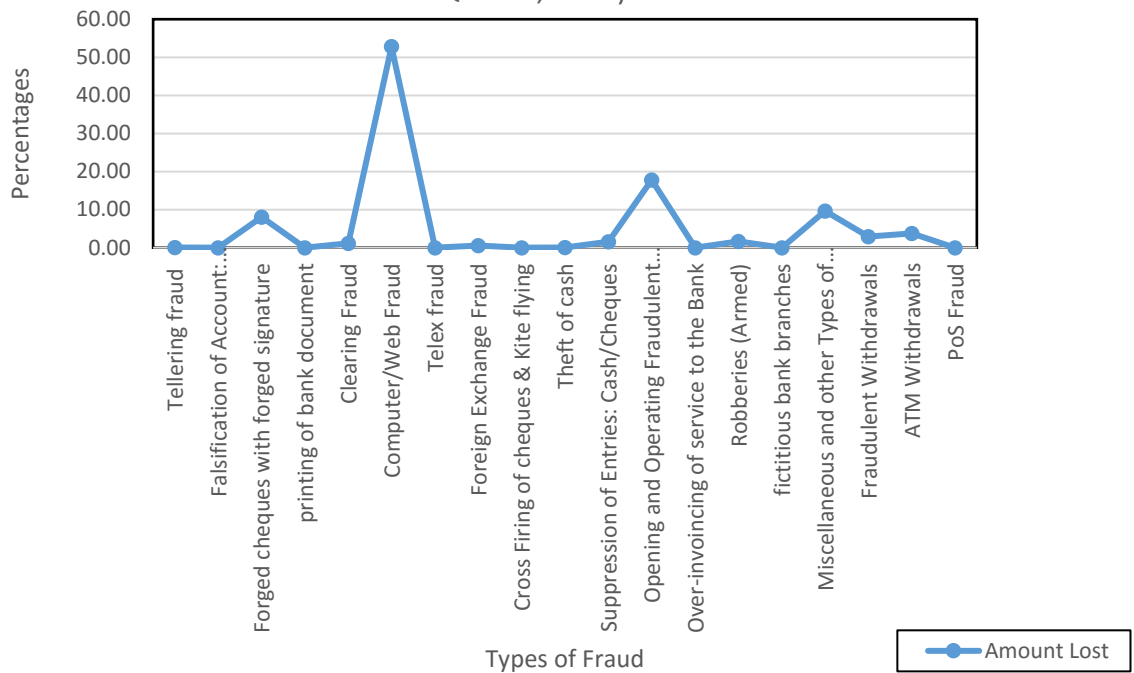
Appendix II (B)

Percentage Distribution of Amount Involved in Frauds and Forgeries (Second Quarter, 2015)

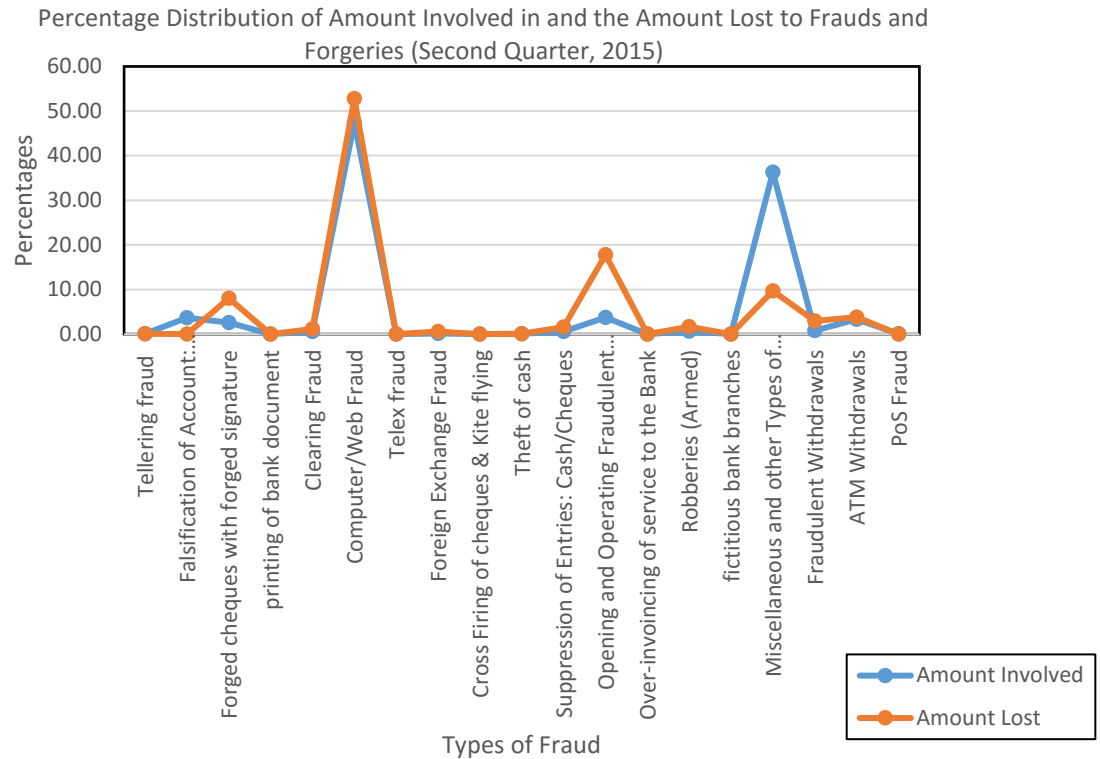


Appendix II (C)

Percentage Distribution of Amount Lost to Frauds and Forgeries (Second Quarter, 2015)



Appendix II (D)



Appendix III (A)

Frauds and Forgeries through various Payment Channels: A Comparison between First and Second Quarters, 2015

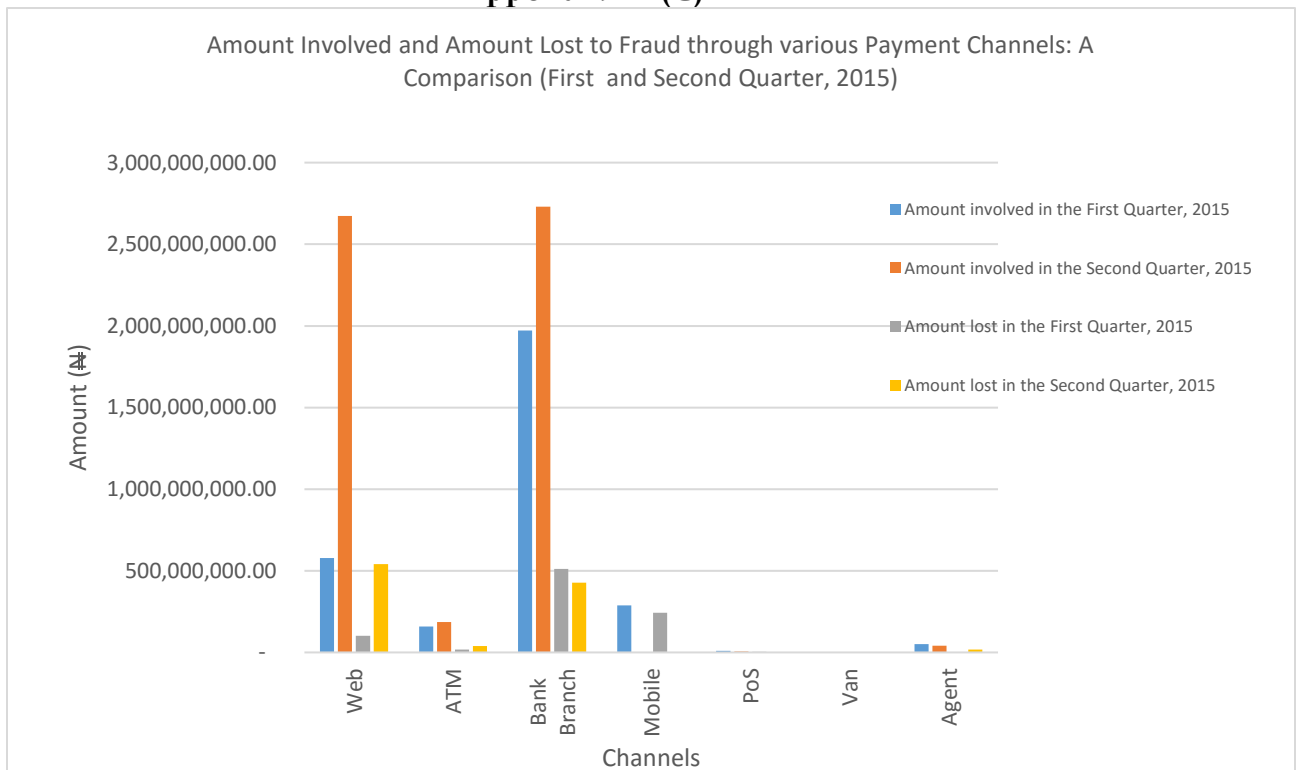
S/N	Channels	Cases: First Quarter, 2015	Cases: Second Quarter, 2015
1	Web	531	644
2	ATM	2,688	2,314
3	Bank Branch	315	251
4	Mobile	7	2
5	POS	102	112
6	Van	0	0
7	Agent	14	13
	Total	3,657	3,336

Appendix III (B)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison (First and Second Quarters, 2015)

S/N	Channel	Amount Involved, First Quarter, 2015 (₦)	Amount Involved, Second Quarter, 2015 (₦)	Amount Lost, First Quarter, 2015 (₦)	Amount Lost, Second Quarter, 2015 (₦)
1	Web	578,341,025.22	2,674,214,786.59	101,704,718.49	540,506,382.63
2	ATM	158,277,754.46	186,915,222.93	18,431,462.01	38,644,987.03
3	Bank Branch	1,971,170,546.95	2,730,175,689.68	510,817,007.13	426,835,131.12
4	Mobile	287,502,784.00	15,400.00	244,000,000.00	0.00
5	POS	9,668,127.51	5,634,403.79	4,379,145.91	32,107.34
6	Van	0.00	0.00	0.00	0.00
7	Agent	51,282,380.18	41,061,310.08	1,096,000.00	17,838,857.44
	Total	3,056,242,618.32	5,638,016,813.06	880,428,333.54	1,023,857,465.56

Appendix III (C)



Appendix IV (A)

Frauds and Forgeries through various Instruments: A Comparison between First and Second Quarters, 2015

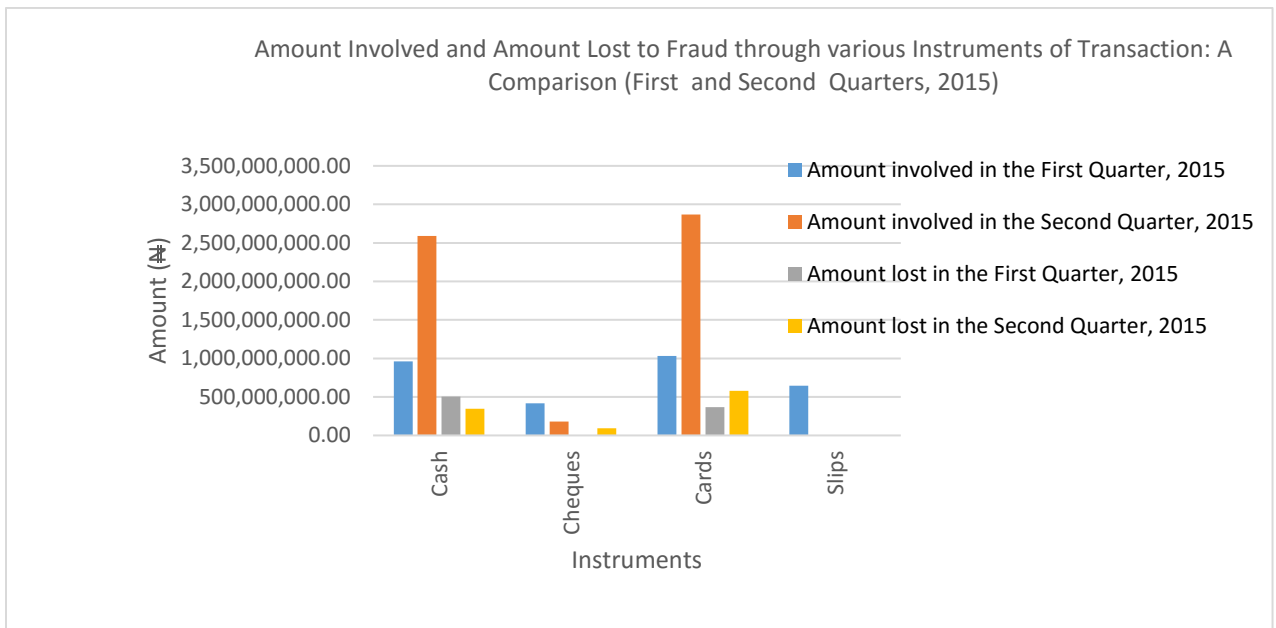
S/N	Instruments	Cases: First Quarter, 2015	Cases: Second Quarter, 2015
1	Cash	284	230
2	Cheques	41	29
3	Cards	3,328	3,072
4	Slips	4	5
	Total	3,657	3,336

Appendix IV (B)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison (First and Second Quarters, 2015)

S/N	Instruments	Amount Involved, First Quarter, 2015 (₦)	Amount Involved, Second Quarter, 2015 (₦)	Amount Lost, First Quarter, 2015 (₦)	Amount Lost, Second Quarter, 2015 (₦)
1	Cash	960,296,661.13	2,588,044,522.01	504,946,657.13	348,127,152.32
2	Cheques	414,993,916.00	179,992,477.75	4,554,000.00	94,146,836.24
3	Cards	1,033,789,691.19	2,866,779,813.30	368,515,326.41	579,183,477.00
4	Slips	647,162,350.00	3,200,000.00	2,412,350.00	2,400,000.00
	Total	3,056,242,618.32	5,638,016,813.06	880,428,333.54	1,023,857,465.56

Appendix IV (C)





Report on Frauds and Forgeries in Banks

July - September, 2015

Report on Frauds and Forgeries in the Nigerian Banking Industry for the period July - September, 2015

Overview

In the third quarter of 2015, FITC received 68 returns from 23 deposit money banks¹ on the incidence of fraud and forgery that occurred in their various institutions within the period. 23 returns were received for each month of July and August, while 22 returns were received for September, 2015.

Volume and Value of Fraud Cases

Analysis of the returns shows that a total of 3,967 cases² of fraud and forgery were reported in the banking industry during the third quarter of 2015, compared to 3,336 cases reported in the second quarter of the same year. This indicates an increase of 18.91 per cent in the reported cases of fraud in the banking industry over the period. The types of fraud that were reported to predominantly occur include fraudulent ATM withdrawals, computer/Web fraud, fraudulent withdrawals, miscellaneous³ (other types of) fraud and suppression of entries. **Appendices I and II** detail the fraud incidences that occurred during the review period with graphical illustrations.

During the period, total amount⁴ of money that was reported as being involved in fraud cases plummeted to ₦2.13 billion from ₦5.64 billion in the preceding quarter, indicating a 62.29 per cent drop. Of the total amount (i.e. ₦2.13 billion) involved in fraud, ₦453.31 million (approximately 21.32 per cent) was actually lost to fraud in the banking industry. The difference of ₦1.67 billion (78.68 per cent) was recovered through the combined efforts of banks' internal and external control systems, as well as the intervention of relevant government agencies such as the law enforcement and anti-graft agencies.

Ranking the fraud types according to their value, **Appendix II (A)** shows that miscellaneous (other types of) fraud ranked first at ₦789.21 million (37.12 per cent), computer/Web fraud ranked second at ₦727.56 million (34.22 per cent), while fraudulent ATM withdrawals ranked third at ₦192.20 million (9.04 per cent) in the amount involved fraud and forgery during the third quarter of 2015. **Appendix II (B)** further provides a graphical illustration of the amount that was reported to be involved in fraud and forgery incidence during the review period.

Further analysis of the returns shows that computer/Web fraud accounted for ₦213.86 million (47.18 per cent) of the total amount that was actually lost to fraud incidence during the quarter. Miscellaneous (other types of) fraud accounted for ₦66.31 million (14.63 per cent), while fraudulent withdrawals and fraudulent ATM withdrawals accounted for ₦57.70 million (12.73 per cent) and ₦55.85 million (12.32 per cent) respectively. **Appendix II (C)** shows the amount that was actually lost to fraud and forgery activities in the third quarter of 2015, while

Appendix II (D) shows a 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

Various types of channels were used to perpetrate fraud during the period under review: these include the Web, ATM, bank branch, mobile banking fraud, PoS and agent. The instruments used by fraudsters to carry out fraudulent activities were cash, cheque, cards and slips.

Analysis of the banks' returns by the amount involved, shows that the channel that was mostly used to perpetrate fraud during the period was bank branch, which dropped to ₦1.17 billion from ₦2.73 billion recorded in the preceding quarter, representing 57.17 per cent decrease. Also, fraud through the Web decreased significantly by 72.79 per cent to ₦727.56 million from ₦2.67 billion in the previous quarter. However, mobile payment fraud and PoS frauds increased considerably by 31,356.06 per cent and 73.80 per cent respectively to ₦4.84 million and ₦9.79 million, from ₦0.015 million and ₦5.63 million respectively.

Analysis by the amount involved in fraud through the use of various instruments shows that cash was mostly used to perpetrate fraud during the review period; however, fraud attempts through the use of cash decreased significantly by 61.79 per cent to ₦988.97 million from ₦2.59 billion that was reported in the preceding quarter. Also, fraud attempts through the use of cards dropped considerably by 67.41 per cent to ₦934.40 million from ₦2.87 billion in the previous period. Details of the channels and instruments that were used in perpetrating fraud in the third quarter of 2015 are graphically illustrated in **Appendices III - IV**.

The banks also reported terminations and dismissals of employees as a result of involvement in fraud-related activities. The appointments of 62 bank employees were terminated for fraud related offences; this indicates a 17.33 per cent decrease from the 75 employees whose appointments were terminated on similar grounds in the preceding quarter.

Conclusion and Recommendations

The parameters used to assess fraud and forgery incidence in the Nigerian banking industry during the third quarter of 2015, revealed a mixed performance. While some parameters increased considerably, others actually decreased. For instance, the total amount that was involved in fraud cases dropped significantly to ₦2.13 billion from ₦5.64 billion in the preceding quarter, thus indicating a 62.29 per cent drop. Also, the total amount that was reported to be lost to fraud dropped to ₦453.31 million from ₦1.02 billion in the preceding quarter, representing 55.73 per cent decrease. However, the total number of fraud cases that was reported during the period increased to 3,967 from 3,336 representing an 18.91 per cent rise.

Analysis of electronic fraud⁵ showed a decrease in both the amount involved and the amount that was actually lost to electronic fraud. The figures showed that the amount involved in electronic fraud plunged significantly to ₦934.40 million from ₦2.87 billion, thus representing a 67.41 per cent decline. Similarly, the actual amount lost to fraud also decreased to ₦271.35 million from ₦579.18 million in the previous quarter, representing a significant 53.15 per cent drop.

On the whole, analysis of the third quarter fraud and forgery returns of the banks seems to show a heartening outlook as the amount involved in electronic fraud and related activities, as well as the actual amount lost to electronic fraud dropped. This decline may be attributed to narrowing margins in most banks as a result of contraction in the wider macro economy, on the heels of declining earnings from commodity exports. This decline which became noticeable in the second quarter, compelled banks to tighten their controls in order to reduce leakages. However, we hope that the security and other control measures the banks put in place will be sustained.

(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 2014, second and third quarters of 2015, on selected concerns.)

Notes:

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

Note 2: Volume of fraud and forgery.

Note³: 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.

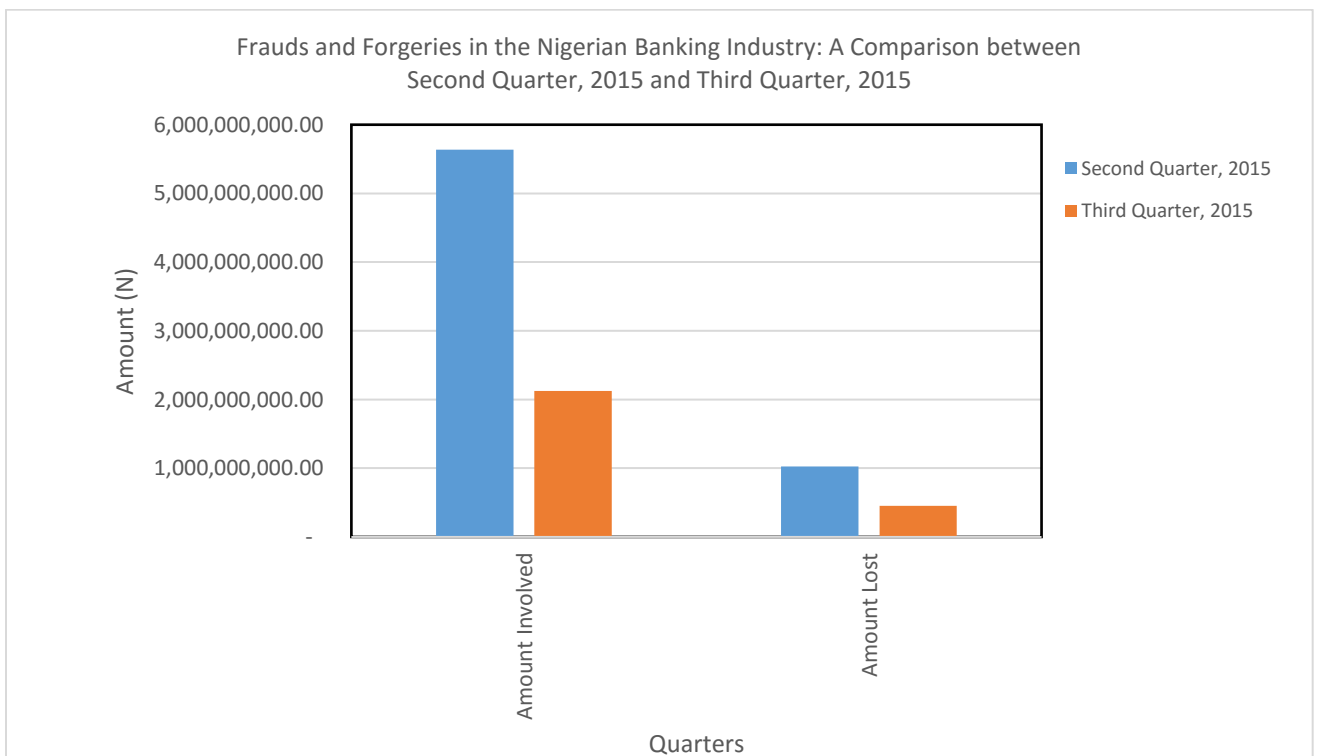
Note 5: Consisting of computer/Web fraud, PoS fraud, mobile banking fraud, and ATM fraud.

Appendix I (A)

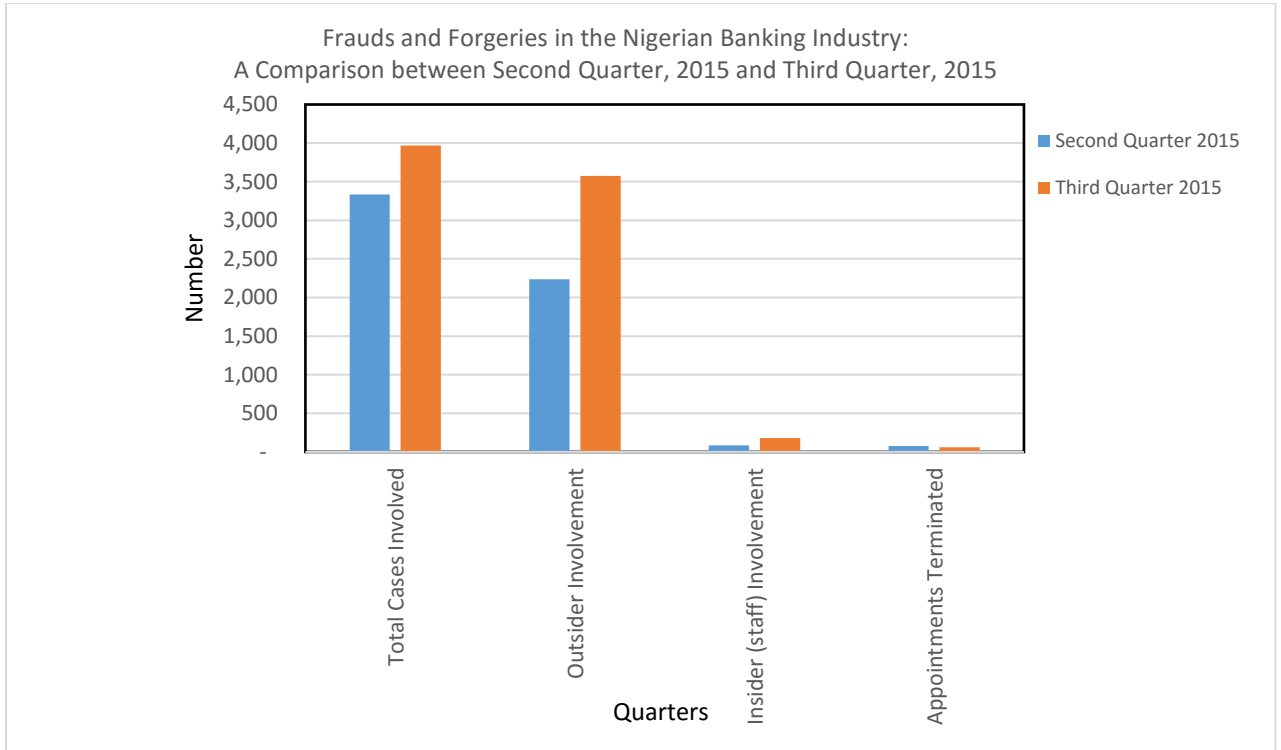
Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second and Third Quarters, 2015

S/N	Variables	Second Quarter, 2015	Third Quarter, 2015
1	Total Cases reported	3,336	3,967
2	Total Amount Involved	₦ 5,638,016,813.06	₦ 2,125,977,442.06
3	Total Amount Lost	₦ 1,023,857,465.56	₦ 453,308,642.88
4	Outsider Involvement	2,235	3,573
5	Insider (Staff) Involvement	84	180
6	Appointments Terminated	75	62

Appendix I (B)



Appendix I (C)

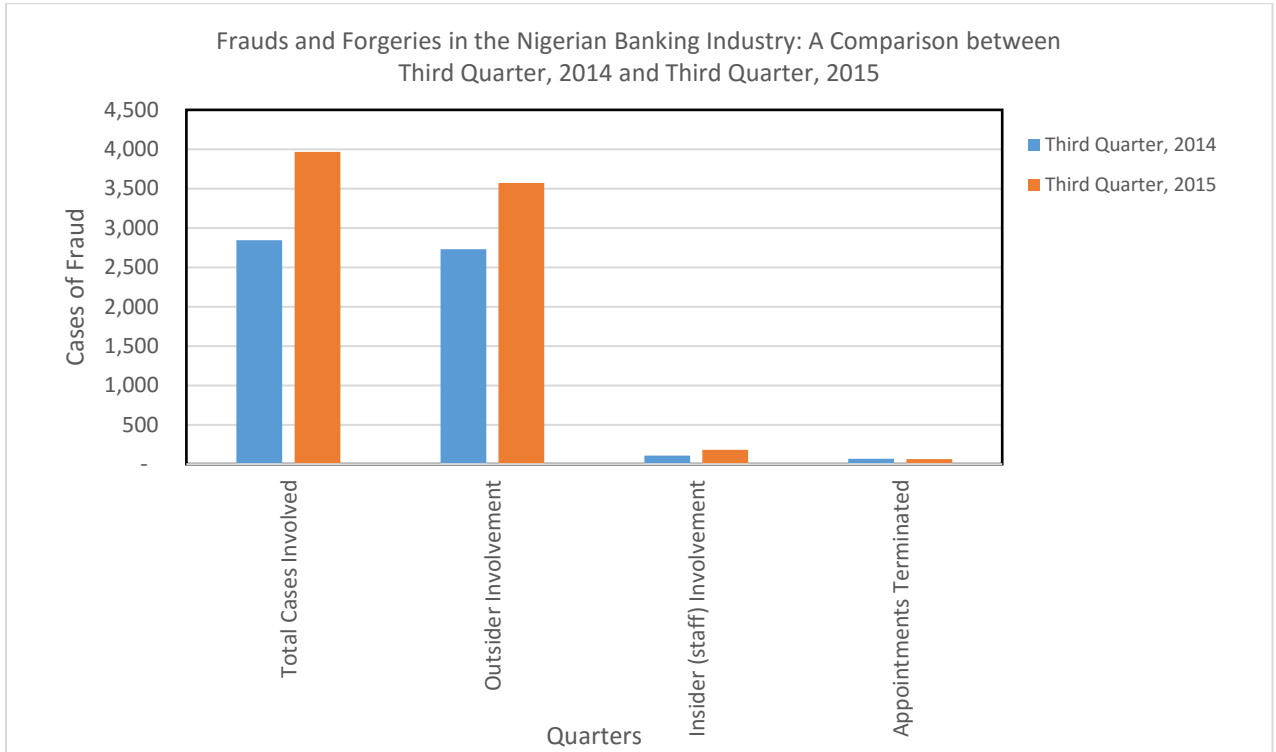


Appendix I (D)

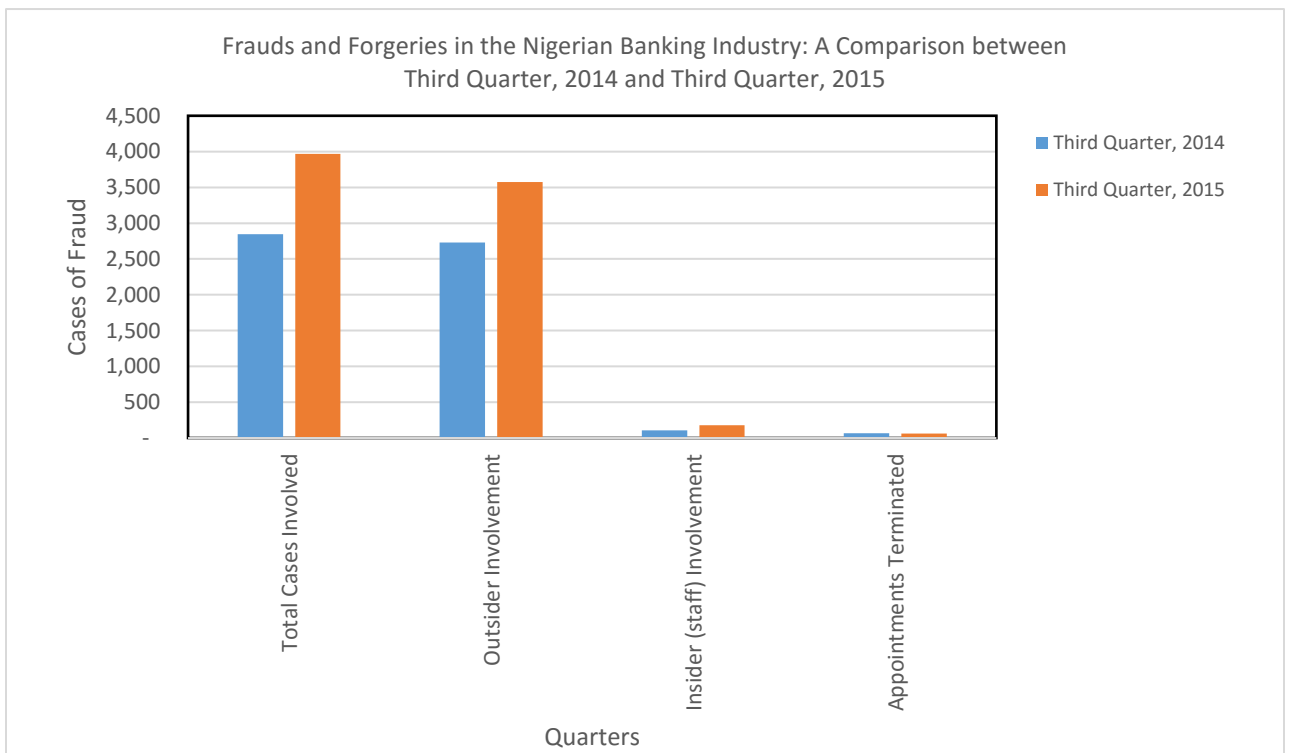
Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Third Quarter, 2014 and Third Quarter, 2015

S/N	Variables	Third Quarter, 2014	Third Quarter, 2015
1	Total Cases Involved	2,844	3,967
2	Total Amount Involved	₦7,480,308,510.59	₦2,125,977,442.06
3	Total Amount Lost	₦1,253,913,330.87	₦453,308,642.88
4	Outsider Involvement	2,731	3,573
5	Insider (Staff) Involvement	108	180
6	Appointments Terminated	66	62

Appendix I (E)



Appendix I (F)



Appendix II (A): Frauds and Forgeries in the Nigerian Banking Industry (Third Quarter, 2015)

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 (%)
Teller Fraud	7 (0.18)	7 (3.89)	0 (0)	0 (0)	0 (0)	4,078,000.00 (0.19)	2,550,000.00 (0.56)	62.5
Falsification of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Forged Cheques with Forged Signature	38 (0.96)	2 (1.11)	34 (0.95)	0 (0)	2 (0.98)	177,950,781.36 (8.37)	9,209,000.00 (2.03)	5.2
Printing of Bank Document Illegally	6 (0.15)	2 (1.11)	4 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Clearing Fraud	17 (0.43)	0 (0)	15 (0.42)	1 (11.11)	1 (0.49)	19,859,274.69 (0.93)	1,060,000.00 (0.23)	5.3
Computer/Web Fraud	896 (22.59)	9 (5.00)	865 (24.21)	1 (11.11)	21 (10.24)	727,556,544.61 (34.22)	213,858,867.30 (47.18)	29.4
Mobile Fraud	17 (0.43)	0 (0)	15 (0.42)	0 (0)	2 (0.98)	4,844,233.00 (0.23)	1,118,000.00 (0.25)	0
Foreign Exchange Fraud	2 (0.05)	0 (0)	1 (0.03)	1 (11.11)	0 (0)	2,443,041.00 (0.11)	2,243,041.00 (0.49)	91.81
Cross Firing of Cheques and Kite Flying	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0

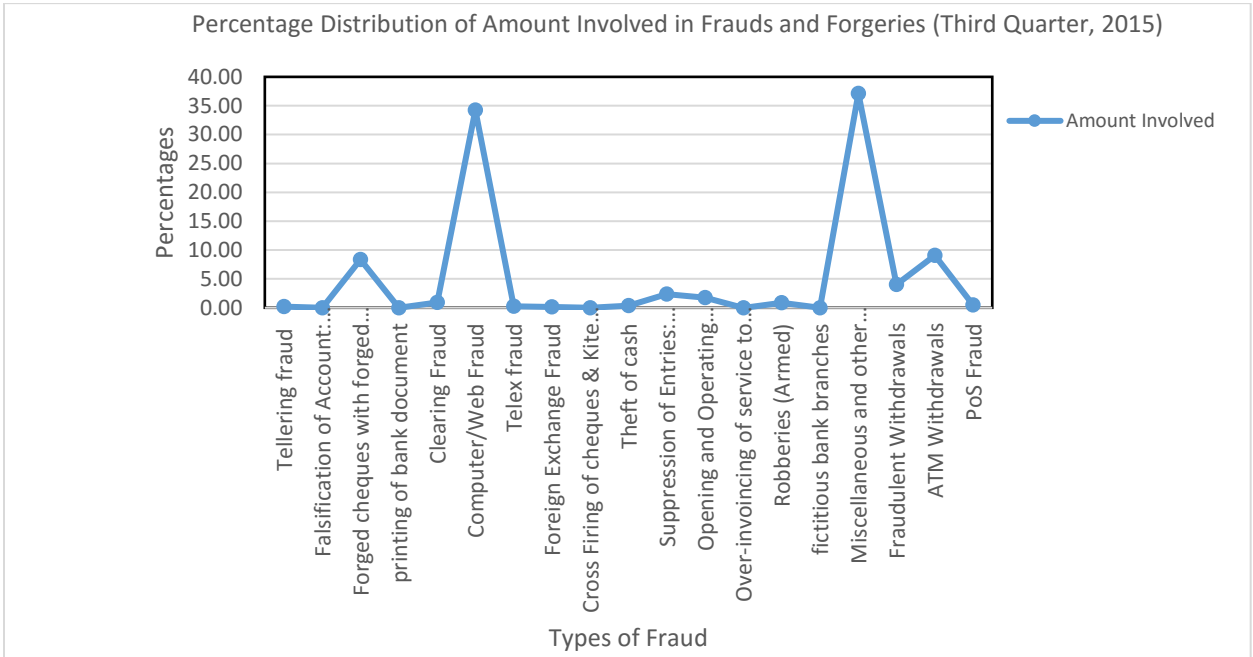
Note: All figures in parenthesis () indicate percentages

Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry (Third Quarter, 2015)

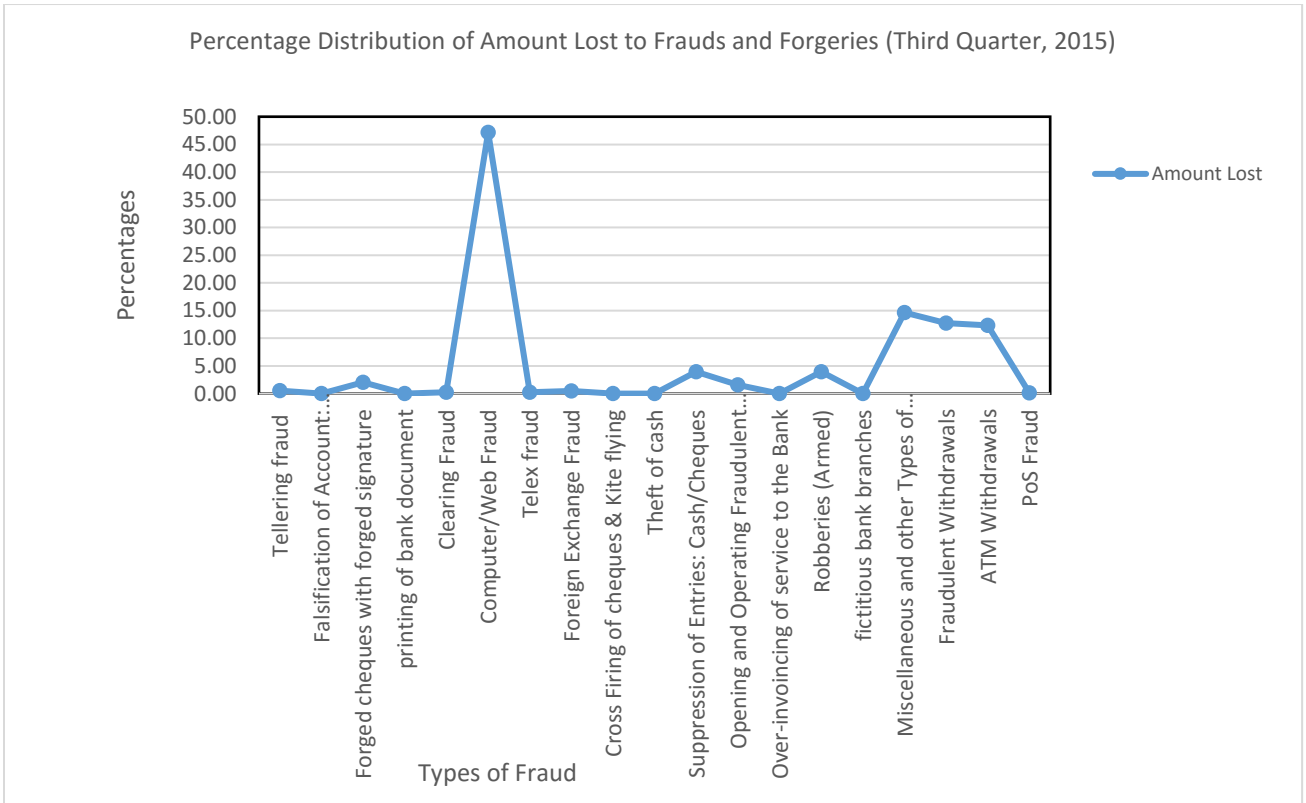
Types of Fraud	Total Number Of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (₦)	Actual /Expected Loss (₦)	Expected Loss/ Amount Involved (%)
Theft of Cash	14 (0.35)	14 (7.78)	0 (0)	0 (0)	0 (0)	7,396,750.00 (0.35)	0 (0)	0
Suppression of Entries: Cash/Cheques	102 (2.57)	100 (55.56)	1 (0.03)	1 (11.11)	0 (0)	50,146,209.50 (2.36)	17,920,671.00 (3.95)	35.7
Opening and Operating Fraudulent Loans and Accounts	58 (1.46)	3 (1.67)	55 (1.54)	0 (0)	0 (0)	37,339,647.93 (1.76)	7,069,098.30 (1.56)	18.9
Over-Invoicing of Service to the Bank	1 (0.03)	1 (0.56)	0 (0)	0 (0)	0 (0)	500 (0)	0 (0)	0
Robberies (Armed)	6 (0.15)	0 (0)	6 (0.17)	0 (0)	0 (0)	17,903,999.00 (0.84)	17,903,000.00 (3.95)	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	107 (2.70)	23 (12.78)	74 (2.07)	1 (11.11)	9 (4.39)	789,213,441.22 (37.12)	66,306,366.86 (14.63)	8.4
Fraudulent Withdrawals	135 (3.40)	17 (9.44)	76 (2.13)	4 (44.44)	38 (18.54)	85,247,944.79 (4.01)	57,698,855.84 (12.73)	67.7
Fraudulent ATM Withdrawals	2,492 (62.82)	2 (1.11)	2,362 (66.11)	0 (0)	128 (62.44)	192,204,738.24 (9.04)	55,853,390.19 (12.32)	29.1
PoS Fraud	69 (1.74)	0 (0)	65 (1.82)	0 (0)	4 (1.95)	9,792,336.72 (0.46)	518,352.39 (0.11)	5.3
Total	3,967	180	3,573	9	205	2,125,977,442.06	453,308,642.88	459.4

Note: All figures in parenthesis () indicate percentages

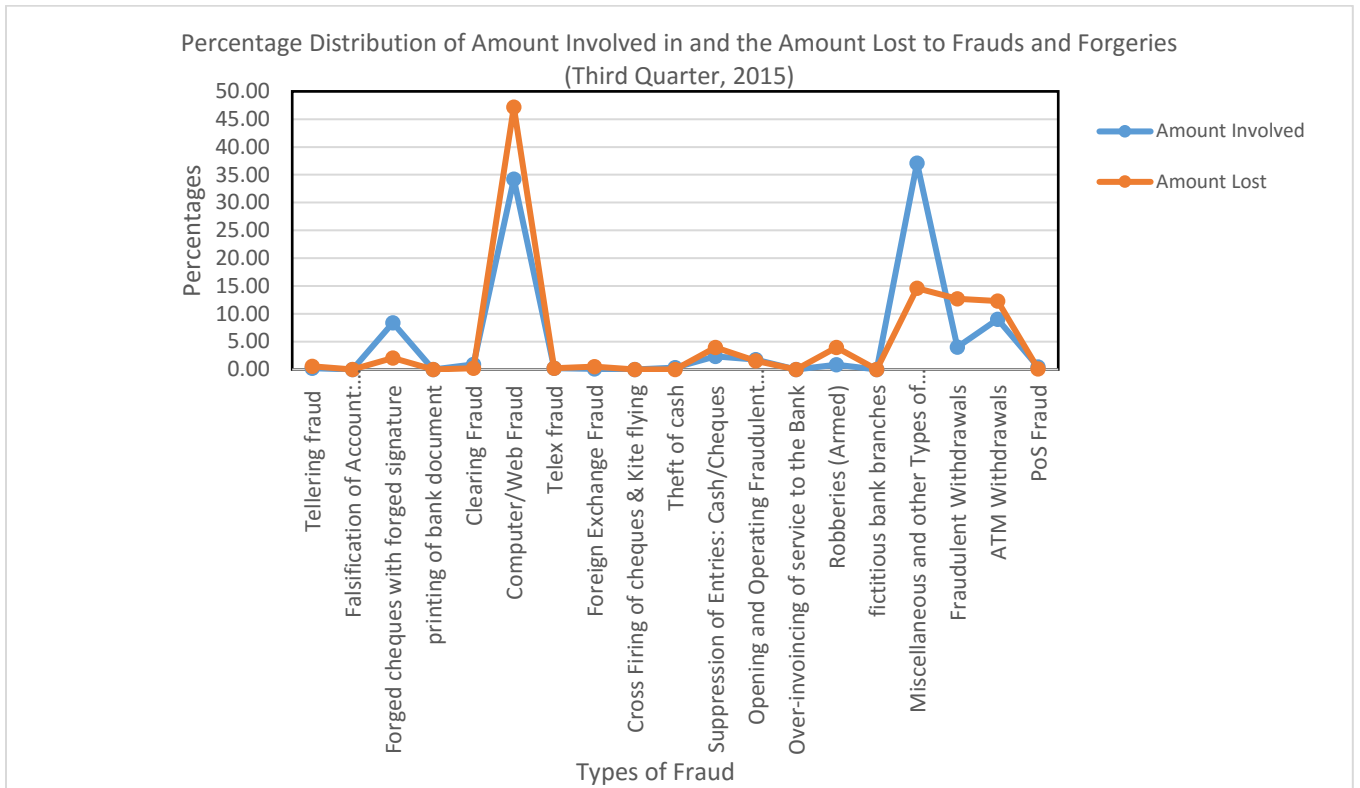
Appendix II (B)



Appendix II (C)



Appendix II (D)



Appendix III (A)

Frauds and Forgeries through various Payment Channels: A Comparison between Second and Third Quarters, 2015

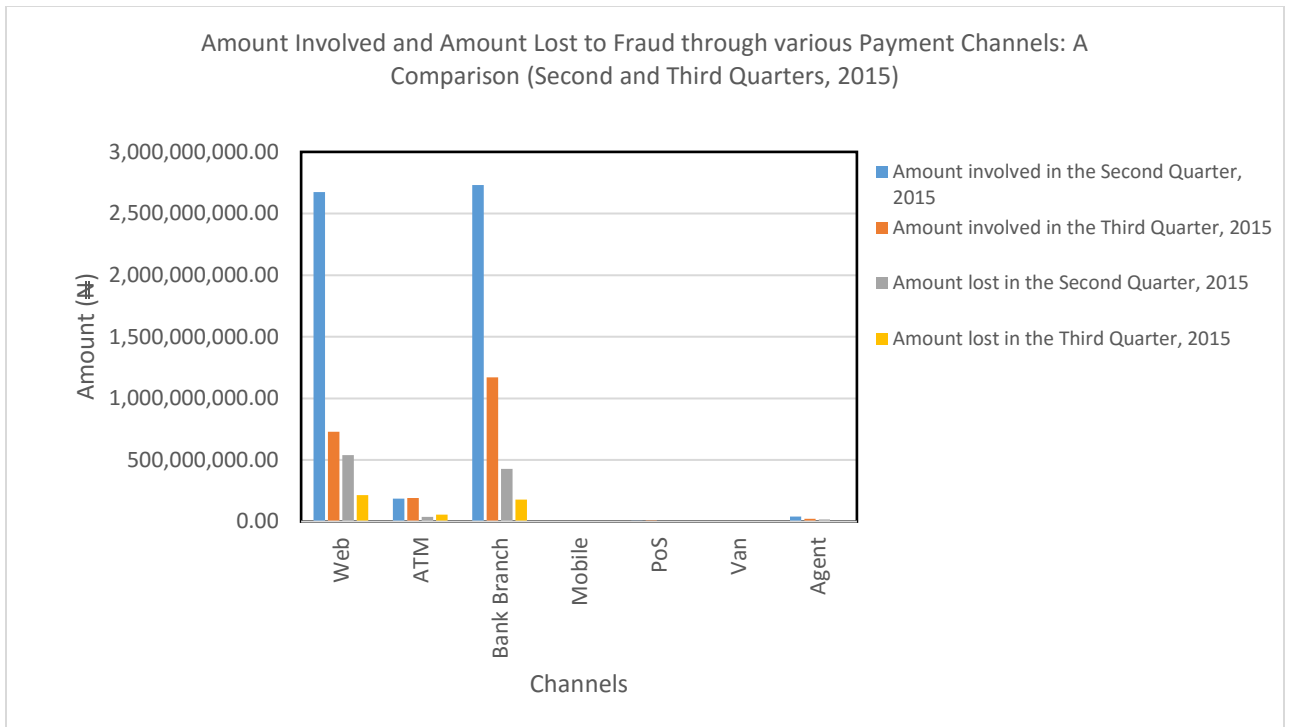
S/N	Channels	Cases: Second Quarter, 2015	Cases: Third Quarter, 2015
1	Web	644	896
2	ATM	2,314	2,492
3	Bank Branch	251	474
4	Mobile	2	17
5	POS	112	69
6	Van	0	0
7	Agent	13	19
	Total	3,336	3,967

Appendix III (B)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison (Second and Third Quarters, 2015)

S/N	Channel	Amount Involved, Second Quarter, 2015 (₦)	Amount Involved, Third Quarter, 2015 (₦)	Amount Lost, Second Quarter, 2015 (₦)	Amount Lost, Third Quarter, 2015 (₦)
1	Web	2,674,214,786.59	727,556,544.61	540,506,382.63	213,858,867.30
2	ATM	186,915,222.93	192,204,738.24	38,644,987.03	55,853,390.19
3	Bank Branch	2,730,175,689.68	1,169,277,273.80	426,835,131.12	178,656,992.00
4	Mobile	15,400.00	4,844,233.00	0.00	1,118,000.00
5	POS	5,634,403.79	9,792,336.72	32,107.34	518,352.39
6	Van	0.00	0.00	0.00	0.00
7	Agent	41,061,310.08	22,302,315.69	17,838,857.44	3,303,041.00
	Total	5,638,016,813.06	2,125,977,442.06	1,023,857,465.56	453,308,642.88

Appendix III (C)



Appendix IV (A)

Frauds and Forgeries through various Instruments: A Comparison between Second and Third Quarters, 2015

S/N	Instruments	Cases: Second Quarter, 2015	Cases: Third Quarter, 2015
1	Cash	230	425
2	Cheques	29	51
3	Cards	3,072	3,474
4	Slips	5	17
	Total	3,336	3,967

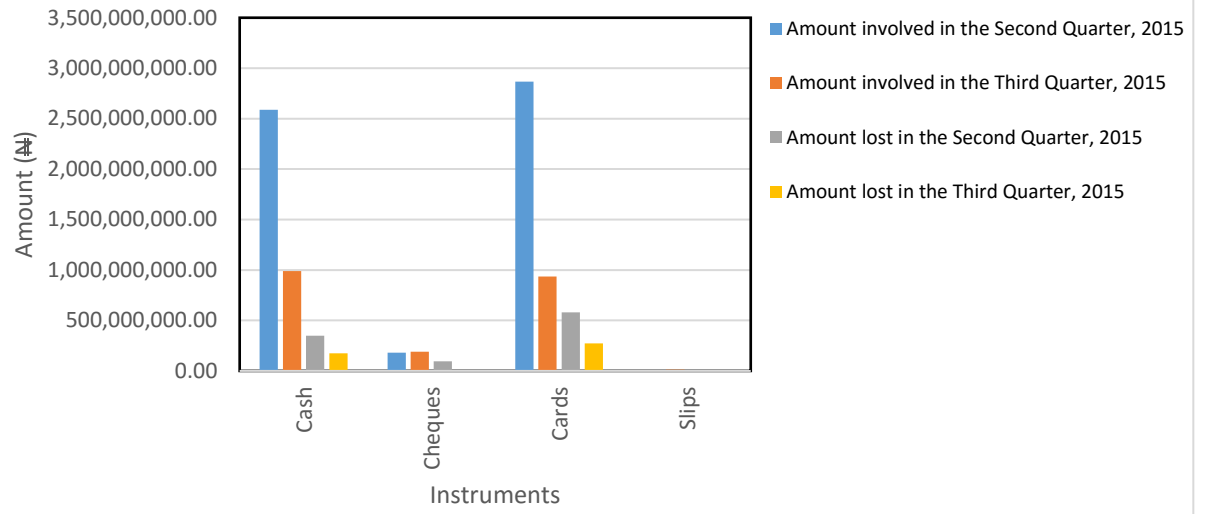
Appendix IV (B)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison (Second and Third Quarters, 2015)

S/N	Instruments	Amount Involved, Second Quarter, 2015 (₦)	Amount Involved, Third Quarter, 2015 (₦)	Amount Lost, Second Quarter, 2015 (₦)	Amount Lost, Third Quarter, 2015 (₦)
1	Cash	2,588,044,522.01	988,969,057.66	348,127,152.32	174,073,033.00
2	Cheques	179,992,477.75	190,392,831.83	94,146,836.24	7,094,000.00
3	Cards	2,866,779,813.30	934,397,852.57	579,183,477.00	271,348,609.88
4	Slips	3,200,000.00	12,217,700.00	2,400,000.00	793,000.00
	Total	5,638,016,813.06	2,125,977,442.06	1,023,857,465.56	453,308,642.88

Appendix IV (C)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction:
A Comparison (Second and Third Quarters, 2015)





Report on Frauds and Forgeries in Banks

October - December, 2015

Report on Frauds and Forgeries in the Nigerian Banking Industry for the period October - December, 2015

Overview

In the fourth quarter of 2015, FITC received 60 returns from 23 deposit money banks¹ on the incidence of fraud and forgery that occurred in their organisations during the period. FITC received 19 returns for the month of October, 21 returns for November, and 20 returns December, 2015.

Volume and Value of Fraud Cases

A total of 2,241 cases² of fraud and forgery in the banking industry were reported for the fourth quarter of 2015, compared to 3,967 cases reported for the third quarter of the same year. Thus, cases of fraud that were reported in the banking industry decreased significantly by 43.51 per cent during the period. The types of fraud that were reported to be predominant in occurrence include fraudulent ATM withdrawals, computer/Web fraud, fraudulent withdrawals, miscellaneous³ (other types of) fraud, suppression of entries, and PoS fraud. **Appendices I and II** detail the fraud incidences that occurred during the review period with graphical illustrations.

During the fourth quarter, total amount⁴ of money that was reported to be involved in fraud cases increased to ₦3.81 billion from ₦2.13 billion in the preceding quarter, indicating a 79.04 per cent increase. Out of the ₦3.81 billion total amount that was reported to be involved in fraud, ₦963.95 million (approximately 25.33 per cent) was actually lost to fraud in the banking industry. The difference of ₦2.84 billion (74.67 per cent) was recovered through the combined efforts of banks' internal control systems, with external support from relevant government agencies such as the law enforcement and anti-graft agencies.

Ranking the fraud types according to their value (specifically, according to the amount involved), **Appendix II (A)** shows that computer/Web fraud ranked first at ₦2.14 billion (56.10 per cent), while miscellaneous (other types of) fraud ranked second at ₦749.63 million (19.69 per cent), armed robberies ranked third at ₦313.50 million (8.24 per cent) during the review period. **Appendix II (B)** further provides a graphical illustration of the amount that was reported as being involved in fraud and forgery incidence during the period.

Further analysis of the returns shows that miscellaneous (other types of) fraud accounted for ₦435.47 million (45.17 per cent) of the total amount that was actually lost to fraud incidence during the quarter. Computer/Web fraud accounted for ₦257.19 million (26.68 per cent), while armed robberies accounted for ₦140.08 million (14.53 per cent). **Appendix II (C)** shows the amount that was actually lost to fraud and forgery activities in the fourth quarter of 2015, while **Appendix II (D)**

shows a 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 period under review, different types of channels were used to perpetrate fraud: these include ATM, bank branch, the Web, PoS, mobile banking channels and agent banking channels. The instruments used by fraudsters to carry out fraudulent activities were cash, cheque, cards and slips.

Analysis of the banks' returns according to the amount involved, shows that the channel that was mostly used by fraudsters to perpetrate fraud was the Web, which shot up to ₦2.14 billion from ₦727.56 million in the preceding quarter, thus indicating 193.49 per cent increase. Also, fraud incidence through bank branch increased by 28.45 per cent from ₦1.17 billion to ₦1.50 billion; agent banking fraud increased by 35.55 per cent from ₦22.30 million, to ₦30.23 million; and fraud through mobile payment channels increased by 384.90 per cent from ₦4.84 million to ₦23.49 million in the previous quarter. However, fraud incidence through ATM channel decreased by 42.54 per cent from ₦192.20 million to ₦110.45 million, and fraud incidence through PoS channel decreased by 51.21 per cent from ₦9.79 million to ₦4.77 million.

Analysis by the amount involved in fraud through the use of various instruments shows that card was mostly used to perpetrate fraud during the review period. Fraud attempts through the use of card increased by 10.64 per cent to ₦1.03 billion from ₦934.40 million in the preceding quarter. Also, fraud attempts through the use of cheques and slips increased considerably by 117.97 per cent and 5,196.92 per cent to ₦414.99 million and ₦647.16 million, from ₦190.39 million and ₦12.22 million respectively in the previous period. Further details on the channels and instruments that were used in perpetrating fraud in the fourth quarter of 2015 are graphically illustrated in **Appendices III and IV**.

The banks also reported terminations and dismissals of employees as a result of being involved in fraud-related offences. The appointments of 135 bank employees were terminated for fraud related activities; this shows a 117.74 per cent increase from the 62 employees whose appointments were terminated on similar grounds in the preceding quarter.

Conclusion and Recommendations

The parameters used to assess fraud and forgery incidence in the Nigerian banking industry during the fourth quarter of 2015 revealed a mixed performance. This is evident in the total amount involved in fraud, which increased to ₦3.81 billion from ₦2.13 billion in the previous quarter, indicating a 79.04 per cent increase. Also, the total amount that was reported to be lost to fraud increased to ₦963.95 million from ₦453.31 million in the preceding quarter, representing a significant increase of 112.65 per cent. However, the total number of fraud cases that was

reported during the period fell to 2,241 from, 3,967 representing a decrease of 43.51 per cent.

Analysis of electronic fraud⁵ shows an increase in both the amount involved and the amount that was actually lost to electronic fraud. The figures showed that the amount involved in electronic fraud increased considerably to ₦2.27 billion from ₦934.40 million, thus representing a 143.37 per cent rise. Similarly, the actual amount lost to fraud also increased to ₦276.34 million from ₦271.35 million in the previous quarter, representing a 1.84 per cent marginal increase. However, it is heartening to note that the amount actually lost to electronic fraud (as a proportion of the amount involved) declined from 29.04 per cent in the previous quarter, to 12.15 per cent in the period under review. When considered against a backdrop of an increase in the amount involved in (and lost to) fraud generally and in electronic fraud in particular, this achievement is encouraging. Moreover, observed spike in the amount involved in fraud across mobile and web electronic payment channels should be investigated and addressed.

On the whole, analysis of the fourth quarter fraud and forgery returns of the banks shows that there is room for improvement: while the number of fraud cases dropped, the amount involved and total amount lost to fraud in the review period increased. It is, therefore, very important that banks apply more stringent measures in their operations in order to discourage fraud perpetrators from carrying out their acts. Banks should also educate their customers regularly on security measures to adopt in safeguarding their funds, especially as fraudsters usually focus on the weakest point in the value chain, usually the customers.

(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 2014, third and fourth quarters of 2015, on selected concerns.)

Notes:

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

Note 2: Volume of fraud and forgery.

Note³: 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.

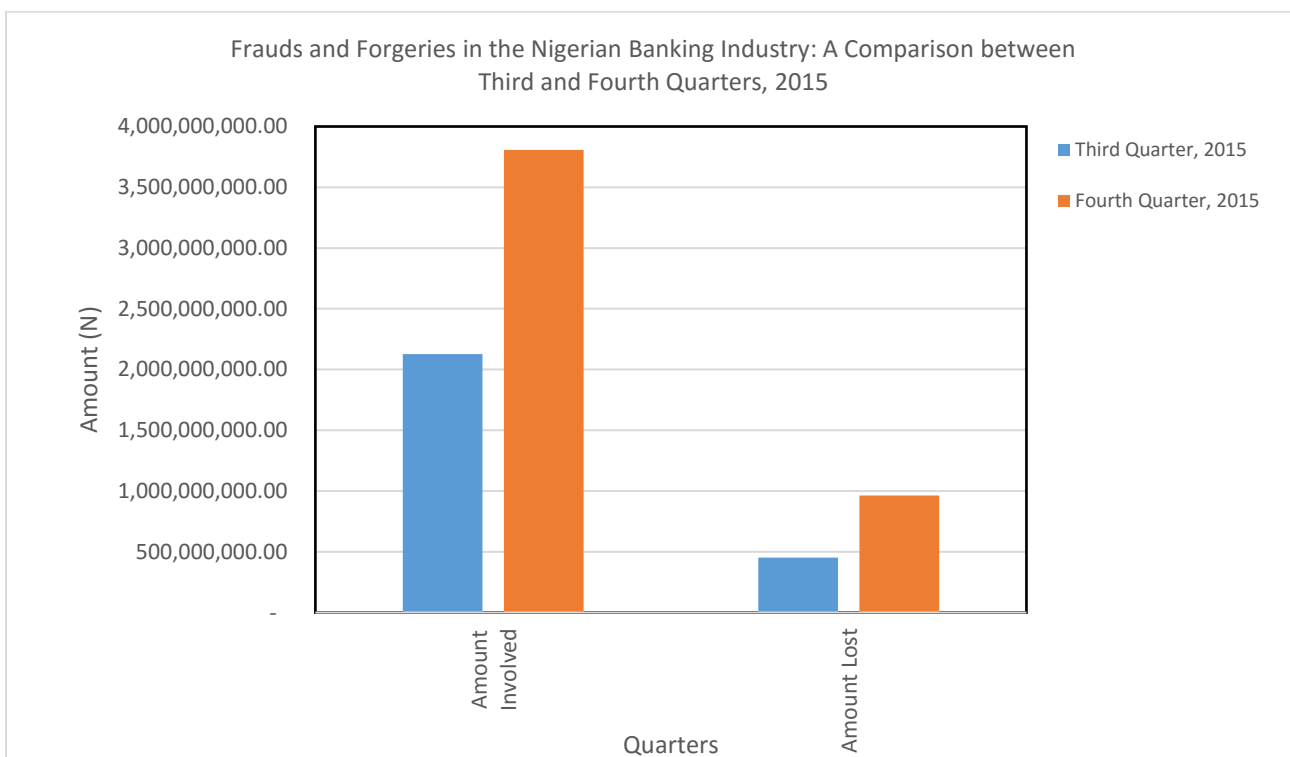
Note 5: Consisting of computer/Web fraud, PoS fraud, mobile banking fraud, and ATM fraud.

Appendix I (A)

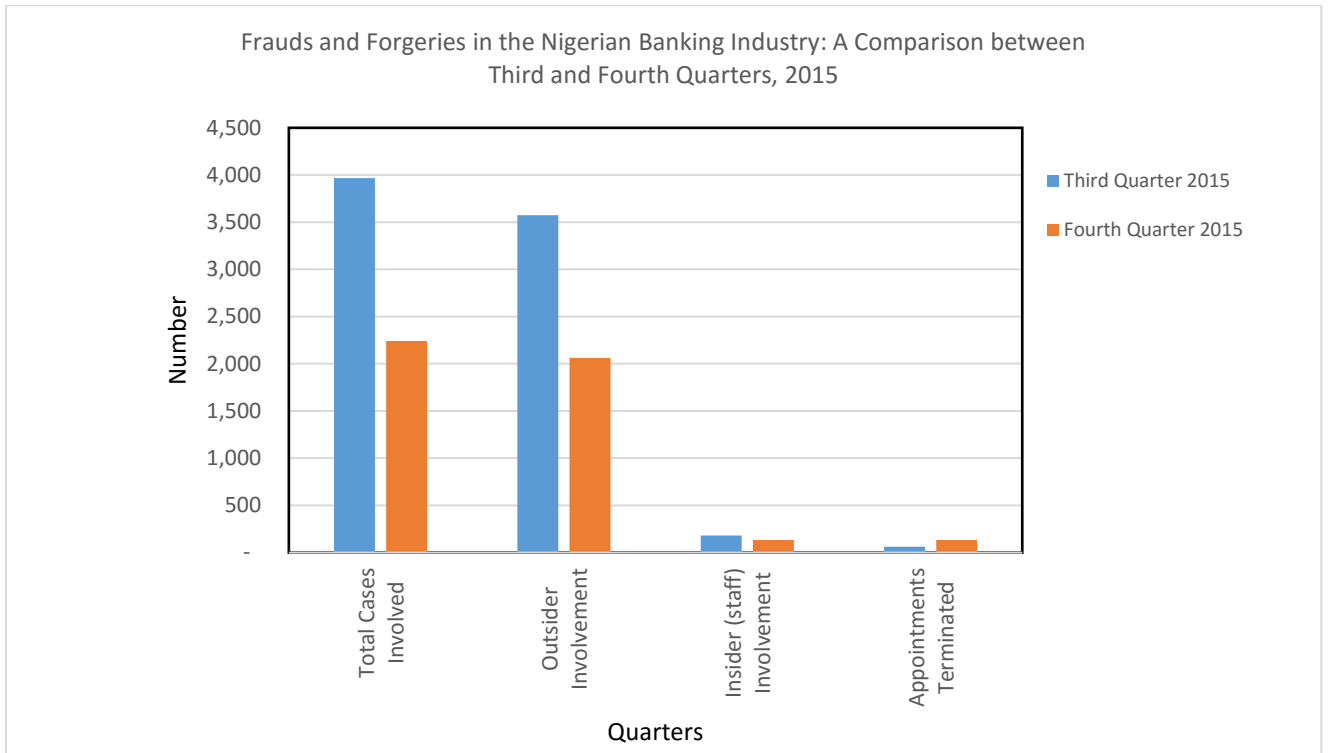
Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Third and Fourth Quarters, 2015

S/N	Variables	Third Quarter, 2015	Fourth Quarter, 2015
1	Total Cases reported	3,967	2,241
2	Total Amount Involved	₦ 2,125,977,442.06	₦ 3,806,247,225.96
3	Total Amount Lost	₦ 453,308,642.88	₦ 963,954,046.57
4	Outsider Involvement	3,573	2,064
5	Insider (Staff) Involvement	180	133
6	Appointments Terminated	62	135

Appendix I (B)



Appendix I (C)

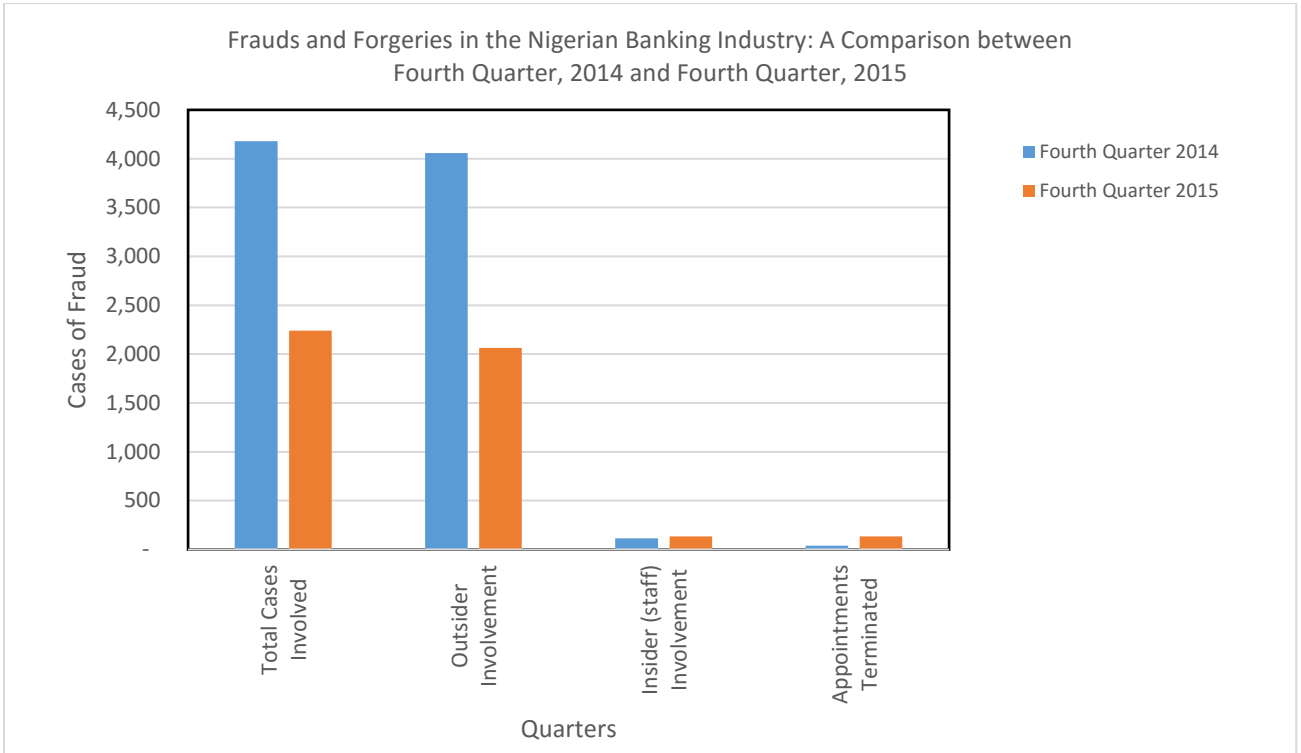


Appendix I (D)

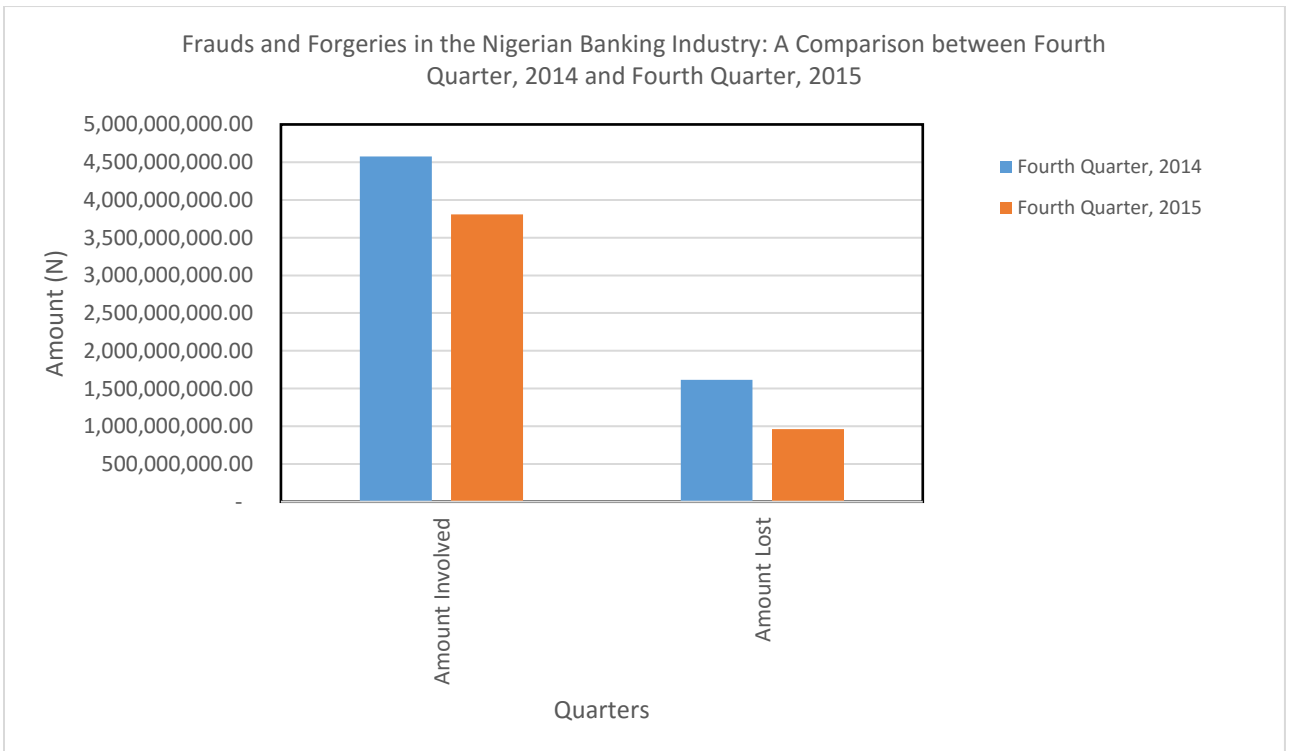
Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter, 2014 and Fourth Quarter, 2015

S/N	Variables	Fourth Quarter, 2014	Fourth Quarter, 2015
1	Total Cases Involved	4,179	2,241
2	Total Amount Involved	₦ 4,573,855,855.50	₦ 3,806,247,225.96
3	Total Amount Lost	₦ 1,614,827,480.55	₦ 963,954,046.57
4	Outsider Involvement	4,059	2,064
5	Insider (Staff) Involvement	115	133
6	Appointments Terminated	40	135

Appendix I (E)



Appendix I (F)



Appendix II (A): Frauds and Forgeries in the Nigerian Banking Industry (Fourth Quarter, 2015)

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 (%)
Teller Fraud	3 (0.13)	3 (2.26)	0 (0)	0 (0)	0 (0)	884,000.00 (0.02)	740,000.00 (0.08)	83.7
Falsification of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Forged Cheques with Forged Signature	24 (1.07)	1 (0.75)	20 (0.97)	0 (0)	3 (9.38)	145,225,580.92 (3.82)	19,970,000.00 (2.07)	13.8
Printing of Bank Document Illegally	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Clearing Fraud	7 (0.31)	0 (0)	7 (0.34)	0 (0)	0 (0)	30,230,896.75 (0.79)	0 (0)	0
Computer/Web Fraud	261 (11.65)	31 (23.31)	223 (10.80)	2 (16.67)	5 (15.63)	2,135,324,400.74 (56.10)	257,194,015.86 (26.68)	12.0
Mobile Fraud	41 (1.83)	0 (0)	38 (1.84)	0 (0)	3 (9.38)	23,489,669.70 (0.62)	11,937,835.00 (1.24)	0
Foreign Exchange Fraud	0 (0)	0 (0)	1 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Cross Firing of Cheques and Kite Flying	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0

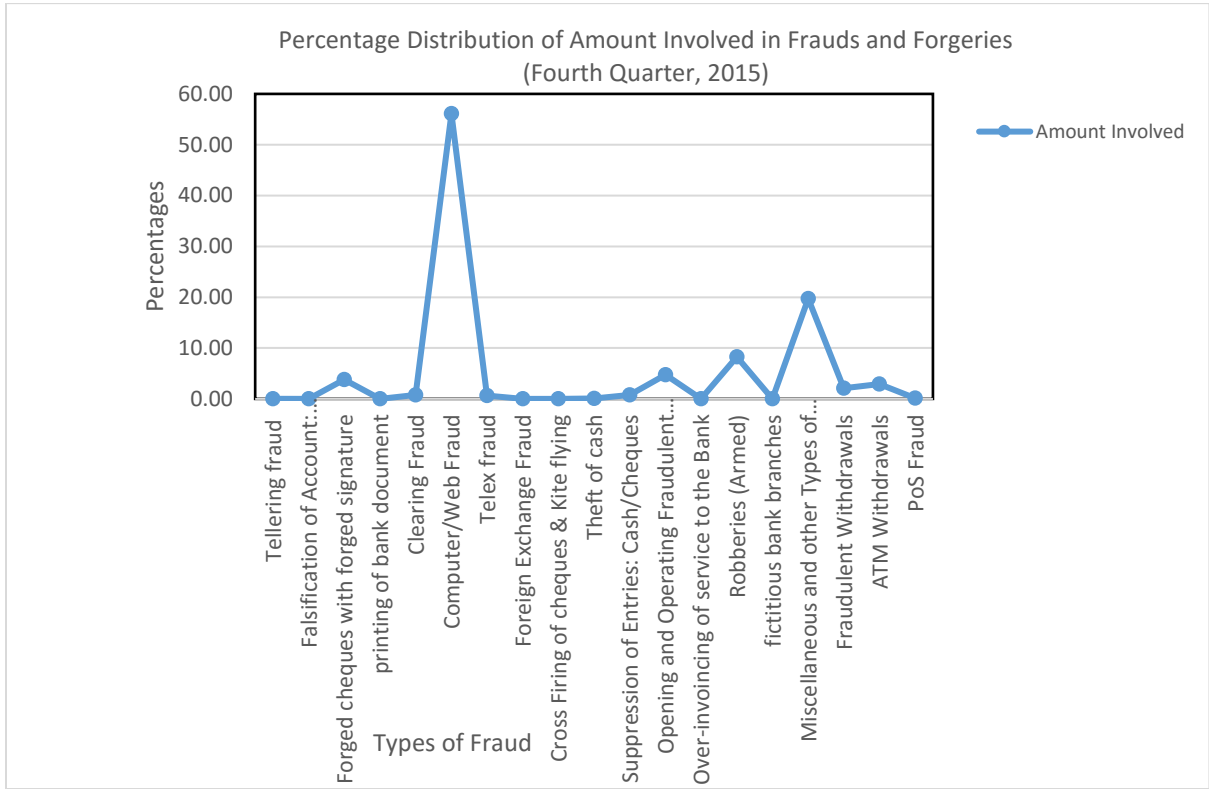
Note: All figures in parenthesis () indicate percentages

Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry (Fourth Quarter, 2015)

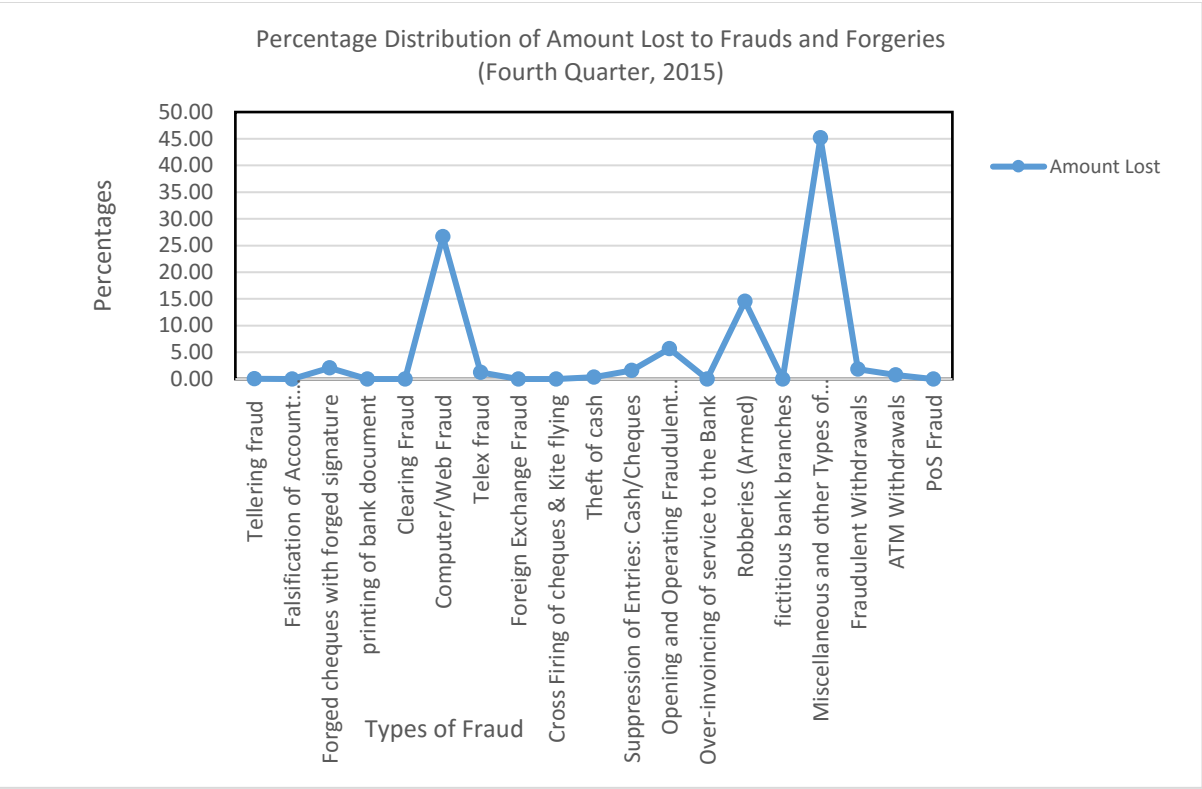
Types of Fraud	Total Number Of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (₦)	Actual /Expected Loss (₦)	Expected Loss/ Amount Involved (%)
Theft of Cash	6 (0.27)	6 (4.51)	0 (0)	0 (0)	0 (0)	3,537,475.00 (0.09)	3,300,000.00 (0.34)	93.3
Suppression of Entries: Cash/Cheques	62 (2.77)	60 (45.11)	0 (0)	0 (0)	2 (6.25)	29,190,475.00 (0.77)	15,665,503.32 (1.63)	53.7
Opening and Operating Fraudulent Loans and Accounts	29 (1.29)	3 (2.26)	24 (1.16)	1 (8.33)	1 (3.13)	181,170,720.08 (4.76)	54,630,465.38 (5.67)	30.2
Over-Invoicing of Service to the Bank	2 (0.09)	1 (0.75)	0 (0)	1 (8.33)	0 (0)	54,950.00 (0)	0 (0)	0
Robberies (Armed)	9 (0.40)	0 (0)	9 (0.44)	0 (0)	0 (0)	313,502,892.24 (8.24)	140,083,741.69 (14.53)	44.7
Fictitious Bank Branches	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Miscellaneous and Other Types of Fraud	65 (2.90)	17 (12.78)	41 (1.99)	5 (41.66)	2 (6.25)	749,626,266.55 (19.69)	435,465,829.94 (45.17)	58.1
Fraudulent Withdrawals	87 (3.88)	8 (6.02)	68 (3.29)	3 (25.00)	8 (25.00)	78,786,919.00 (2.07)	17,763,020.45 (1.84)	22.5
Fraudulent ATM Withdrawals	1,598 (71.31)	3 (2.26)	1,587 (76.89)	0 (0)	8 (25.00)	110,445,565.04 (2.90)	7,177,234.93 (0.74)	6.5
PoS Fraud	47 (2.10)	0 (0)	47 (2.28)	0 (0)	0 (0)	4,777,414.94 (0.13)	26,400 (0.00)	0.6
Total	2,241	133	2,064	12	32	3,806,247,225.96	963,954,046.57	419.1

Note: All figures in parenthesis () indicate percentages

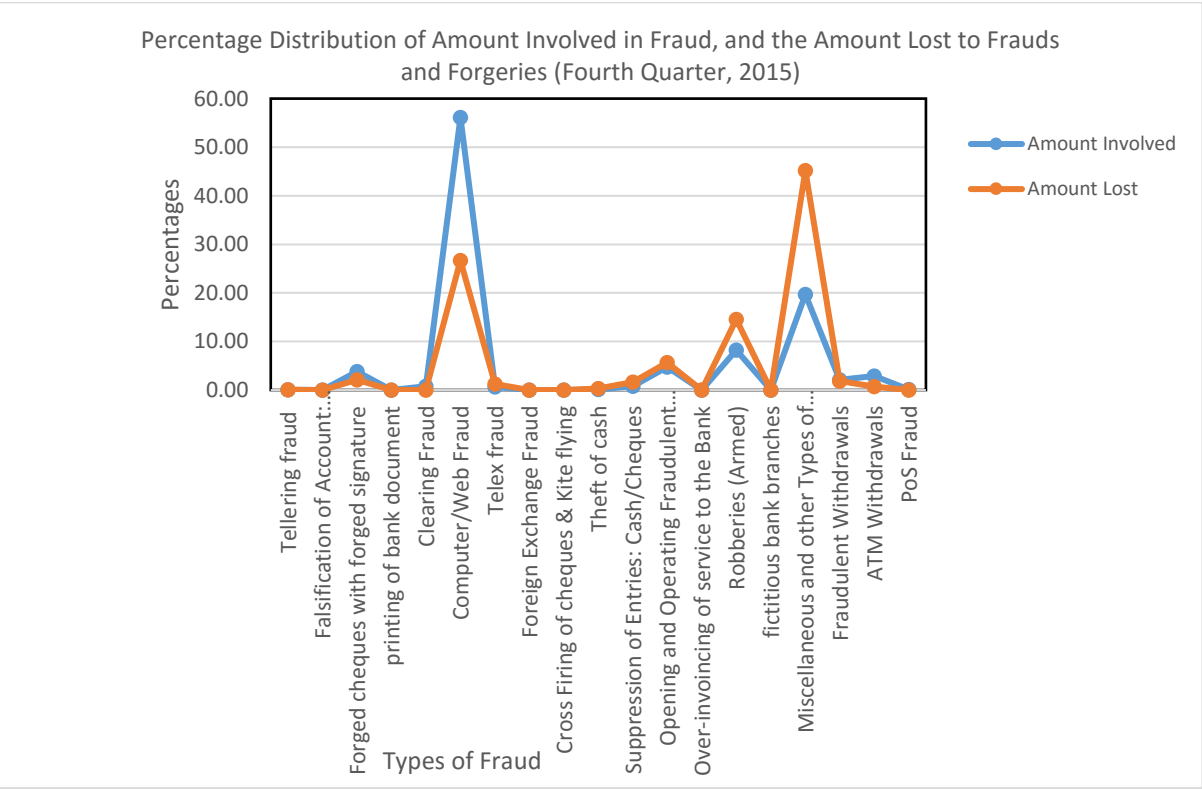
Appendix II (B)



Appendix II (C)



Appendix II (D)



Appendix III (A)

Frauds and Forgeries through various Payment Channels: A Comparison between Third and Fourth Quarters, 2015

S/N	Channels	Cases: Third Quarter, 2015	Cases: Fourth Quarter, 2015
1	Web	896	261
2	ATM	2,492	1,598
3	Bank Branch	474	287
4	Mobile	17	41
5	POS	69	47
6	Van	0	0
7	Agent	19	7
	Total	3,967	2,241

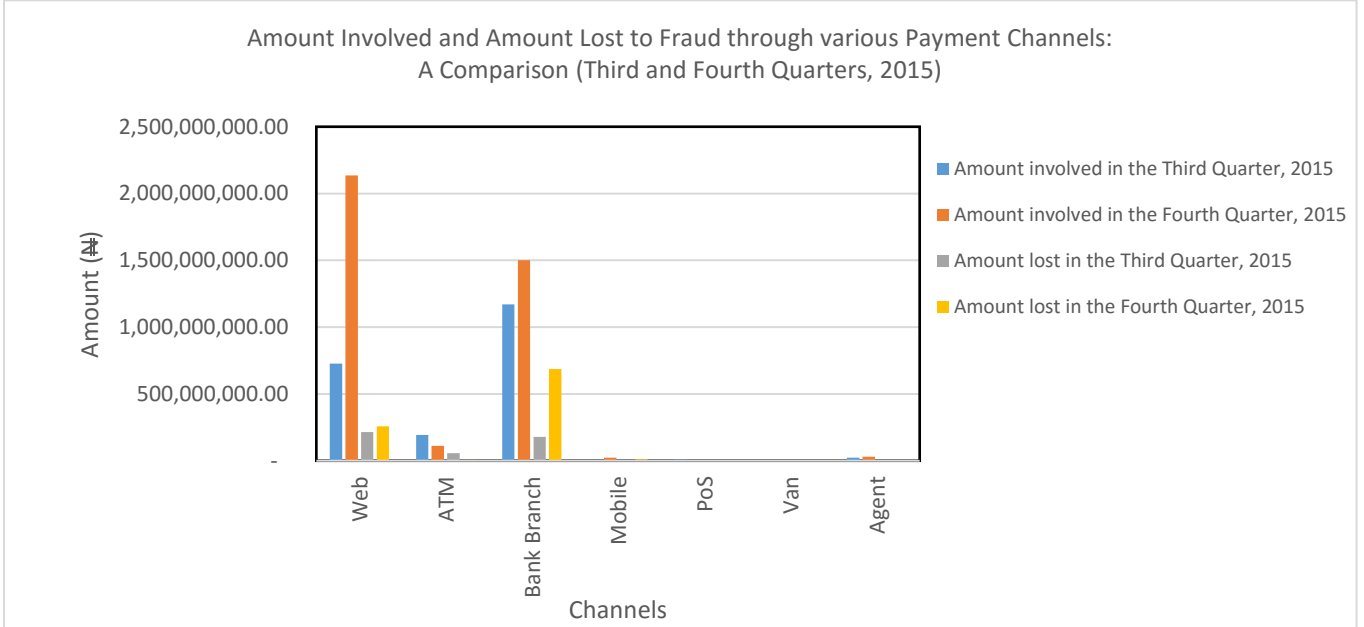
Appendix III (B)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison (Third and Fourth Quarters, 2015)

S/N	Channel	Amount Involved, Third Quarter, 2015 (₦)	Amount Involved, Fourth Quarter, 2015 (₦)	Amount Lost, Third Quarter, 2015 (₦)	Amount Lost, Fourth Quarter, 2015 (₦)
1	Web	727,556,544.61	2,135,324,400.74	213,858,867.30	257,194,015.86
2	ATM	192,204,738.24	110,445,565.04	55,853,390.19	7,177,234.93
3	Bank Branch	1,169,277,273.80	1,501,979,278.79	178,656,992.00	687,618,560.78
4	Mobile	4,844,233.00	23,489,669.70	1,118,000.00	11,937,835.00
5	POS	9,792,336.72	4,777,414.94	518,352.39	26,400.00
6	Van	0.00	-	0.00	-
7	Agent	22,302,315.69	30,230,896.75	3,303,041.00	-

Total **2,125,977,442.06** **3,806,247,225.96** **453,308,642.88** **963,954,046.57**

Appendix III (C)



Appendix IV (A)

Frauds and Forgeries through various Instruments: A Comparison between Third and Fourth Quarters, 2015

S/N	Instruments	Cases: Third Quarter, 2015	Cases: Fourth Quarter, 2015
1	Cash	425	260
2	Cheques	51	27
3	Cards	3,474	1,946
4	Slips	17	8
	Total	3,967	2,241

Appendix IV (B)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison (Third and Fourth Quarters, 2015)

S/N	Instruments	Amount Involved, Third Quarter, 2015 (₦)	Amount Involved, Fourth Quarter, 2015 (₦)	Amount Lost, Third Quarter, 2015 (₦)	Amount Lost, Fourth Quarter, 2015 (₦)
1	Cash	988,969,057.66	1,343,257,360.96	174,073,033.00	633,746,623.87
2	Cheques	190,392,831.83	151,638,877.67	7,094,000.00	19,970,000.00
3	Cards	934,397,852.57	2,272,385,792.92	271,348,609.88	276,335,485.79
4	Slips	12,217,700.00	38,965,194.41	793,000.00	33,901,936.91
	Total	2,125,977,442.06	3,806,247,225.96	453,308,642.88	963,954,046.57

Appendix IV (C)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison (Third and Fourth Quarters, 2015)

