

Report on Frauds and Forgeries in Banks



January - December, 2016

Report on Frauds & Forgeries in the Nigerian Banking Industry

First Quarter, 2016

OVERVIEW

In the first quarter of 2016, FITC received 64 returns from 23 deposit money banks¹ on the incidence of fraud and forgery that occurred in their organisations during the period. FITC received 23 returns for the month of January, 21 returns for February, and 20 returns March, 2016.

Volume and Value of Fraud Cases

A total of 3,065 cases² of fraud and forgery in the banking industry were reported for the first quarter of 2016, compared to 2,241 cases reported for the fourth quarter of year 2015. Thus, cases of fraud that were reported in the banking industry increased significantly by 36.77 per cent during the period. The types of fraud reported to be predominant in occurrence include fraudulent ATM withdrawals, computer/Web fraud, fraudulent withdrawals, suppression of entries, mobile banking fraud and miscellaneous³ (other types of) fraud. **Appendices I and II** detail the fraud incidences that occurred during the review period, with graphical illustrations.

During the first quarter of 2016, total amount⁴ of money that was

reported to be involved in fraud cases decreased considerably to N1.99 billion from N3.81 billion in the preceding quarter, indicating a 47.50 per cent fall. Out of the N1.99 billion total amount that was reported to be involved in fraud, N492.30 million (approximately 24.64 per cent) was actually lost to fraud in the banking industry. The difference of N1.51 billion (75.36 per cent) was recovered through the combined efforts of banks' stringent internal control systems, with support from external 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 miscellaneous (other types of) fraud ranked first at N956.67 million (47.88 per cent), while computer/Web fraud ranked second at N272.68 million (13.65 per cent), fraudulent withdrawals ranked third at N202.58 million (10.14 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 incidences during the period.

Further analysis of the returns

shows that PoS fraud accounted for N157.96 million (32.09 per cent) of the total amount that was actually lost to fraud incidences during the first quarter of 2016. Miscellaneous (other types of) fraud accounted for N147.33 million (29.93 per cent), while forged cheques with forged signature accounted for N68.58 million (13.93 per cent). **Appendix II (C)** shows the amount that was actually lost to fraud and forgery activities in the first quarter of 2016, 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 bank branch, which dropped to N1.36 billion from N1.50 billion in the preceding quarter, thus indicating 9.65 per cent decrease. Also, fraud incidence through the Web and ATM decreased by 87.23 per cent and 9.78 per cent from N2.14 billion and N110.45 million to N272.68 million and to N99.64 million respectively. However, PoS fraud increased significantly by 4,075.52 per cent to N199.48 million from N4.78 million reported in the preceding quarter. Similarly, mobile banking fraud and agent channel fraud increased by 40.99 per cent and 20.01 per cent to N33.12 million and N36.28 million from N23.49 million and N30.23 million respectively.

Analysis by the amount involved in fraud through the use of various instruments shows that the fraud attempts through the use of the four instruments dropped considerably. Despite the fact that fraud attempts through the use of cash was mostly used to perpetrate fraud during the review quarter, it fell by 6.69 per cent to N1.25 billion from N1.34 billion in the preceding quarter. Also, fraud attempts through the use of cards and slips decreased considerably by 73.38 per cent and 83.95 per cent to N604.92 million and N6.25 million, from N2.27 billion and N38.97 million respectively in the previous period. Further details on the channels and instruments that were used in perpetrating fraud in the first quarter of 2016

are graphically illustrated in **Appendices III and IV**.

Also reported in the returns were the banks' terminations and dismissals of employees as a result of being involved in fraud-related offences. The appointments of 49 bank employees were terminated for fraud related activities. This shows a 63.70 per cent decrease from the 135 employees whose appointments were terminated on similar grounds in the preceding quarter.

Conclusion and Recommendations

Results from the assessment of fraud and forgery incidences in the Nigerian banking industry during the first quarter of 2016 revealed a mixed performance. This is evident in the total amount involved in fraud, which plummeted to N1.99 billion from N3.81 billion in the preceding quarter, indicating a 47.50 per cent fall. Also, the total amount that was reported to be lost to fraud decreased to N492.30 million from N963.95 million in the preceding quarter, representing a significant drop of 48.93 per cent. However, the total number of fraud cases that was reported during the period increased to 3,065 from 2,241 representing a rise of 36.77 per cent.

Analysis of electronic fraud⁵ shows 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 considerably to N604.92 million from N2.27 billion, thus representing a 73.39 per cent fall. Similarly, the actual amount lost to fraud also decreased to N196.74 million from N276.34 million in the previous quarter, representing a 28.81 per cent decline.

Generally, analysis of the first quarter 2016 fraud and forgery returns of the banks shows a cheering improvement in both the amount involved and actual amount lost to fraud in the review period. To sustain this record, banks should not relent in efforts to firm up their internal control mechanisms, to make it difficult, if not impossible, for fraudsters to exploit loopholes in perpetrating fraudulent activities.

(Please see the appendices below for summaries of the cases of frauds and forgeries covered in this report, with comparisons between the first and fourth quarters of 2015, and first quarter of 2016, on selected concerns.)

Notes:

Note¹: Commercial, merchant and non-interest banks.

Note²: 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.

Note⁴: Value of fraud and forgery.

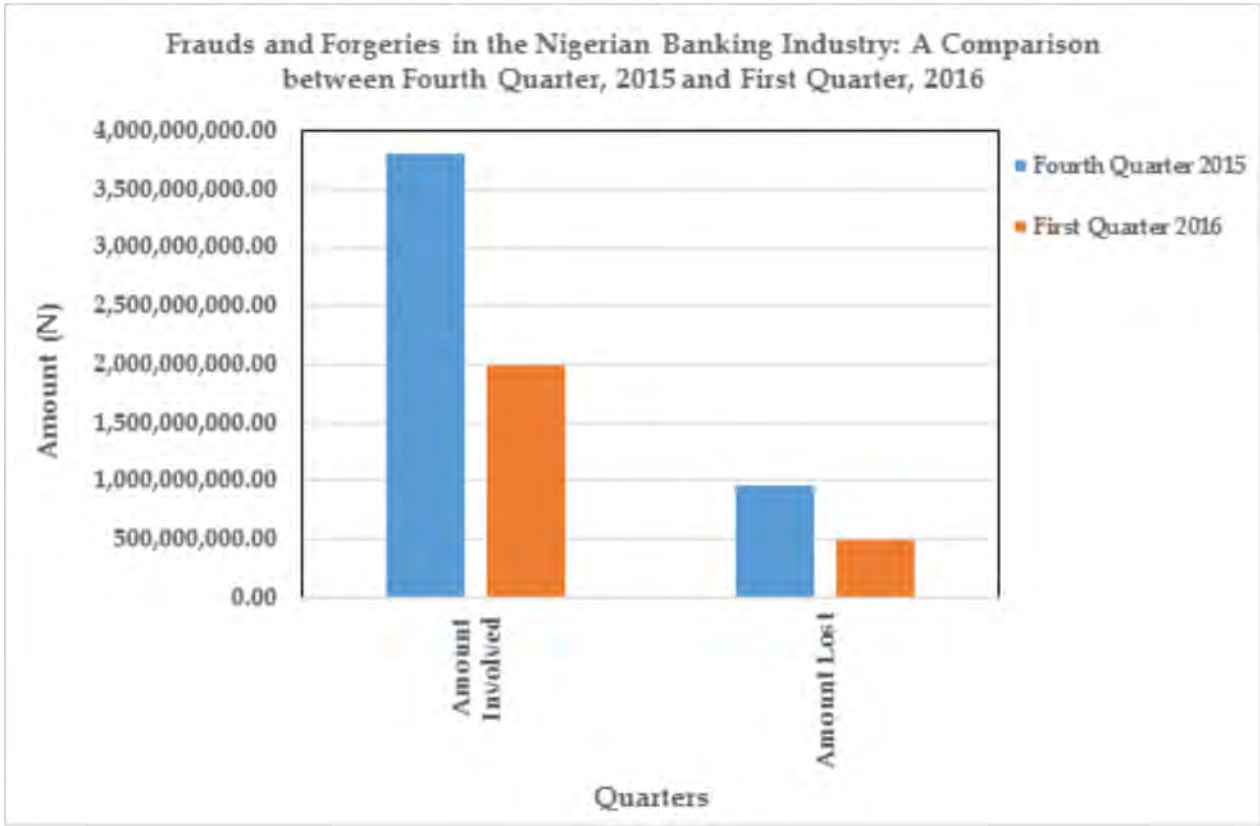
Note⁵: Consisting of computer/Web fraud, PoS fraud, mobile banking fraud, and ATM fraud.

Appendix I (A)

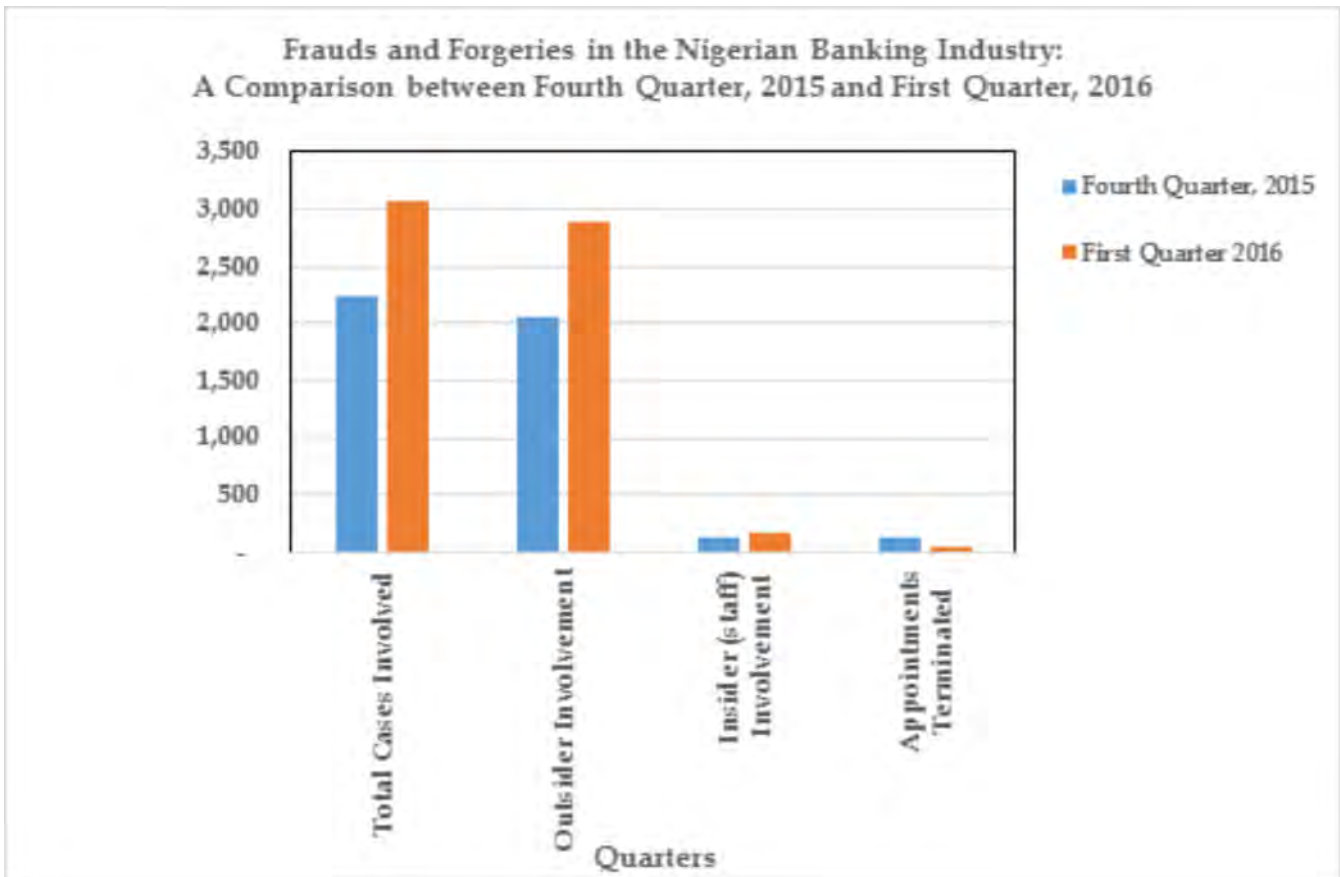
Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter, 2015 and First Quarter, 2016

S/N	Variables	Fourth Quarter, 2015	First Quarter, 2016
1	Total Cases reported	2,241	3,065
2	Total Amount Involved	₦3,806,247,225.96	₦1,998,213,538.78
3	Total Amount Lost	₦963,954,046.57	₦492,295,973.77
4	Outsider Involvement	2,064	2,889
5	Insider (Staff) Involvement	133	161
6	Appointments Terminated	135	49

Appendix I (B)



Appendix I (C)

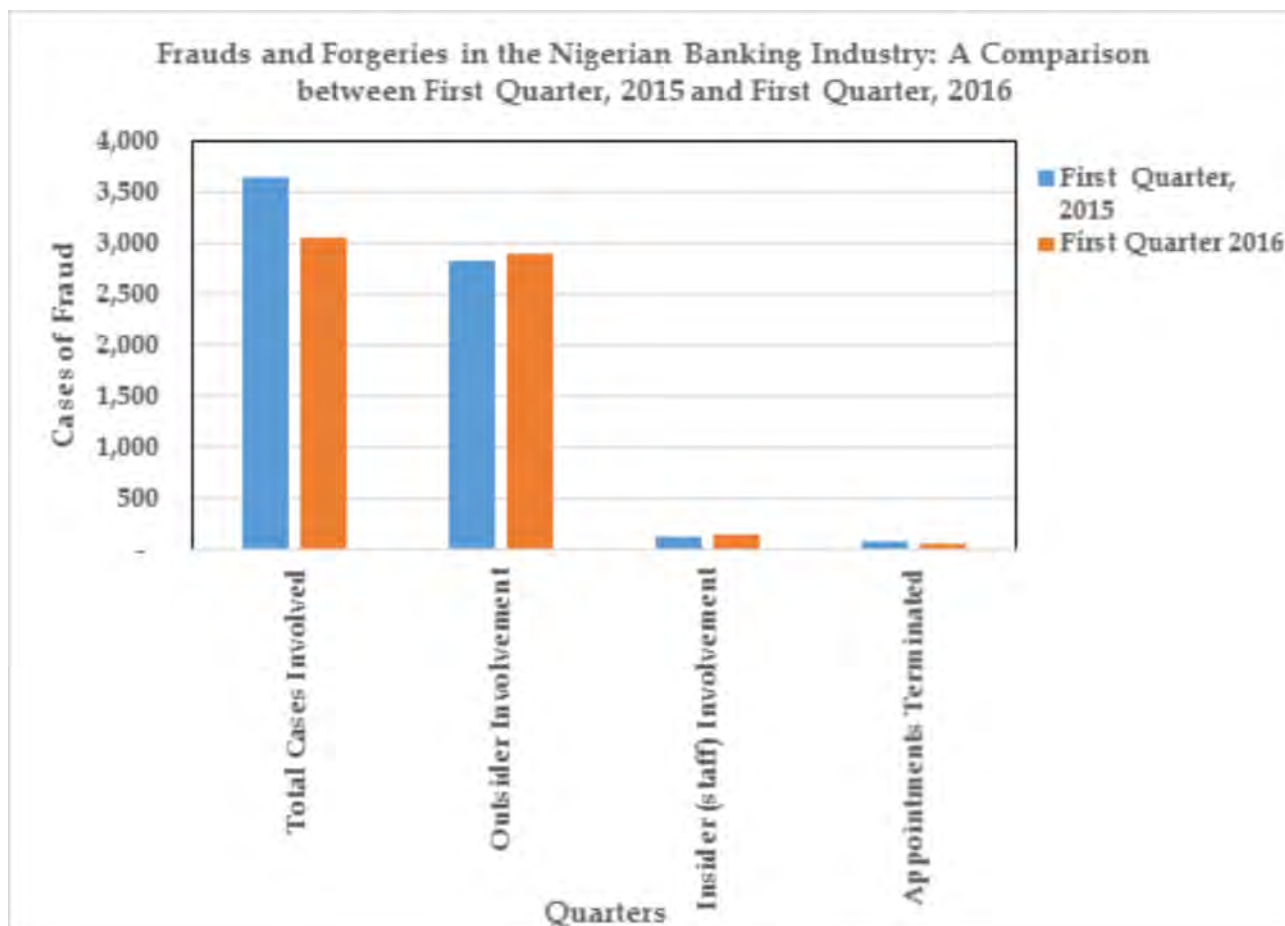


Appendix I (D)

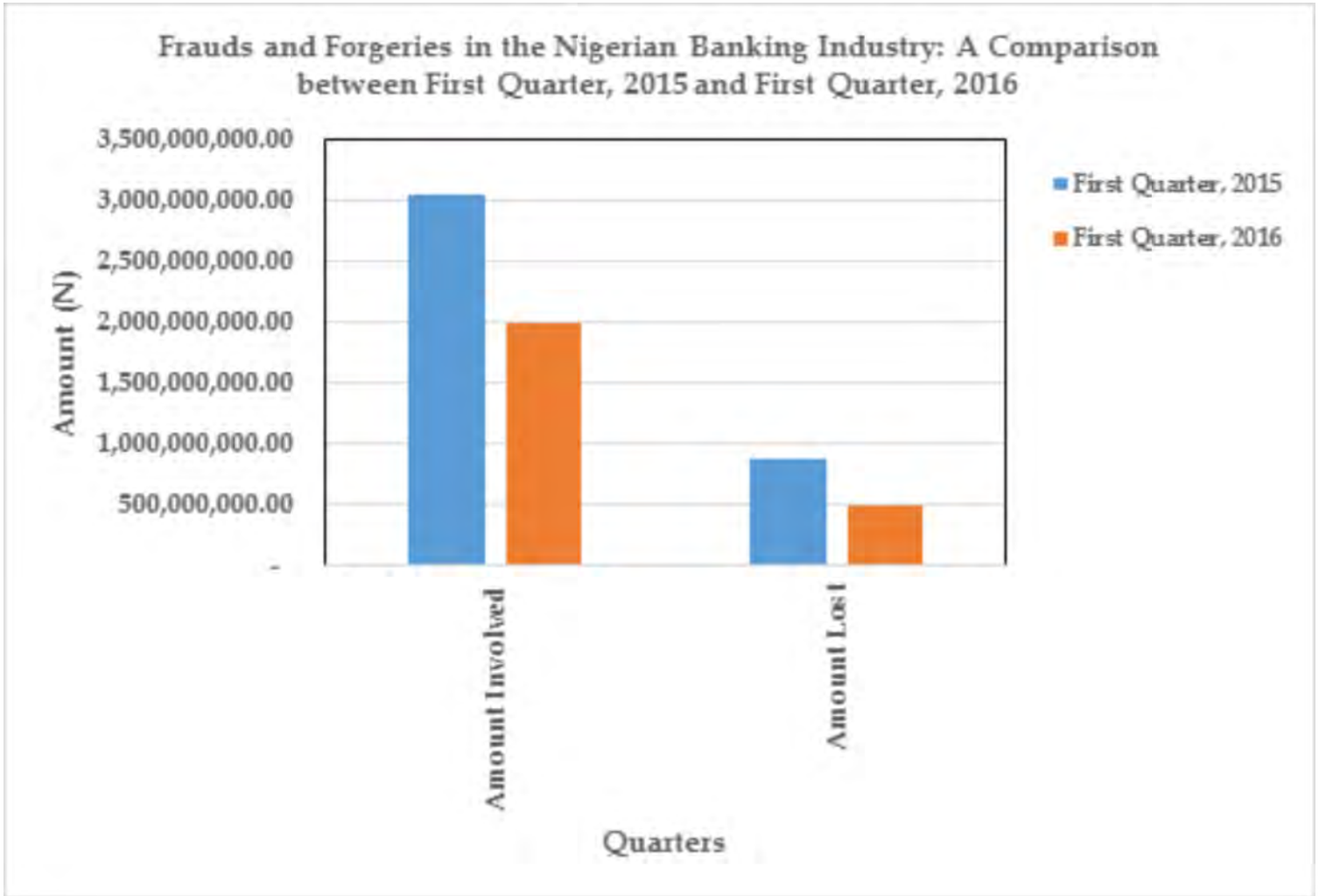
Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between First Quarter, 2015 and First Quarter, 2016

S/N	Variables	First Quarter, 2015	First Quarter, 2016
1	Total Cases Involved	3,657	3,065
2	Total Amount Involved	₦3,056,242,618.32	₦1,998,213,538.78
3	Total Amount Lost	₦880,428,333.54	₦492,295,973.77
4	Outsider Involvement	2,820	2,889
5	Insider (Staff) Involvement	125	161
6	Appointments Terminated	90	49

Appendix I (E)



Appendix I (E)



Appendix II (A): Frauds and Forgeries in the Nigerian Banking Industry (First Quarter, 2016)

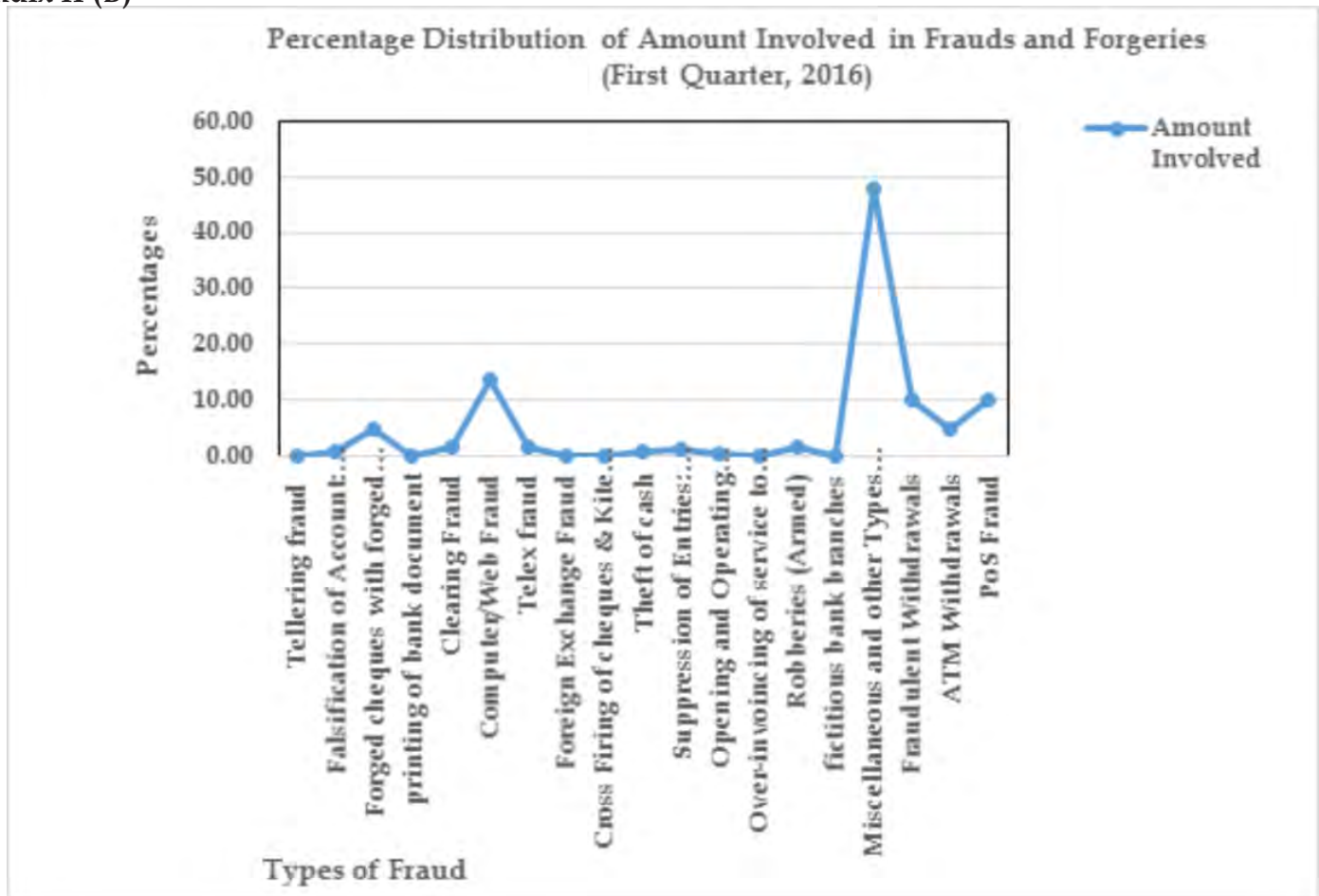
Types of Fraud	Total Number of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (₦)	Actual/Expected Loss (₦)	Expected Loss/ Amount Involved (%)
Tellering Fraud	1 (0.03)	1 (0.62)	0 (0)	0 (0)	0 (0)	20,000.00 (0.00)	0 (0)	0
Falsification of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts	1 (0.03)	0 (0)	1 (0.03)	0 (0)	0 (0)	19,000,000.00 (0.95)	0 (0)	0
Forged Cheques with Forged Signature	21 (0.69)	1 (0.62)	20 (0.69)	0 (0)	3 (9.38)	98,249,627.99 (4.92)	68,577,143.00 (13.93)	69.8
Printing of Bank Document Illegally	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Clearing Fraud	8 (0.26)	0 (0)	8 (0.28)	0 (0)	0 (0)	35,944,406.55 (1.80)	360,326.00 (0.07)	1.0
Computer/Web Fraud	843 (27.50)	4 (2.48)	834 (28.87)	0 (0)	5 (62.50)	272,679,677.69 (13.65)	22,533,844.93 (4.58)	8.3
Mobile Fraud	43 (1.40)	1 (0.62)	42 (1.45)	0 (0)	0 (0)	33,119,280.50 (1.66)	8,869,870.50 (1.80)	0
Foreign Exchange Fraud	4 (0.13)	2 (1.24)	2 (0.07)	0 (0)	0 (0)	335,540.00 (0.02)	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

Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry (First Quarter, 2016)

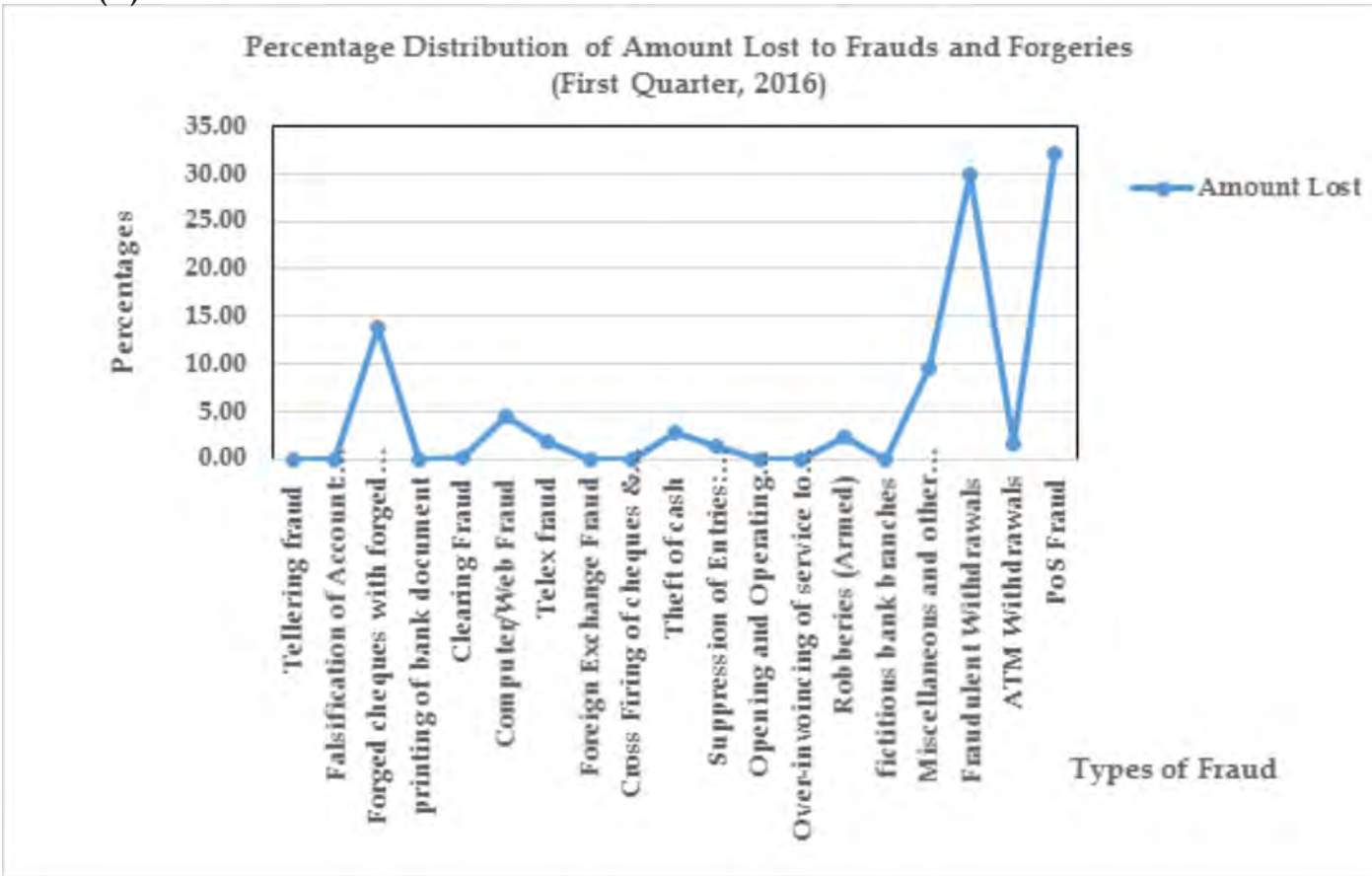
Types of Fraud	Total Number Of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (₦)	Actual/Expected Loss (₦)	Expected Loss/ Amount Involved (%)
Theft of Cash	5 (0.16)	5 (3.11)	0 (0)	0 (0)	0 (0)	18,143,629.00 (0.91)	13,799,900.00 (2.80)	76.1
Suppression of Entries: Cash/Cheques	110 (3.59)	108 (67.08)	1 (0.03)	1 (14.29)	2 (6.25)	21,387,705.00 (1.07)	6,729,733.00 (1.37)	31.5
Opening and Operating Fraudulent Loans and Accounts	30 (0.98)	0 (0)	30 (1.04)	0 (0)	0 (0)	12,174,143.00 (0.61)	0 (5.67)	0
Over-Invoicing of Service to the Bank	1 (0.03)	1 (0.62)	0 (0)	0 (0)	0 (0)	79,000 (0)	0 (0)	0
Robberies (Armed)	6 (0.20)	0 (0)	6 (0.21)	0 (0)	0 (0)	28,707,135.00 (1.44)	11,557,535.00 (2.35)	40.3
Fictitious Bank Branches	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Miscellaneous and Other Types of Fraud	428 (13.96)	16 (9.94)	409 (14.16)	1 (14.29)	2 (25.00)	956,674,296.49 (47.88)	47,202,550.50 (9.59)	4.9
Fraudulent Withdrawals	276 (9.00)	19 (11.80)	252 (8.72)	4 (57.14)	1 (12.50)	202,575,192.92 (10.14)	147,331,833.32 (29.93)	72.7
Fraudulent ATM Withdrawals	1,110 (36.22)	3 (1.86)	1,106 (38.28)	1 (14.29)	0 (0)	99,642,012.37 (4.99)	7,371,558.19 (1.50)	7.4
PoS Fraud	178 (5.81)	0 (0)	178 (6.16)	0 (0)	0 (0)	199,481,892.27 (9.98)	157,961,679.33 (32.09)	79.2
Total	3,065	161	2,889	7	8	1,998,213,538.78	492,295,973.77	391.1

Note: All figures in parenthesis () indicate percentages

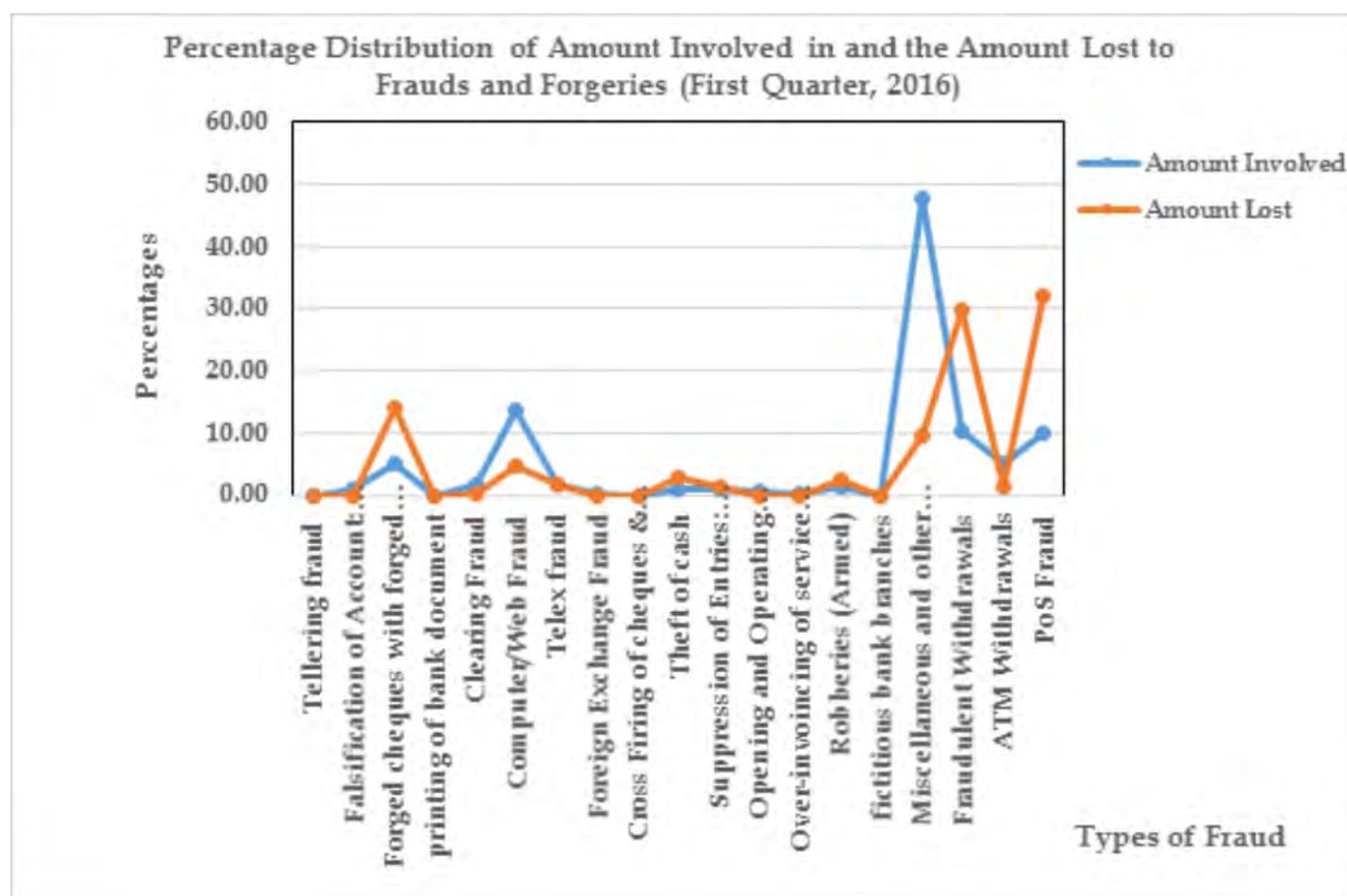
Appendix II (B)



Appendix II (C)



Appendix II (D)



Appendix III (A)

Frauds and Forgeries through various Payment Channels: A Comparison between Fourth Quarter, 2015 and First Quarter, 2016

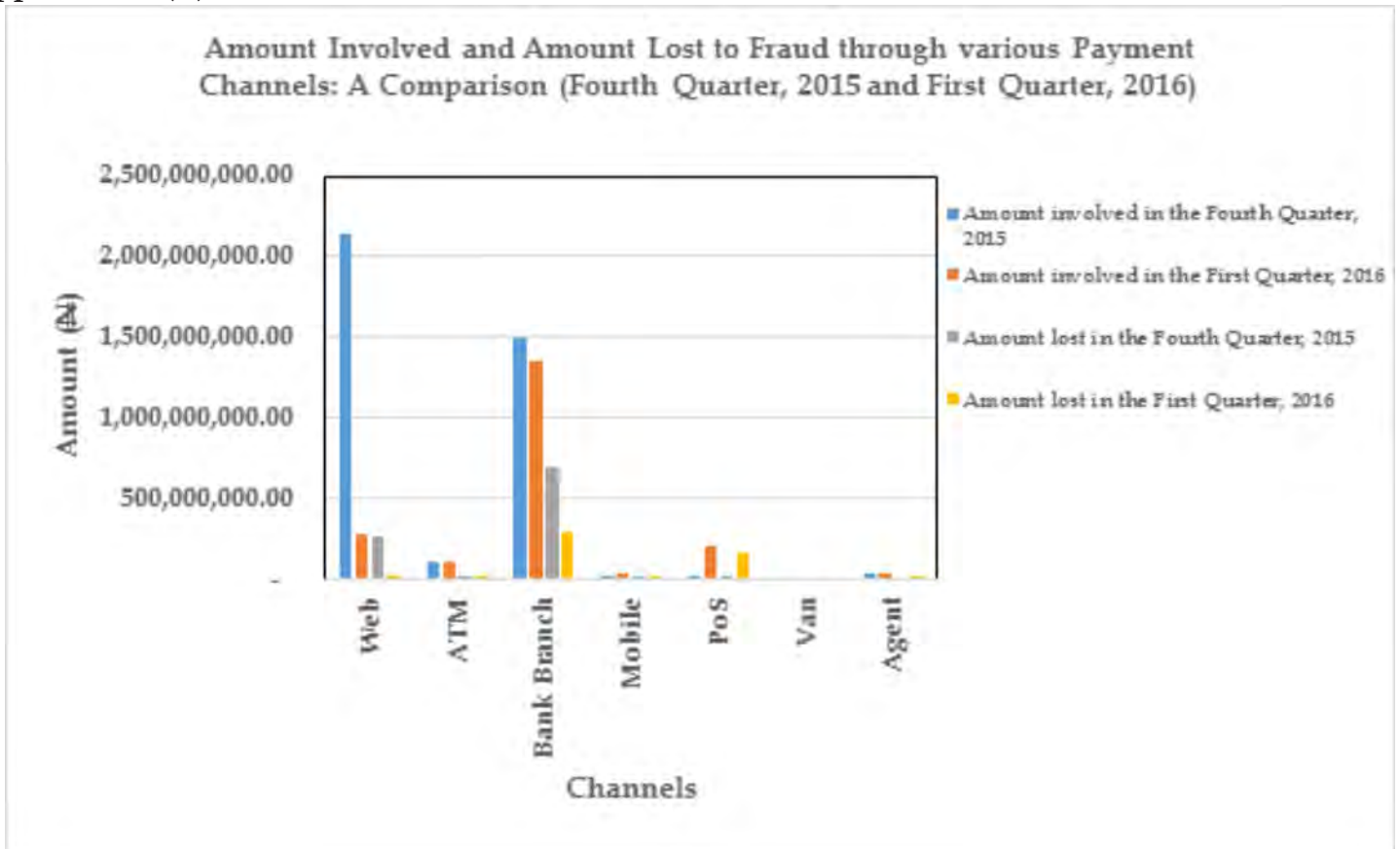
S/N	Channels	Cases: Fourth Quarter, 2015	Cases: First Quarter, 2016
1	Web	261	843
2	ATM	1,598	1,110
3	Bank Branch	287	879
4	Mobile	41	43
5	POS	47	178
6	Van	0	0
7	Agent	7	12
	Total	2,241	3,065

Appendix III (B)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison (Fourth Quarter, 2015 and First Quarter, 2016)

S/N	Channel	Amount Involved, Fourth Quarter, 2015 (₦)	Amount Involved, First Quarter, 2016 (₦)	Amount Lost, Fourth Quarter, 2015 (₦)	Amount Lost, First Quarter, 2016 (₦)
1	Web	2,135,324,400.74	272,679,677.69	257,194,015.86	22,533,844.93
2	ATM	110,445,565.04	99,642,012.37	7,177,234.93	7,371,558.19
3	Bank Branch	1,501,979,278.79	1,357,010,729.40	687,618,560.78	295,198,694.82
4	Mobile	23,489,669.70	33,119,280.50	11,937,835.00	8,869,870.50
5	POS	4,777,414.94	199,481,892.27	26,400.00	157,961,679.33
6	Van	0	0	0	0
7	Agent	30,230,896.75	36,279,946.55	0	360,326.00
	Total	3,806,247,225.96	1,998,213,538.78	963,954,046.57	492,295,973.77

Appendix III (C)



Appendix IV (A)

Frauds and Forgeries through various Instruments: A Comparison between Fourth Quarter, 2015 and First Quarter, 2016

S/N	Instruments	Cases: Fourth Quarter, 2015	Cases: First Quarter, 2016
1	Cash	260	855
2	Cheques	27	30
3	Cards	1,946	2,174
4	Slips	8	6
	Total	2,241	3,065

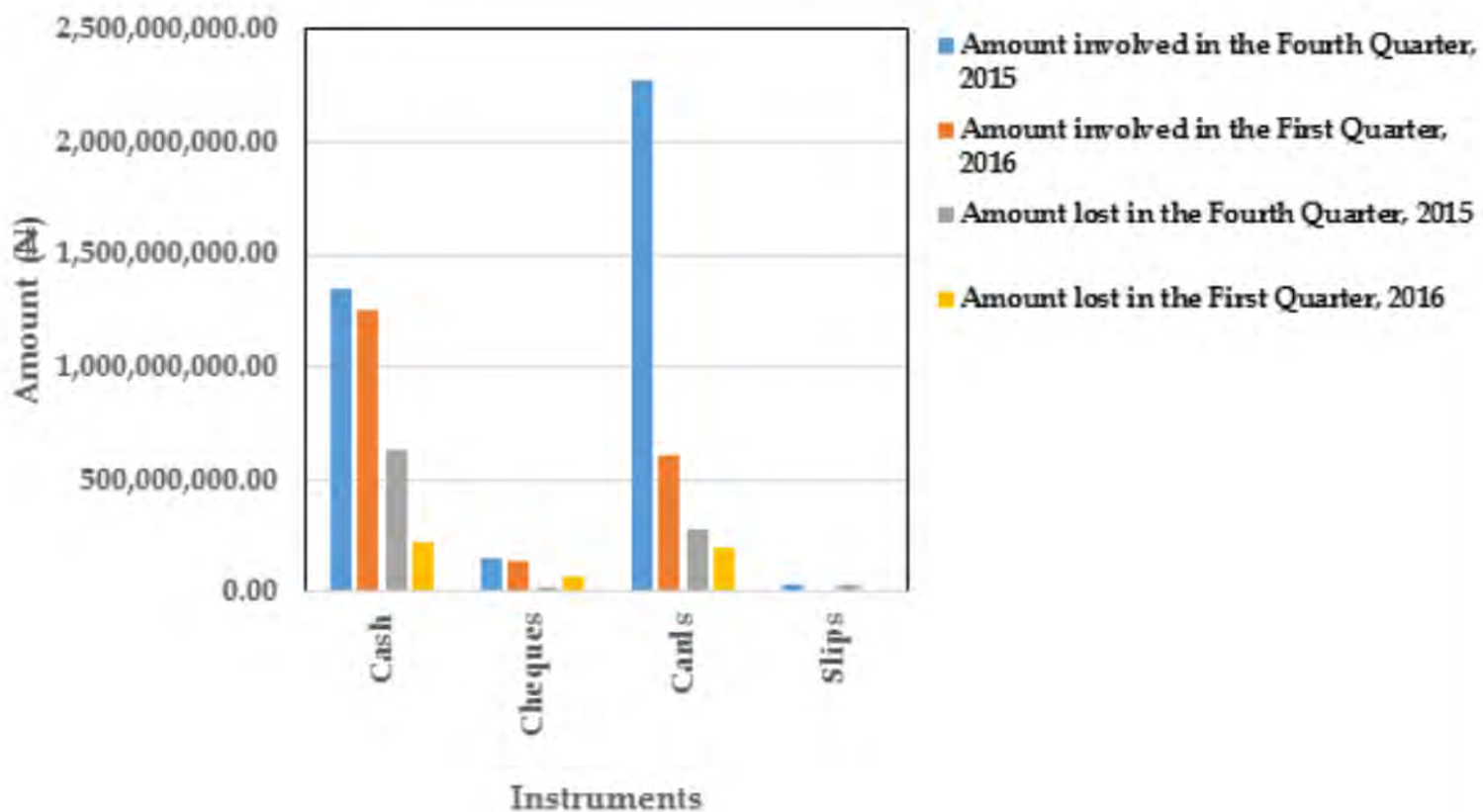
Appendix IV (B)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison (Fourth Quarter, 2015 and First Quarter, 2016)

S/N	Instruments	Amount Involved, Fourth Quarter, 2015 (₦)	Amount Involved, First Quarter, 2016 (₦)	Amount Lost, Fourth Quarter, 2015 (₦)	Amount Lost, First Quarter, 2016 (₦)
1	Cash	1,343,257,360.96	1,253,427,364.78	633,746,623.87	221,195,551.82
2	Cheques	151,638,877.67	133,611,311.17	19,970,000.00	68,937,469.00
3	Cards	2,272,385,792.92	604,922,862.83	276,335,485.79	196,736,952.95
4	Slips	38,965,194.41	6,252,000.00	33,901,936.91	5,426,000.00
	Total	3,806,247,225.96	1,998,213,538.78	963,954,046.57	492,295,973.77

Appendix IV (C)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison (Fourth Quarter, 2015 and First Quarter, 2016)



Report on Frauds & Forgeries in the Nigerian Banking Industry

Second Quarter, 2016

OVERVIEW

FITC received 61 returns from 22 deposit money banks¹ on the incidences of fraud and forgery that occurred during the second quarter of 2016. FITC received 20 returns each for the months of April and June, and 21 returns for June, 2016.

Volume And Value Of Fraud Cases

A total of 3,094 cases² of fraud and forgery in the banking industry were reported for the second quarter of 2016, compared to 3,065 cases reported for the first quarter of same year. Thus, cases of fraud that were reported in the banking industry increased marginally by 0.95 per cent during the period. The types of fraud reported to be predominant in occurrence include fraudulent ATM withdrawals, computer/Web fraud, PoS fraud, and foreign exchange fraud. **Appendices I and II** provide details of the fraud incidences that occurred during the review period, with graphical illustrations.

In the second quarter of 2016, total amount³ of money that was reported to be involved in fraud cases increased to N2.18 billion from N1.99 billion in the preceding quarter, indicating a 9.15 per cent increase. Out of the total of N2.18 billion reported to

be involved in fraud, N810.75 million (approximately 37.17 per cent) was actually lost to fraud in the banking industry. The difference of N1.37 billion (62.83 per cent) was recovered through the combined efforts of banks' stringent internal control systems within the banks and regulation, with support from external 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 N932.32 million (42.74 per cent), while miscellaneous (other types of) fraud ranked second at N493.14 million (22.61 per cent), fraudulent withdrawals ranked third at N198.26 million (9.09 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 incidences during the period.

Further analysis of the returns shows that computer/web fraud accounted for N417.87 million (51.54 per cent) of the total amount that was actually lost to fraud incidences during the second quarter of the review period. Miscellaneous (other

types of) fraud accounted for N128.94 million (15.90 per cent), while fraudulent withdrawals accounted for N102.66 million (12.66 per cent). **Appendix II (C)** shows the amount that was actually lost to fraud and forgery activities in the second quarter of 2016, 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.

Channels, Instruments And Personalities Involved In Perpetrating The Reported Fraud Cases

During the period under review, different types of channels were used to perpetrate fraud. These include ATM, the Web, bank branch, 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 bank branch, which declined to N995.54 million from N1.36 billion in the preceding quarter, thus indicating 26.64 per cent decrease. Also, fraud incidences through PoS fraud decreased significantly by 91.26 per cent

from N199.48 million to N17.43 million. However, fraud incidences through the web increased significantly by 241.91 per cent to N932.32 million from N272.68 million reported in the preceding quarter. Similarly, ATM fraud increased by 41.60 per cent to N932.31 million from N23.49 million and N272.68 million reported in the preceding quarter.

Analysis by the amount involved in fraud through the use of various instruments reveals that the fraud attempts through the use of cards and cheques increased considerably by 85.65 per cent and 14.05 per cent to N1.13 billion and N152.39 million from N604.92 million and N133.61 million respectively in the preceding quarter. However, fraud attempts through the use of cash and slips decreased considerably by 27.96 per cent and 55.73 per cent to N902.92 million and N2.77 million, from N1.25 billion and N6.25 million respectively in the previous period. Further details on the channels and instruments that were used in perpetrating fraud in the second quarter of 2016 are graphically illustrated in **Appendices III and IV**.

Also reported in the returns were the banks' terminations and dismissals of employees, as a result of their involvement in fraud-related offences. The appointments of 46 bank employees were reported as terminated for fraud related

activities. This shows a 6 per cent decrease from the 49 employees whose appointments were terminated on similar grounds, in the preceding quarter.

Conclusion and Recommendations

Results from the assessment of fraud and forgery incidences in the Nigerian banking industry during the second quarter of 2016, shows an increase in most of the parameters of assessing fraud incidences. This is revealed in the total amount involved in fraud, which rose to N2.18 billion from N1.99 billion in the preceding quarter, indicating a 9.15 per cent marginal increase. Also, the total amount that was reported to be lost to fraud increased to N810.75 million from N492.30 million in the preceding quarter, representing a significant increase of 64.69 per cent. Similarly, the total number of fraud cases that was reported during the period increased to 3094 from 3,065, representing a marginal rise of 0.95 per cent per cent.

Analysis of electronic fraud⁴ also 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 went up considerably to N1.13 billion from N604.92 million, thus representing 85.65 per cent increase. Similarly, the actual amount lost to fraud also

increased significantly to N445.81 million from N196.74 million in the previous quarter, representing a 126.60 per cent rise.

On the whole, analysis of the second quarter 2016 fraud and forgery returns of the banks is not quite encouraging, seeing considerable increase in most of the parameters of assessment. It is therefore, expedient that as stricter mechanisms of curbing fraudulent acts are being developed, all stakeholders must collaboratively ensure strict compliance with approved processes, as well as industry rules and regulations, in order to sustain systemic efforts at reducing fraud incidences 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 second quarter of 2015, and first and second quarters of 2016, on selected concerns.)

Notes:

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

Note 2: Volume of fraud and forgery.

Note 3: Value of fraud and forgery.

Note 4: Consisting of computer/ Web fraud, PoS fraud, mobile banking fraud, and ATM fraud.

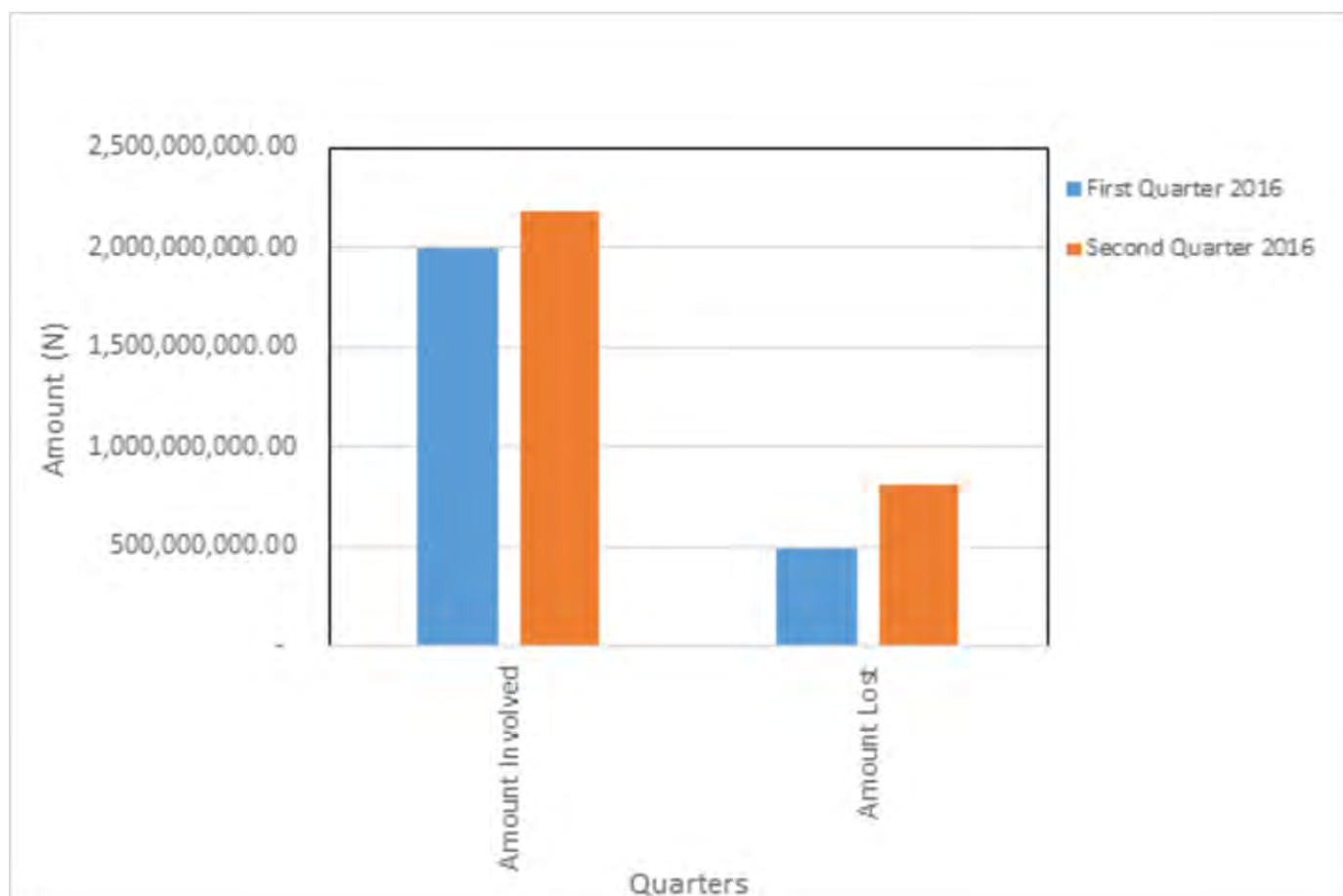
Appendix I (A)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between First and Second Quarters, 2016

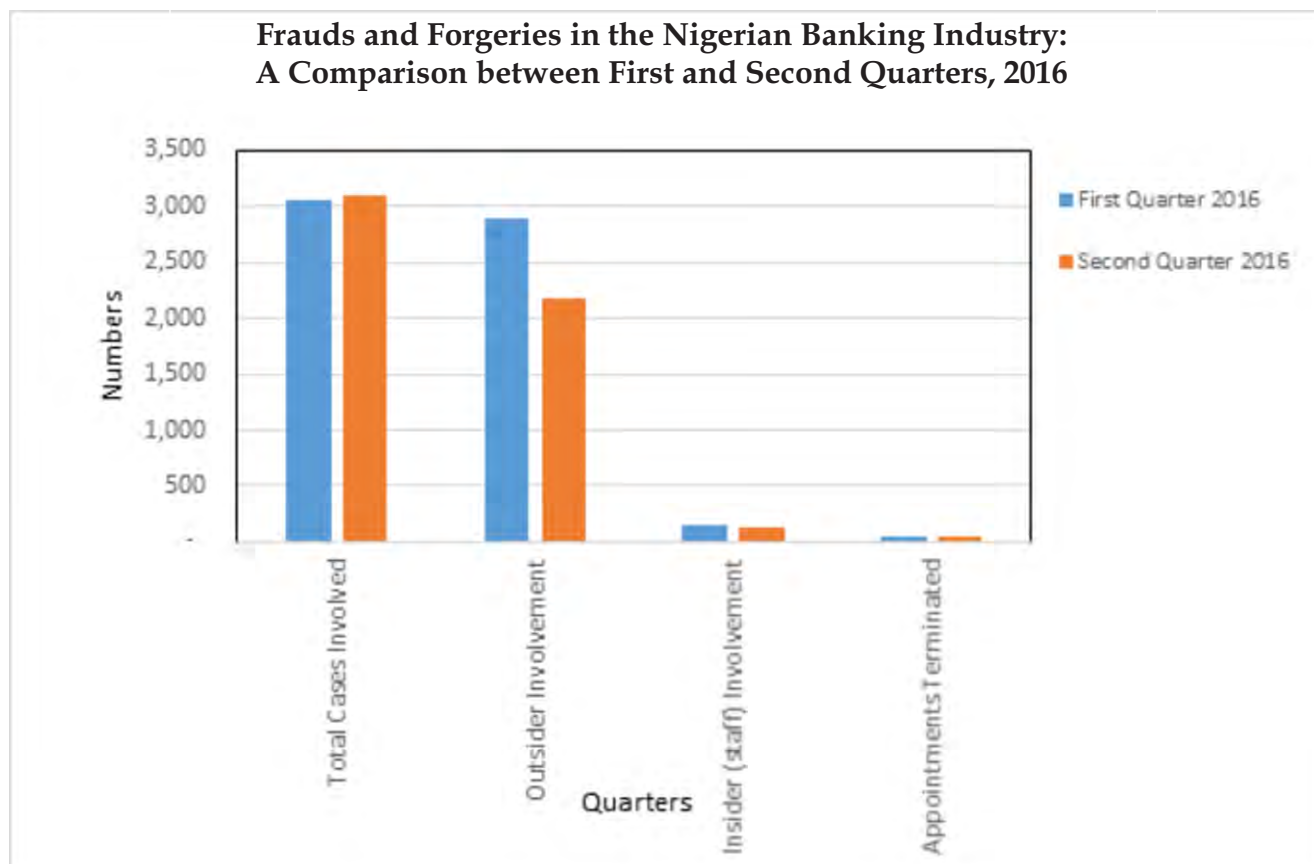
S/N	Variables	First Quarter, 2016	Second Quarter, 2016
1	Total Cases reported	3,065	3,094
2	Total Amount Involved	₦1,998,213,538.78	₦2,181,135,130.05
3	Total Amount Lost	₦492,295,973.77	₦810,750,636.52
4	Outsider Involvement	2,889	2,186
5	Insider (Staff) Involvement	161	130
6	Appointments Terminated	49	46

Appendix I (B)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between First and Second Quarters, 2016



Appendix I (C)



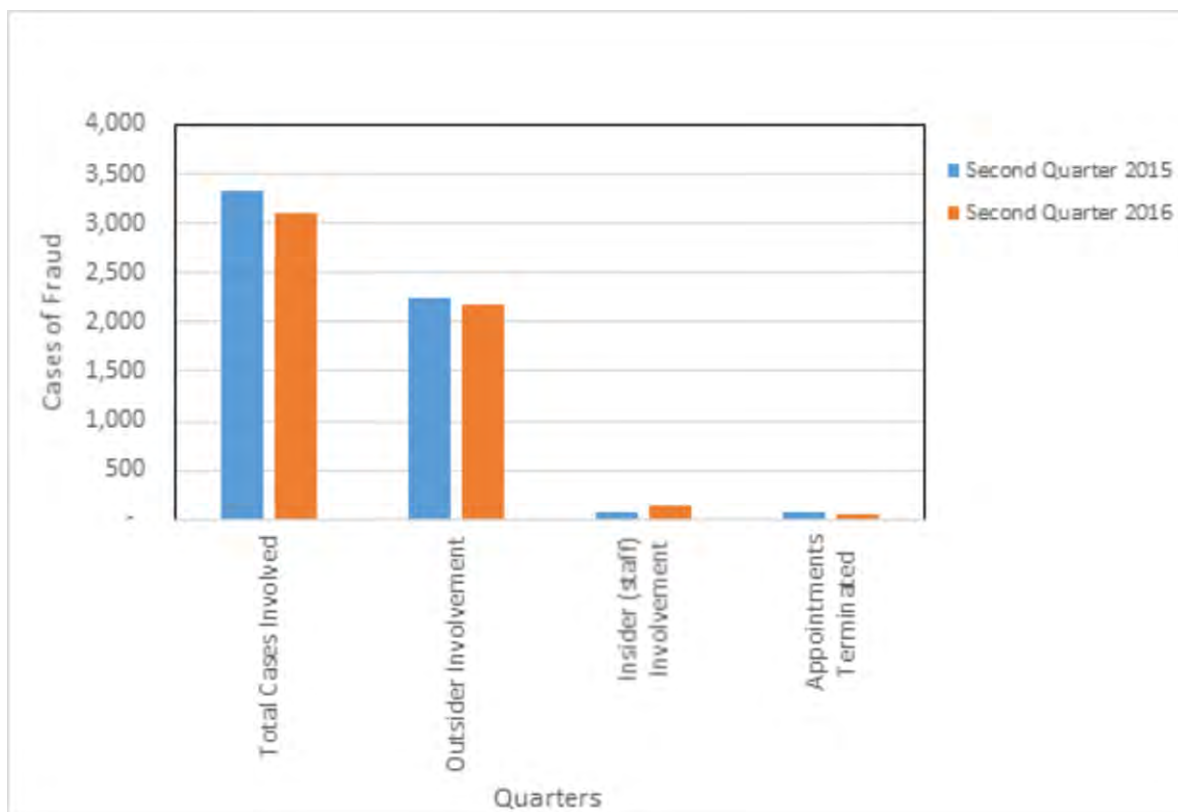
Appendix I (D)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second Quarter, 2015 and Second Quarter, 2016

S/N	Variables	Second Quarter, 2015	Second Quarter, 2016
1	Total Cases Involved	3,336	3,094
2	Total Amount Involved	₦5,638,016,813.06	₦2,181,135,130.05
3	Total Amount Lost	₦1,023,857,465.56	₦810,750,636.52
4	Outsider Involvement	2,235	2,186
5	Insider (Staff) Involvement	84	130
6	Appointments Terminated	75	46

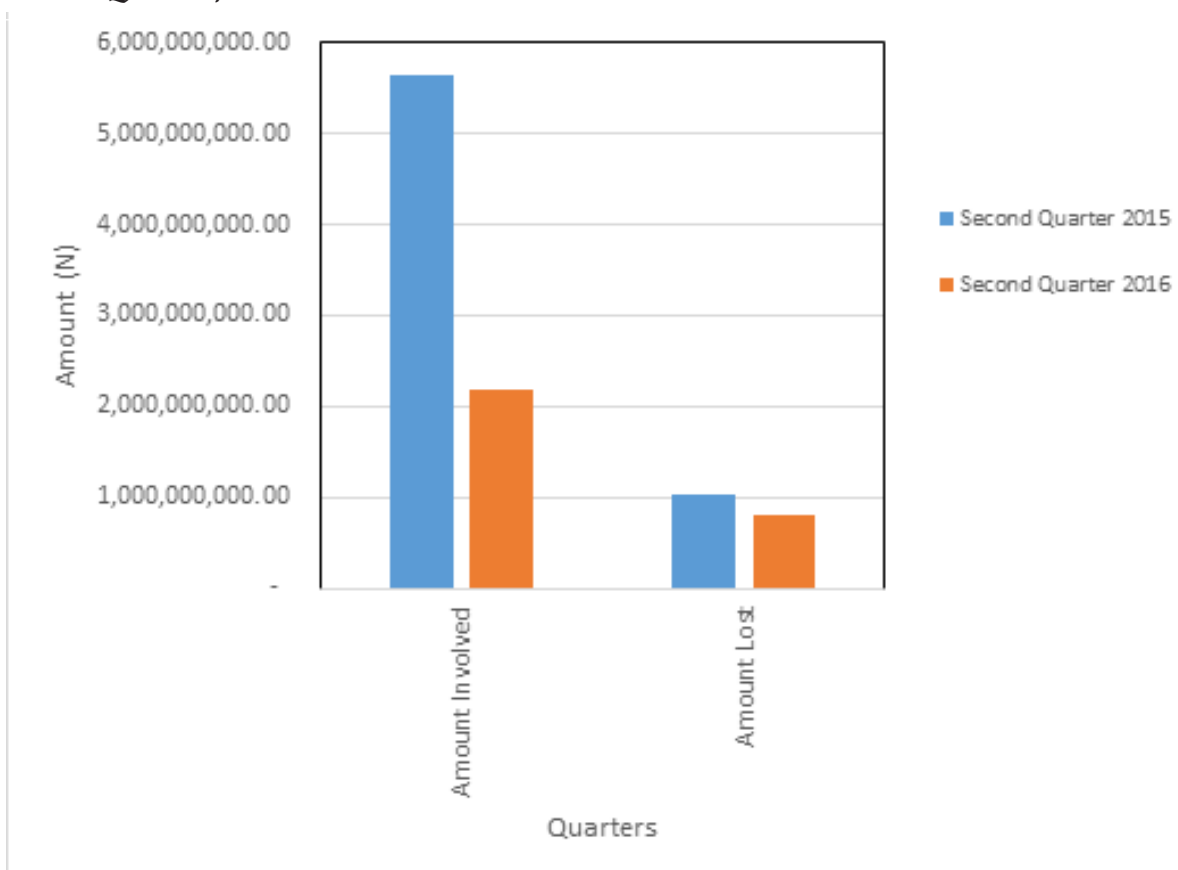
Appendix I (E)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second Quarter, 2015 and Second Quarter, 2016



Appendix I (F)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second Quarter, 2015 and Second Quarter, 2016



Appendix II (A): Frauds and Forgeries in the Nigerian Banking Industry (Second Quarter, 2016)

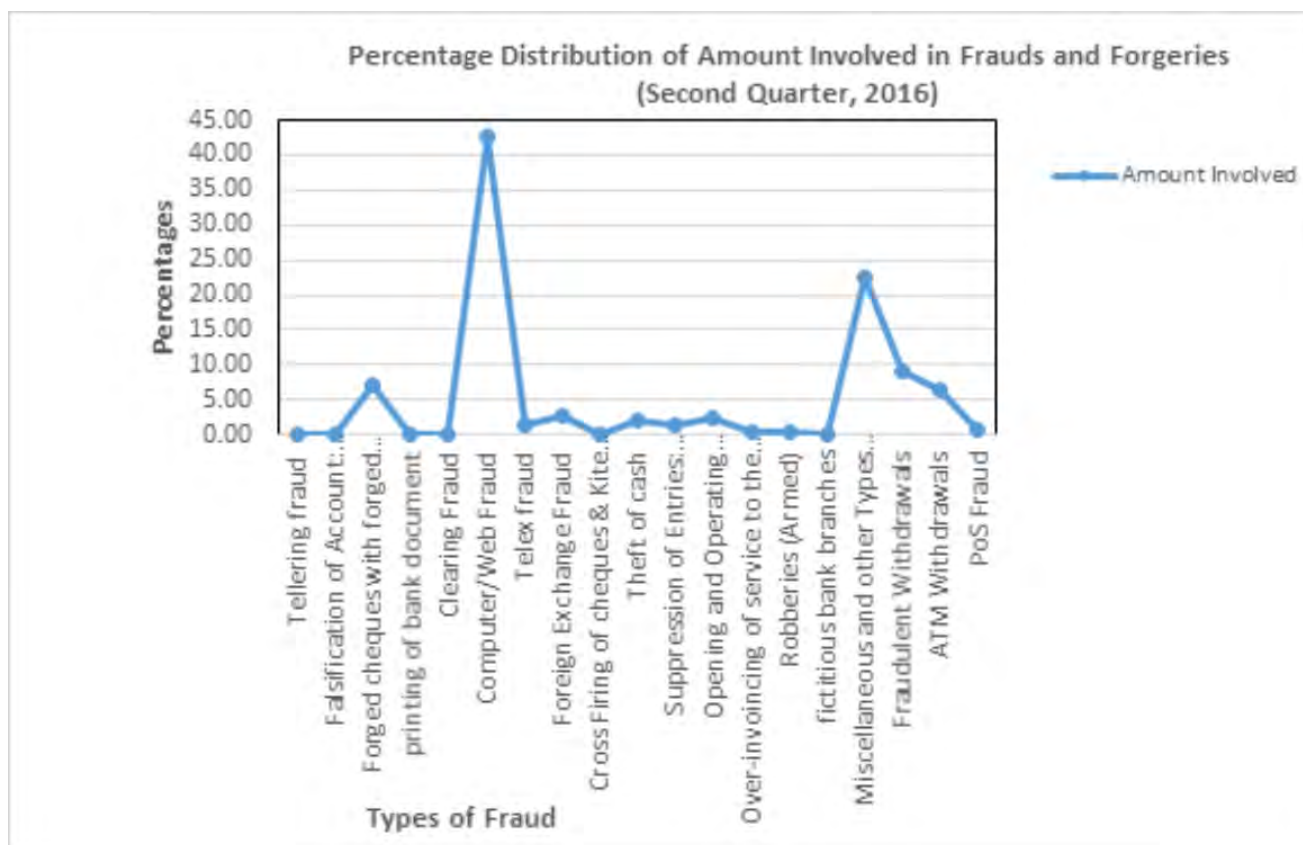
Types of Fraud	Total Number of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (₦)	Actual/Expected Loss (₦)	Expected Loss/Amount Involved (%)
Teller Fraud	3 (0.10)	3 (2.31)	0 (0)	0 (0)	0 (0)	1,728,000.00 (0.08)	1,528,000.00 (0.19)	88.4
Falsification of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts	2 (0.06)	0 (0)	2 (0.09)	0 (0)	0 (0)	3,392,367.20 (0.16)	0 (0)	0
Forged Cheques with Forged Signature	17 (0.55)	5 (3.85)	10 (0.46)	0 (0)	2 (0.26)	152,296,670.20 (6.98)	63,197,000.00 (7.79)	41.5
Printing of Bank Document Illegally	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Clearing Fraud	1 (0.03)	0 (0)	0 (0)	1 (50.0)	0 (0)	93,500.00 (0)	0 (0)	0
Computer/Web Fraud	618 (27.50)	10 (2.48)	529 (28.87)	0 (0)	79 (62.50)	932,316,792.26 (42.74)	417,866,912.42 (51.54)	44.8
Mobile Fraud	92 (2.97)	0 (0)	80 (3.66)	0 (0)	12 (1.54)	32,218,416.50 (1.48)	13,148,397.50 (1.62)	0
Foreign Exchange Fraud	118 (3.81)	0 (0)	111 (5.08)	0 (0)	7 (0.90)	62,442,482.23 (2.86)	455,893.76 (0.06)	0.73
Cross Firing of Cheques and Kite Flying	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0

Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry (Second Quarter, 2016)

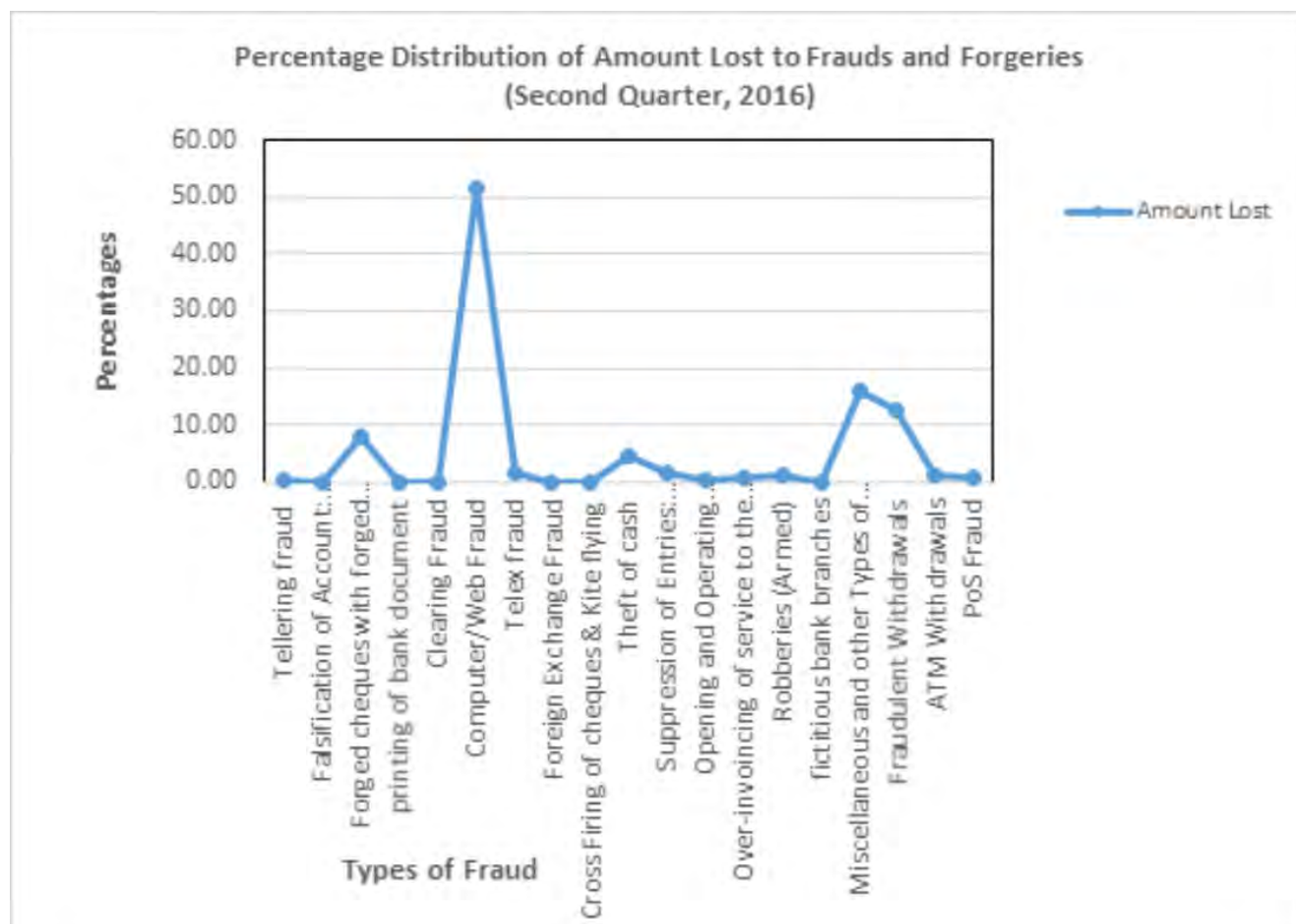
Types of Fraud	Total Number Of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (₦)	Actual/Expected Loss (₦)	Expected Loss/Amount Involved (%)
Theft of Cash	8 (0.26)	4 (3.08)	2 (0.09)	0 (0)	2 (0.26)	43,993,907.00 (2.02)	37,899,907.00 (4.67)	86.1
Suppression of Entries: Cash/Cheques	80 (2.59)	80 (61.54)	0 (0)	0 (0)	0 (0)	32,276,551.09 (1.48)	13,750,573.22 (1.70)	42.6
Opening and Operating Fraudulent Loans and Accounts	37 (1.20)	1 (0.77)	28 (1.28)	1 (50.0)	7 (0.90)	50,571,341.62 (2.32)	1,374,581.62 (0.17)	2.7
Over-Invoicing of Service to the Bank	3 (0.10)	2 (1.54)	1 (0.05)	0 (0)	0 (0)	11,260,070.00 (0.52)	6,500,000.00 (0.80)	57.7
Robberies (Armed)	2 (0.06)	0 (0)	1 (0.05)	0 (0)	1 (0.13)	8,630,000.00 (0.40)	8,630,000.00 (1.06)	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	27 (2.59)	9 (10.77)	17 (2.01)	0 (0)	1 (3.33)	493,135,914.86 (9.09)	102,664,755.89 (12.66)	51.8
Fraudulent Withdrawals	276 (9.00)	19 (11.80)	252 (8.72)	4 (57.14)	1 (12.50)	202,575,192.92 (10.14)	147,331,833.32 (29.93)	72.7
Fraudulent ATM Withdrawals	1,862 (60.18)	2 (1.54)	1,234 (56.45)	0 (0)	626 (80.26)	141,092,790.88 (6.47)	8,513,688.56 (1.05)	6.0
PoS Fraud	144 (4.65)	0 (0)	127 (5.81)	0 (0)	17 (2.18)	17,426,994.64 (0.80)	6,285,320.65 (0.78)	36.1
Total	3,094	130	2,186	2	780	2,181,135,130.05	810,750,636.52	584.7

Note: All figures in parenthesis () indicate percentages

Appendix II (B)

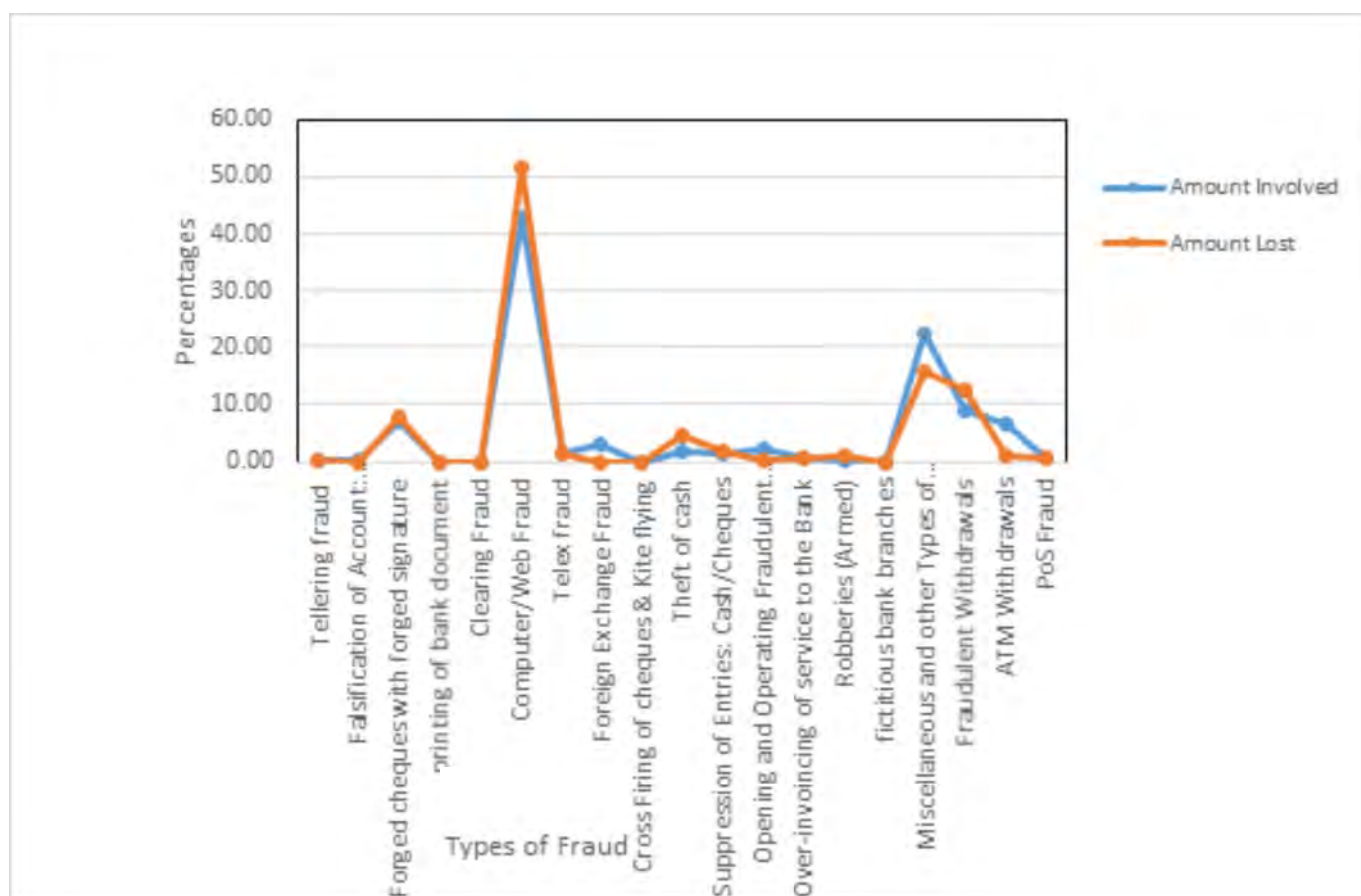


Appendix II (C)



Appendix II (D)

Percentage Distribution of Amount Involved in and the Amount Lost to Frauds and Forgeries (Second Quarter, 2016)



Appendix III (A)

Frauds and Forgeries through various Payment Channels: A Comparison between First and Second Quarters, 2016

S/N	Channels	Cases: First Quarter, 2016	Cases: Second Quarter, 2016
1	Web	843	618
2	ATM	1,110	1,862
3	Bank Branch	879	259
4	Mobile	43	92
5	POS	178	144
6	Van	0	0
7	Agent	12	119
	Total	3,065	3,094

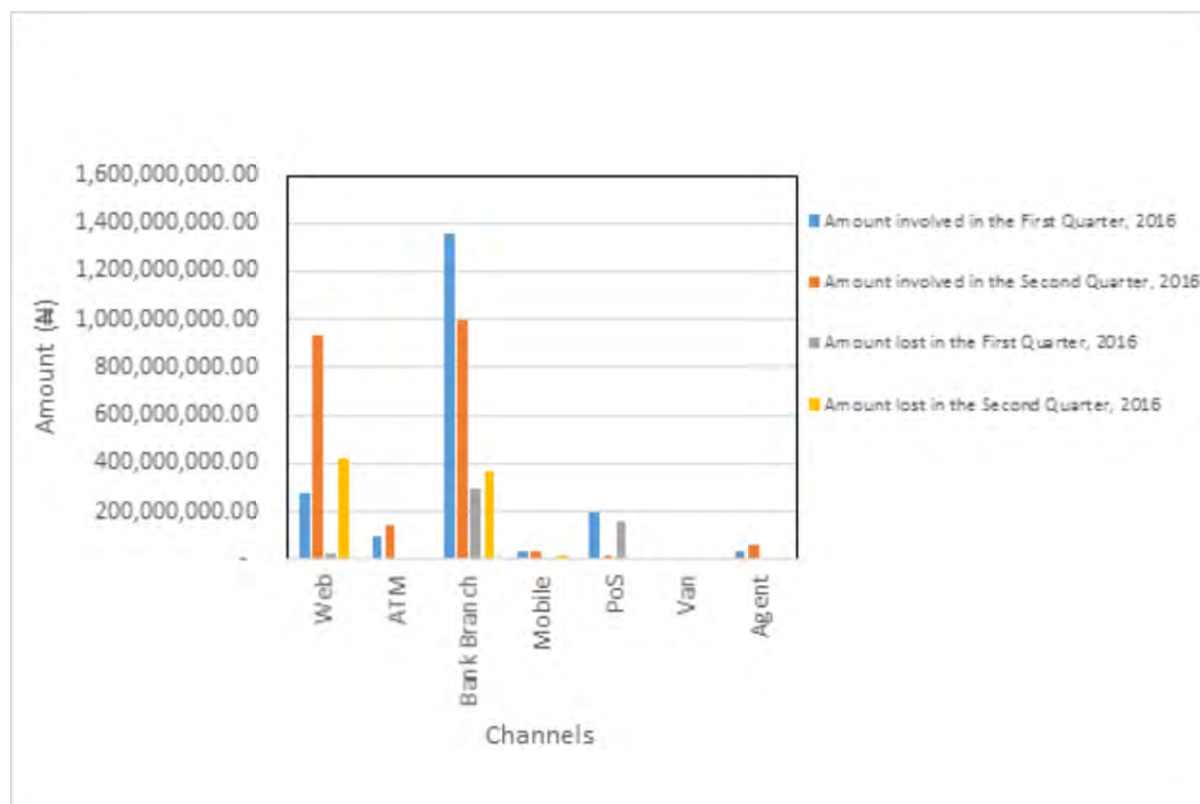
Appendix III (B)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison (First and Second Quarters, 2016)

S/N	Channel	Amount Involved, First Quarter, 2016 (₦)	Amount Involved, Second Quarter, 2016 (₦)	Amount Lost, First Quarter, 2016 (₦)	Amount Lost, Second Quarter, 2016 (₦)
1	Web	272,679,677.69	932,316,792.26	22,533,844.93	417,866,912.42
2	ATM	99,642,012.37	141,092,790.88	7,371,558.19	8,513,688.56
3	Bank Branch	1,357,010,729.40	995,544,153.54	295,198,694.82	364,480,423.63
4	Mobile	33,119,280.50	32,218,416.50	8,869,870.50	13,148,397.50
5	POS	199,481,892.27	17,426,994.64	157,961,679.33	6,285,320.65
6	Van	0	0	0	0
7	Agent	36,279,946.55	62,535,982.23	360,326.00	455,893.76
	Total	1,998,213,538.78	2,181,135,130.05	492,295,973.77	810,750,636.52

Appendix III (C)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison (First and Second Quarters, 2016)



Appendix IV (A)

Frauds and Forgeries through various Instruments: A Comparison between First and Second Quarters, 2016

S/N	Instruments	Cases: First Quarter, 2016	Cases: Second Quarter, 2016
1	Cash	855	356
2	Cheques	30	18
3	Cards	2,174	2,716
4	Slips	6	4
	Total	3,065	3,094

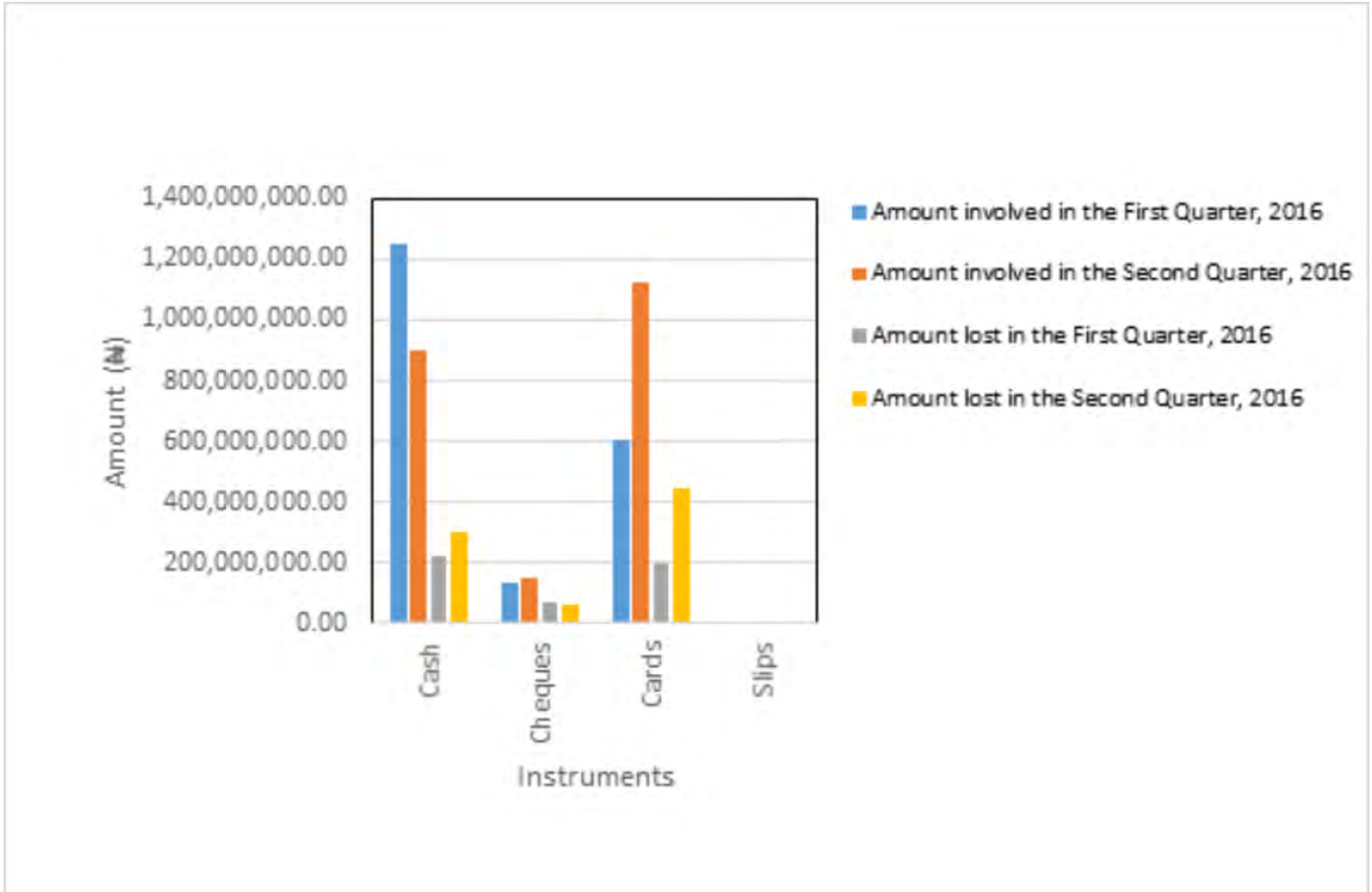
Appendix IV (B)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison (First and Second Quarters, 2016)

S/N	Instruments	Amount Involved, First Quarter, 2016 (₦)	Amount Involved, Second Quarter, 2016 (₦)	Amount Lost, First Quarter, 2016 (₦)	Amount Lost, Second Quarter, 2016 (₦)
1	Cash	1,253,427,364.78	902,922,465.57	221,195,551.82	301,439,317.39
2	Cheques	133,611,311.17	152,390,170.20	68,937,469.00	63,197,000.00
3	Cards	604,922,862.83	1,123,054,994.28	196,736,952.95	445,814,319.13
4	Slips	6,252,000.00	2,767,500.00	5,426,000.00	300,000.00
	Total	1,998,213,538.78	2,181,135,130.05	492,295,973.77	810,750,636.52

Appendix IV (C)

**Amount Involved and Amount Lost to Fraud through various Instruments of Transaction:
A Comparison (First and Second Quarters, 2016)**



Report on Frauds & Forgeries in the Nigerian Banking Industry

Third Quarter, 2016

OVERVIEW

In the third quarter of 2016, FITC received 61 returns from 22 deposit money banks¹ on the incidences of fraud and forgery that occurred in their organisations during the period. FITC received 20 returns each for the months of July and August, and received 21 returns for September, 2016.

Volume and Value of Fraud Cases

A total of 3,079 cases² of fraud and forgery were reported in the third quarter of 2016, compared to 3,094 cases reported in the second quarter. Thus, reported cases of fraud in the banking industry decreased marginally by 0.48 per cent between the periods. The types of fraud reported to be predominant in occurrence include computer/Web fraud, fraudulent ATM withdrawals, mobile banking fraud, foreign exchange fraud, and PoS related fraud. **Appendices I and II** detail the fraud incidences that occurred during the review period, with graphical illustrations.

In the third quarter of 2016, total amount³ of money that was reported to be involved in fraud cases decreased to N1.30 billion from N2.18 billion in the preceding quarter, indicating a 40.19 per cent drop. The

difference of N876.56 billion was recovered through the combined efforts of banks' stringent internal control systems, with support from external 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 miscellaneous (other types of) fraud ranked first at N448.25 million (34.36 per cent), computer/Web fraud ranked second at N340.12 million (26.07 per cent), opening and operating fraudulent loans and account ranked third at N94.49 million (7.24 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 incidences during the period.

Further analysis of the returns shows that computer/Web fraud accounted for N107.17 million (28.34 per cent) of the total amount that was actually lost to fraud incidence during the review period. Miscellaneous (other types of) fraud accounted for N100.50 million (26.58 per cent), while fraudulent withdrawals accounted for N33.68 million (8.91 per cent). **Appendix II (C)** shows the amount that was reported as

lost to fraud and forgery activities, 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 review period, fraudsters used different channels to attempt fraud. These channels include the Web, ATM, mobile banking channels, bank branches, agent banking and PoS channels. The instruments mostly used by the fraudsters to carry out their nefarious activities were cards, cash, cheques and slips.

Analysis of the banks' returns according to the amount involved, shows that the channel that was mostly used by the fraudsters to perpetrate fraud was bank branch: this declined from N995.54 million in the preceding quarter to N733.16 million in the third quarter, indicating a decrease of 26.36 per cent. Also, fraud incidences through the Web and ATM decreased significantly by 63.52 per cent (from N932.32 million to N340.12 million) and 42.13 per cent (from N141.09 million to N81.64 million) respectively. However, incidence of fraud through mobile and agent

(from N32.22 million to N56.19 million) and 32.38 per cent (from N62.54 million to N82.78 million) respectively.

Analysis of the amount involved in fraud through the use of various instruments reveals that fraud attempts through the use of cash, cheques, cards and slips decreased considerably. For instance, fraud attempts through the use of cash fell by 16.19 per cent from N902.92 million in the previous quarter, to N756.70 million in the third quarter. Similarly, fraud attempts through the use of cheques decreased by 61.15 per cent from N152.39 million in the previous quarter, to N59.21 million in the third quarter; fraud attempts through the use of cards decreased by 56.49 per cent from N1.12 billion in the previous quarter, to N488.64 million in the third quarter; and fraud attempts through the use of slips decreased by 98.92 per cent from N2.77 million in the previous quarter, to only N30,000.00 in the third quarter. Further details on the channels and instruments that were used in perpetrating fraud during the third quarter of 2016 are graphically illustrated in **Appendices III and IV**.

The banks reported that they terminated the appointments of forty-six (46) employees for fraud related offences. This shows a 15 per cent increase in the number of employees whose appointments were terminated on similar grounds between the second and third quarters of 2016. However,

when compared with the third quarter of 2015, there is a 25.81 per cent decrease in the number of employees whose appointments were terminated for fraud related activities.

Conclusions and Recommendations

FITC's assessment of fraud and forgery incidences in the Nigerian banking industry during the third quarter of 2016, shows mixed performance across the performance indices used. For instance, the total amount that was reported to be involved in fraud dropped to N1.30 billion from N2.18 billion in the preceding quarter, indicating a 40.19 per cent decrease. Similarly, the total amount that was reported as actually lost to fraud incidence declined to N378.11 million from N810.75 million in the previous quarter, indicating a significant decrease of 53.36 per cent. Also, the total number of fraud cases that was reported during the period decreased to 3,079 from 3,094, representing a marginal 0.48 per cent drop.

Analysis of electronic fraud⁴ also shows a decline in the number of electronic fraud incidence, the amount involved in electronic fraud, and the amount actually lost. The cases of electronic fraud that were reported declined by 2.61 per cent from 2,716 in the second quarter, to 2,645 in the third quarter of 2016. The amount involved in electronic fraud dropped by 56.49 per cent from N1.12 billion in the second

quarter, to N488.64 million in the third quarter of 2016. Similarly, the actual amount that was lost to electronic fraud dropped by 62.29 per cent from N445.81 million in the second quarter, to N168.12 million in the third quarter.

In general, analysis of the third quarter 2016 fraud and forgery returns from the banks showed cheerful indices across many of the parameters used to assess fraud incidence in the banking industry. To sustain these performances and possibly improve on them, industry stakeholders must sustainably and forcefully resource the fight against fraud. Bank officials and customers alike, must be well informed and kept up-to-date on control measures to adopt, in order to prevent fraud perpetuation. The regulatory institutions should continue to work more closely with banks, law enforcement agencies and relevant stakeholders, to continually enhance security and controls. The regulatory institutions should continually engage the judiciary, on how to expedite fraud related cases, and work with the National Assembly on how to enhance relevant legislations, to such an extent that fraud is perceived and actually known to be too expensive to perpetrate in the Nigerian banking industry.

(Please see the appendices below for summaries of the cases of fraud and forgery covered in this report, comparison between the third

the third quarter of 2016 and second quarter of 2015 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.

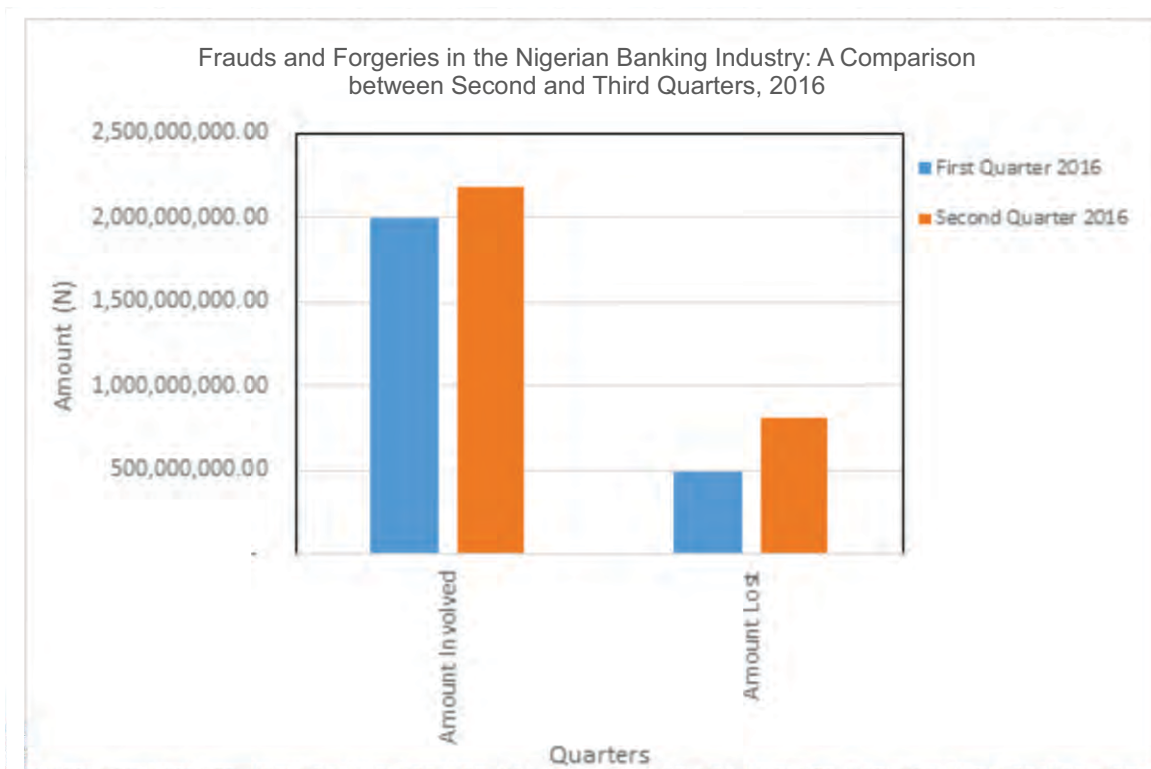
Note 5: Consisting of computer/Web fraud, PoS fraud, mobile banking fraud, and ATM fraud.

Appendix I (A)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second and Third Quarters, 2016

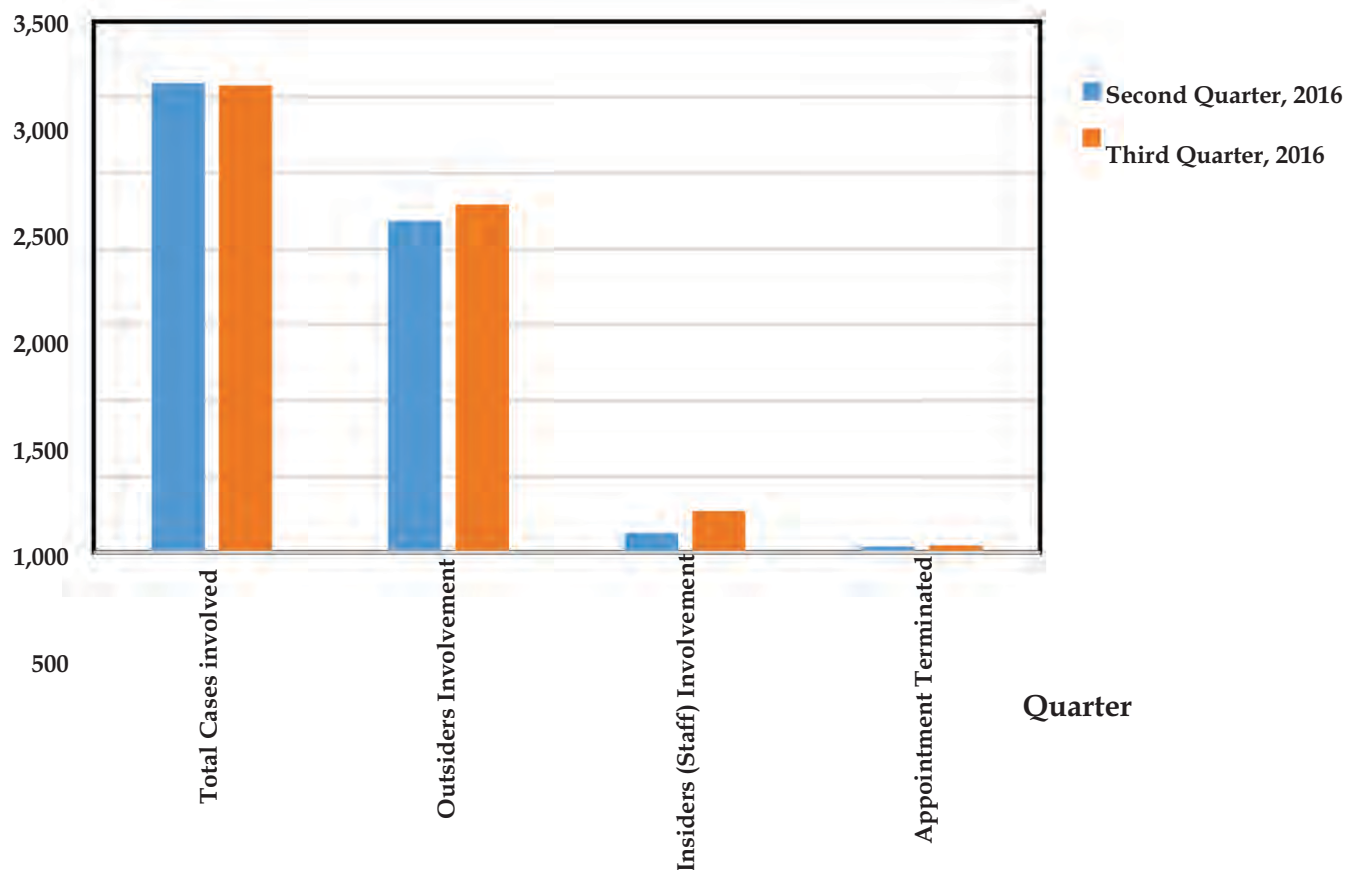
S/N	Variables	Second Quarter, 2016	Third Quarter, 2016
1	Total Cases reported	3,094	3,079
2	Total Amount Involved	₦2,181,135,130.05	₦1,304,579,235.52
3	Total Amount Lost	₦810,750,636.52	₦378,112,577.96
4	Outsider Involvement	2,186	2,293
5	Insider (Staff) Involvement	130	273
6	Appointments Terminated	40	46

Appendix I (B)



Appendix I (C)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second and Third Quarters, 2016



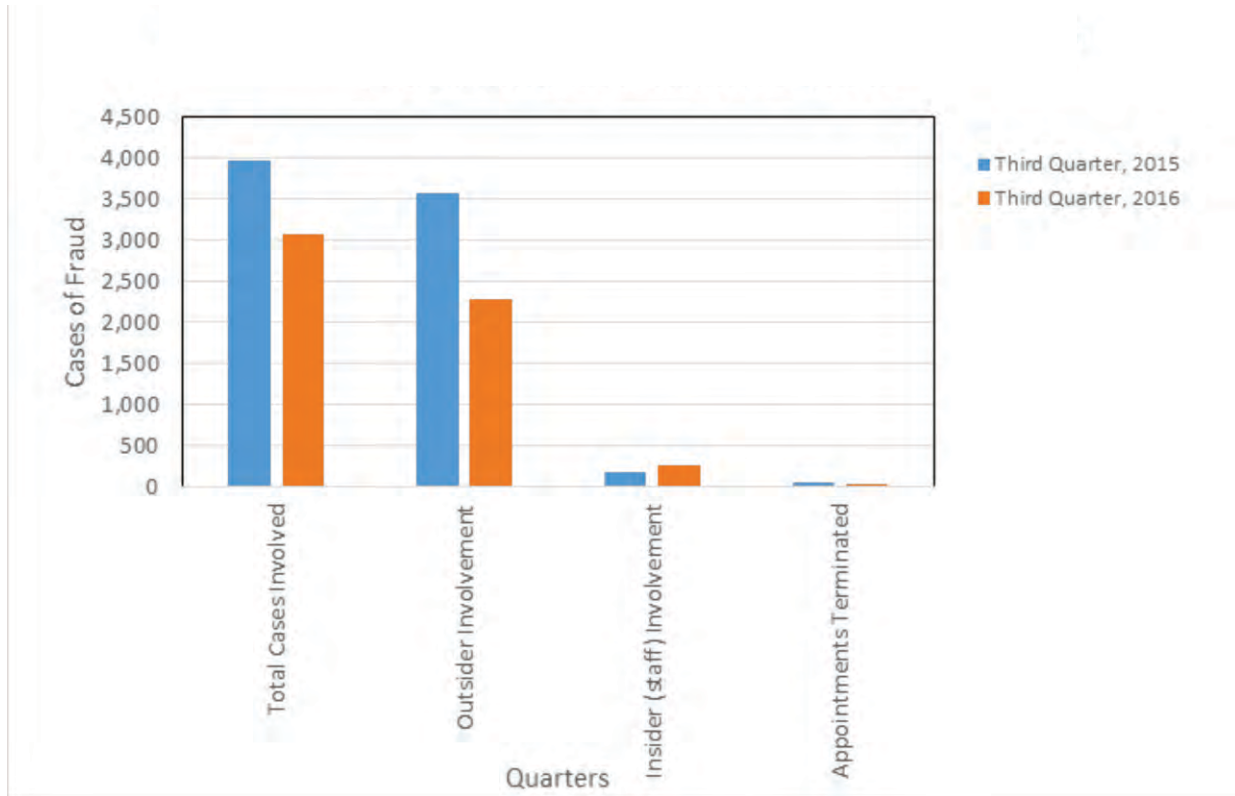
Appendix I (D)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Third Quarter, 2015 and Third Quarter, 2016

S/N	Variables	Second Quarter, 2016	Third Quarter, 2016
1	Total Cases reported	3,967	3,079
2	Total Amount Involved	₦2,125,977,442.06	₦1,304,579,235.52
3	Total Amount Lost	₦453,308,642.87	₦378,112,577.96
4	Outsider Involvement	3,567	2,293
5	Insider (Staff) Involvement	130	273
6	Appointments Terminated	40	46

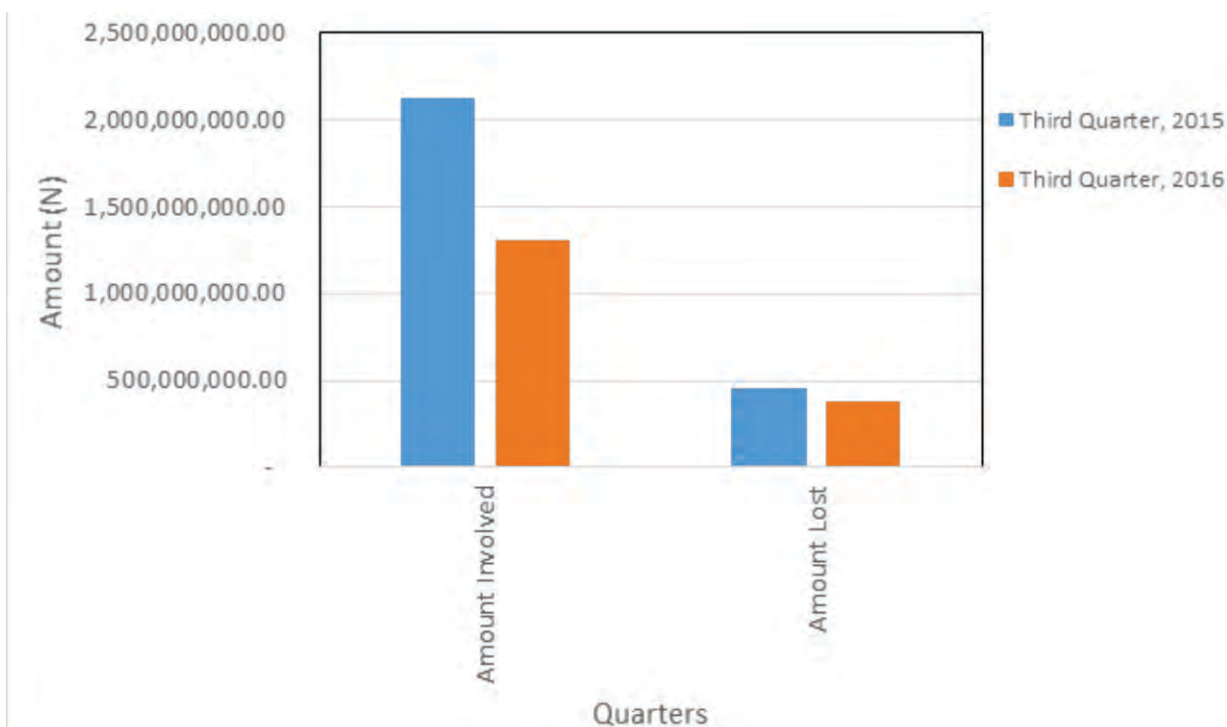
Appendix I (E)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Third Quarter, 2015 and Third Quarter, 2016



Appendix I (F)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Third Quarter, 2015 and Third Quarter, 2016



Appendix II (A): Frauds and Forgeries in the Nigerian Banking Industry (Third Quarter, 2016)

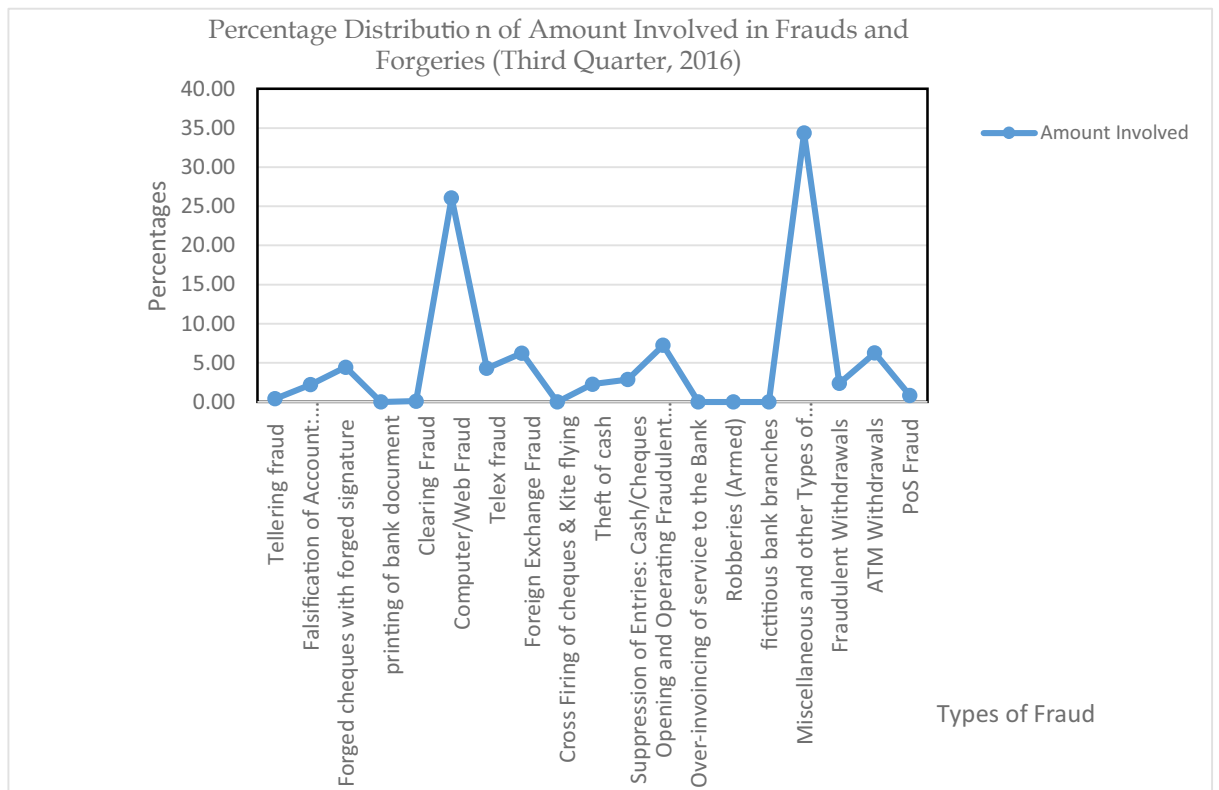
Types of Fraud	Total Number of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (₦)	Actual/Expected Loss (₦)	Expected Loss/Amount Involved (%)
	15 (0.16)	4 (1.47)	1 (0.04)	0 (0)	0 (0)	5,327,580.00 (0.41)	2,920,000.00 (0.77)	54.8
Falsification of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts	15 (0.16)	1 (0.37)	3 (0.13)	0 (0)	1 (0.20)	28,898,500.00 (2.22)	18,440,500.00 (4.88)	63.8
Forged Cheques with Forged Signature	18 (0.58)	1 (0.37)	13 (0.57)	0 (0)	4 (0.78)	57,930,770.24 (4.44)	2,887,980.42 (0.76)	5.0
Printing of Bank Document Illegally	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Clearing Fraud	1 (0.03)	0 (0)	1 (0.04)	0 (0)	0 (0)	1,280,000.00 (0.10)	0 (0)	0
Computer/Web Fraud	1,363 (44.27)	6 (2.20)	1,162 (50.68)	1 (50.00)	194 (37.96)	340,121,949.84 (26.07)	107,173,013.86 (28.34)	31.5
Mobile Fraud	301 (9.78)	2 (0.73)	225 (9.81)	0 (0)	74 (14.48)	56,191,885.50 (4.31)	24,906,316.00 (6.59)	0
Foreign Exchange Fraud	174 (5.65)	3 (1.10)	170 (7.41)	0 (0)	1 (0.20)	81,504,487.69 (6.25)	33,359,500.00 (8.82)	40.93
Cross Firing of Cheques and Kite Flying	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0

Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry (Second Quarter, 2016)

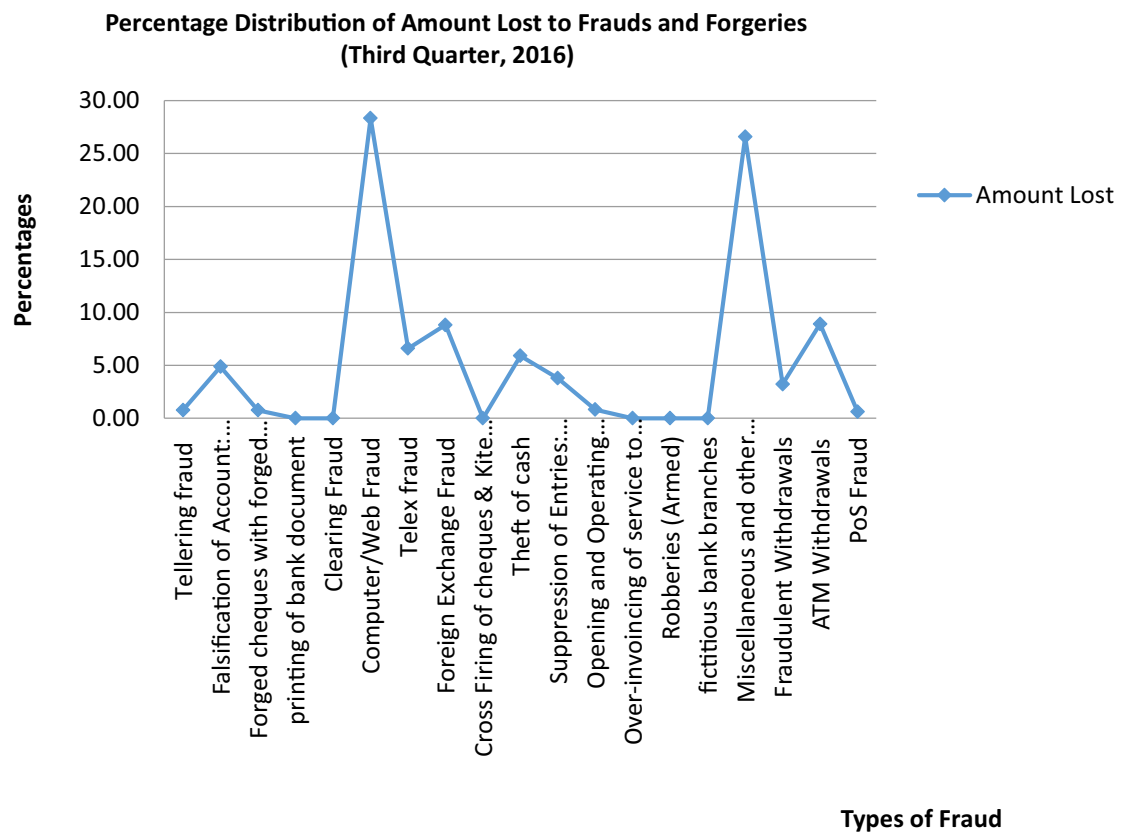
Types of Fraud	Total Number Of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (₦)	Actual/Expected Loss (₦)	Expected Loss/Amount Involved (%)
Theft of Cash	18 (0.58)	8 (2.93)	6 (0.26)	0 (0)	4 (0.78)	29,766,085.00 (2.28)	22,287,400.00 (5.89)	74.9
Suppression of Entries: Cash/Cheques	55 (1.79)	50 (18.32)	5 (0.22)	0 (0)	0 (0)	37,548,996.08 (2.88)	14,273,900.16 (3.78)	38.0
Opening and Operating Fraudulent Loans and Accounts	61 (1.98)	1 (0.37)	56 (2.44)	0 (0)	4 (0.78)	94,487,765.79 (7.24)	3,125,579.39 (0.83)	3.3
Over-Invoicing of Service to the Bank	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Robberies (Armed)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Fictitious Bank Branches	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Miscellaneous and Other Types of Fraud	56 (1.82)	18 (6.59)	35 (1.53)	1 (50)	2 (0.39)	448,253,376.35 (34.36)	100,500,845.34 (26.58)	22.4
Fraudulent Withdrawals	41 (1.33)	14 (5.13)	16 (0.70)	0 (0)	11 (2.15)	30,942,452.35 (2.37)	12,201,110.47 (3.23)	39.4
Fraudulent ATM Withdrawals	894 (29.04)	165 (60.44)	524 (22.85)	0 (0)	205 (40.12)	81,644,996.51 (6.26)	33,679,992.27 (8.91)	41.3
PoS Fraud	87 (2.83)	0 (0)	76 (3.31)	0 (0)	11 (2.15)	10,680,390.18 (0.82)	2,356,440.06 (0.62)	22.1
Total	3,079	273	2,293	2	511	1,304,579,235.52	378,112,577.96	437.4

Note: All figures in parenthesis () indicate percentages

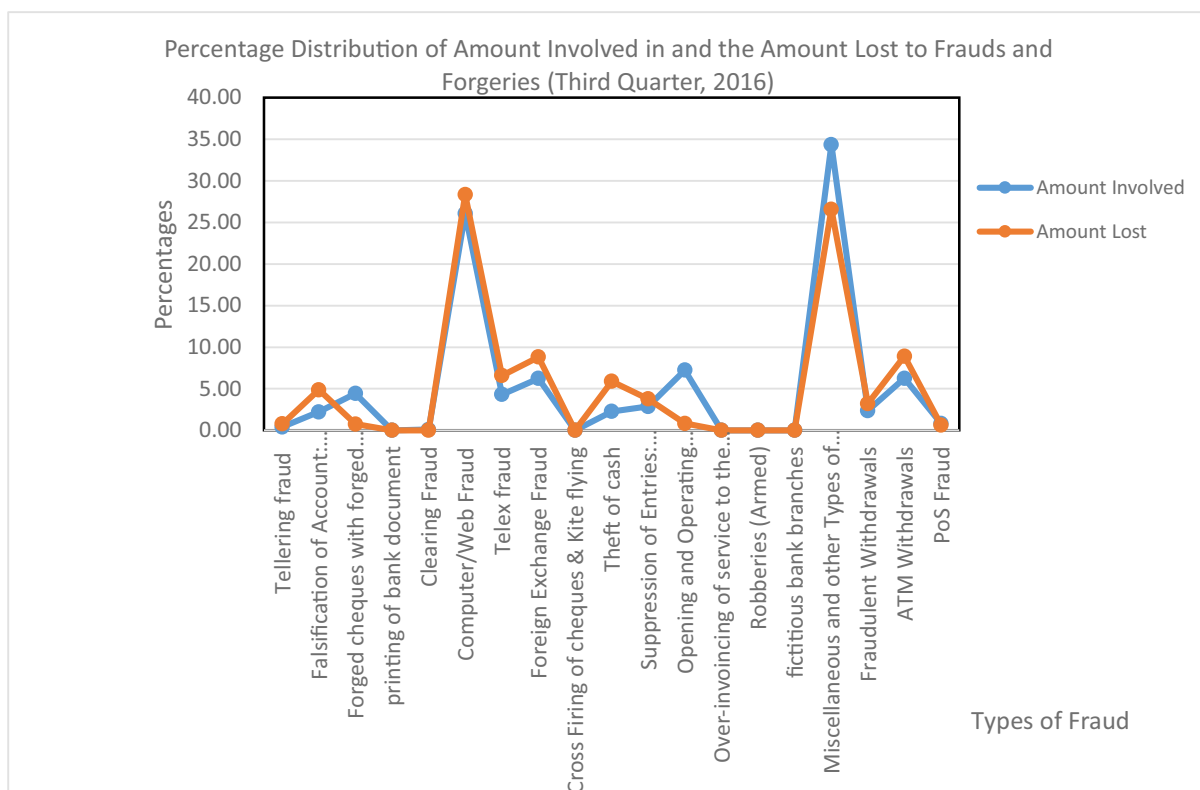
Appendix II (B)



Appendix II (C)



Appendix II (D)



Appendix III (A)

Frauds and Forgeries through various Payment Channels: A Comparison between Second and Third Quarters, 2016

S/N	Channels	Cases: Second Quarter, 2016	Cases: Third Quarter, 2016
1	Web	618	1,363
2	ATM	1,862	894
3	Bank Branch	259	259
4	Mobile	92	301
5	POS	144	87
6	Van	0	0
7	Agent	119	175
	Total	3,094	3,079

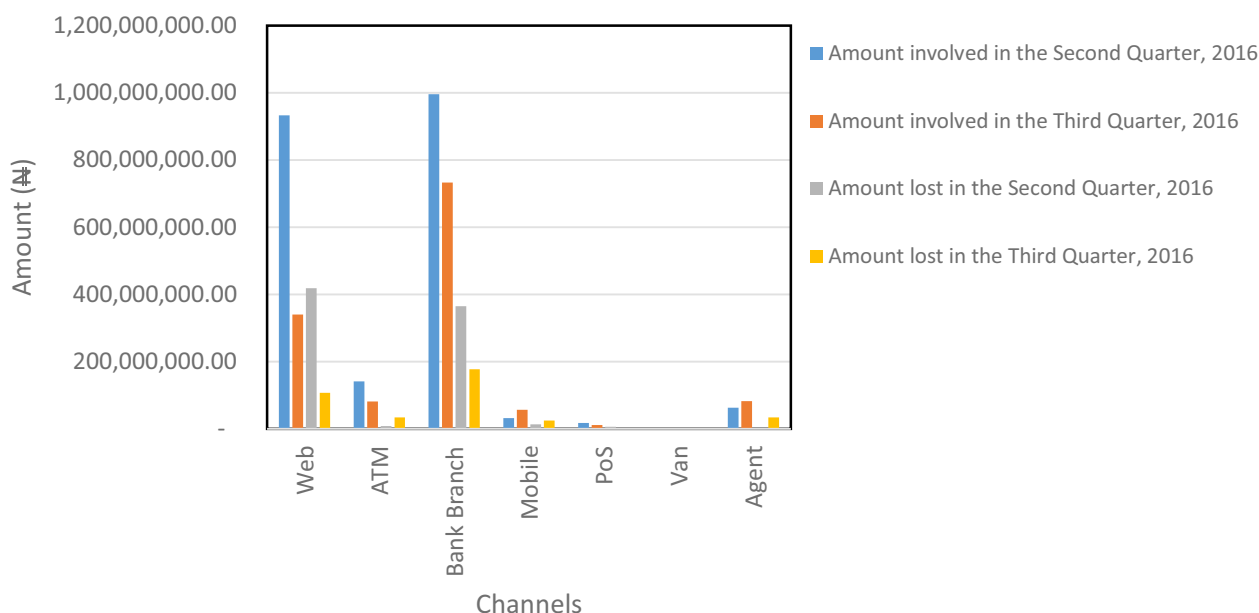
Appendix III (B)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison (Second and Third Quarters, 2016)

S/N	Channel	Amount Involved, Second Quarter, 2016 (₦)	Amount Involved, Third Quarter, 2016 (₦)	Amount Lost, Second Quarter, 2016 (₦)	Amount Lost, Third Quarter, 2016 (₦)
1	Web	932,316,792.26	340,121,949.84	417,866,912.42	107,173,013.86
2	ATM	141,092,790.88	81,644,996.51	8,513,688.56	33,679,992.27
3	Bank Branch	995,544,153.54	733,155,525.81	364,480,423.63	176,637,315.78
4	Mobile	32,218,416.50	56,191,885.50	13,148,397.50	24,906,316.00
5	POS	17,426,994.64	10,680,390.18	6,285,320.65	2,356,440.06
6	Van	0	0	0	0
7	Agent	62,535,982.23	82,784,487.69	455,893.76	33,359,500.00
	Total	2,181,135,130.05	1,304,579,235.52	810,750,636.52	378,112,577.96

Appendix III (C)

Amount Involved and Amount lost to Fraud through Various Payment Channels: A Comparison between Second and Third Quarters, 2016



Appendix IV (A)

Frauds and Forgeries through various Instruments: A Comparison between Second and Third Quarters, 2016

S/N	Instruments	Cases: Second Quarter, 2016	Cases: Third Quarter, 2016
1	Cash	356	414
2	Cheques	18	19
3	Cards	2,716	2,645
4	Slips	4	1
	Total	3,094	3,079

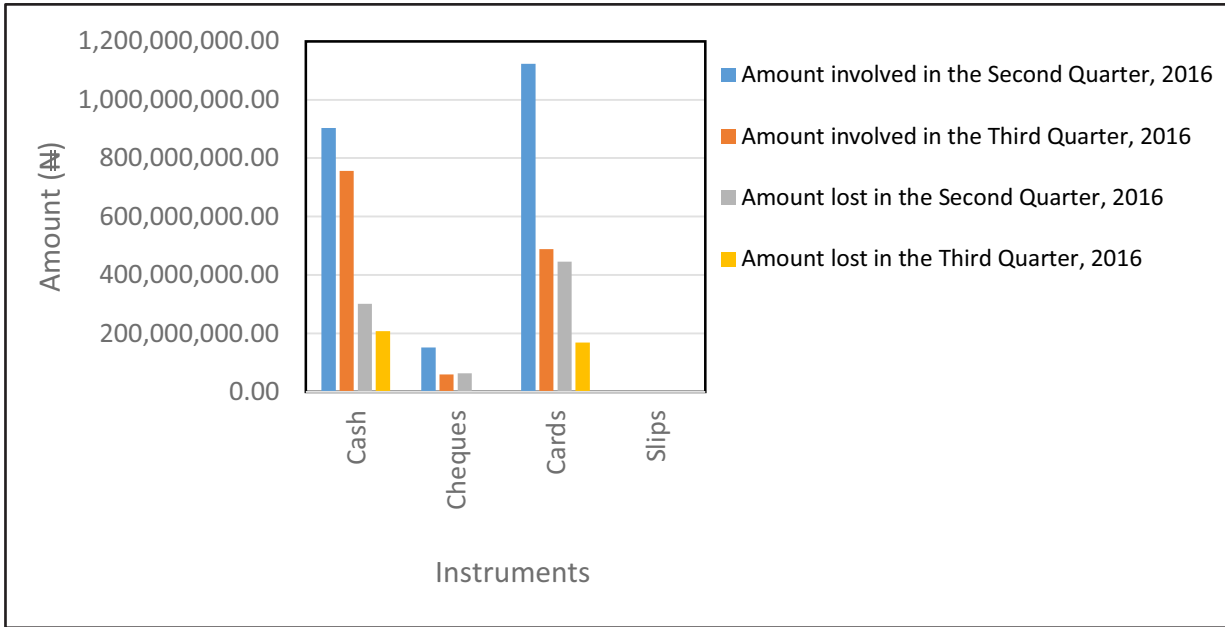
Appendix IV (B)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison (Second and Third Quarters, 2016)

S/N	Instruments	Amount Involved, First Quarter, 2016 (N)	Amount Involved, Second Quarter, 2016 (N)	Amount Lost, First Quarter, 2016 (N)	Amount Lost, Second Quarter, 2016 (N)
1	Cash	902,922,465.57	756,699,243.26	301,439,317.39	207,108,834.86
2	Cheques	152,390,170.20	59,210,770.24	63,197,000.00	2,887,980.42
3	Cards	1,123,054,994.28	488,639,222.02	445,814,319.13	168,115,762.68
4	Slips	2,767,500.00	30,000.00	300,000.00	0
	Total	2,181,135,130.05	1,304,579,235.52	810,750,636.52	378,112,577.96

Appendix IV (C)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison (Second and Third Quarters, 2016)



Report on Frauds & Forgeries in the Nigerian Banking Industry

Fourth Quarter, 2016

OVERVIEW

In the fourth quarter of 2016, FITC received 64 returns from 22 deposit money banks¹ on the incidences of fraud and forgery that occurred in their organisations during the period. Of the returns, 21, 22 and 21 were received for the months of October, November and December, 2016 respectively.

Volume and Value of Fraud Cases

A total of 3,547 cases² of fraud and forgery were reported in the fourth quarter of 2016, compared to 3,079 cases reported in the preceding quarter. Thus, reported cases of fraud in the banking industry increased by 15.20 per cent between the periods. The types of fraud reported to be predominant in occurrence include fraudulent ATM withdrawals, computer/Web fraud, mobile banking fraud, miscellaneous (other types of) fraud, foreign exchange fraud, and suppression of entries. Appendices I and II detail the fraud incidences that occurred during the review period, with graphical illustrations.

During the fourth quarter of 2016, total amount³ of money that was reported to be involved in fraud cases shoot up to N6.75 billion from N1.30 billion in the preceding quarter, indicating a

significant 417.12 per cent increase. The difference of N5.44 billion was recovered through the combined efforts of banks' inflexible internal control systems and support from external 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 N4.40 billion (65.25 per cent), foreign exchange fraud ranked second at N1.38 billion (20.50 per cent), while miscellaneous (other types of) fraud ranked third at N400.56 million (5.94 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 incidences during the quarter.

Further analysis of the returns shows that computer/Web fraud accounted for N97.93 million (26.49 per cent) of the total amount that was actually lost to fraud incidences during the review period. Miscellaneous (other types of) fraud accounted for N69.08 million (18.68 per cent), while theft of cash accounted for N54.01 million (14.61 per cent). **Appendix II (C)** shows the amount that was reported being lost to fraud and

forgery activities, 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 review period, fraudsters used different channels to attempt fraud. These channels include the Web, ATM, mobile banking channels, bank branches, agent banking and PoS channels. The instruments mostly used by the fraudsters to carry out their nefarious activities were cards, cash, and cheques.

Analysis of the banks' returns according to the amount involved, shows that all the channel through which fraudsters perpetrated fraud increased significantly from N340.12 million in the preceding quarter to N4.40 billion in the fourth quarter, indicating an increase of 1,194.29 per cent. Fraud incidences through Agent and ATM increased significantly by 1,572.07 per cent from N82.78 million to N1.4 billion and 34.62 per cent from N81.64 million to N109.91 million respectively. Similarly, incidence of fraud through Mobile banking and PoS channels rose by 47.70 per cent from N56.19 million to N82.99 million and 213.60 per cent from

N10.68 million to N33.49 million respectively.

Analysis of the amount involved in fraud through the use of various instruments reveals that fraud attempts were perpetrated through the use of cash, cheques and cards, and they all increased considerably. Fraud attempts through the use of card increased by 847.23 per cent from N488.64 million in the previous quarter, to N4.63 billion in the fourth quarter. Similarly, fraud attempts through the use of cash and cheques increased by 167.92 per cent and 52.51 per cent from N756.70 million in the previous quarter, to N2.03 billion and from N59.21 million to N90.30 billion in the fourth quarter respectively. Further details on the channels and instruments that were used in perpetrating fraud during the third quarter of 2016 are graphically illustrated in **Appendices III and IV**.

The banks further reported that they terminated the appointments of fifty-two (52) employees for fraud related offences. This shows a 13.04 per cent increase in the number of employees whose appointments were terminated on similar grounds between the third and fourth quarters of 2016. However, when compared with the fourth quarter of 2015, there is a 61.48 per cent decrease in the number of employees whose appointments were terminated for fraud related activities.

Conclusion and Recommendations

Assessment of fraud and forgery

incidences in the Nigerian banking industry during the fourth quarter of 2016, shows mixed performance across the indices used. For instance, the total amount that was reported to be involved in fraud increased to N6.75 billion from N1.30 billion in the preceding quarter, indicating a 417.12 per cent rise. Also, the total number of fraud cases that was reported during the period went up to 3,547 from 3,079, representing a 15.20 per cent increase. On the other hand, the total amount that was reported as actually lost to fraud incidence decreased to N369.74 million from N378.11 million in the previous quarter, indicating a marginal decline of 2.21 per cent.

Analysis of electronic fraud⁴ shows an increase in the number of electronic fraud incidence and the amount involved in electronic fraud during the period reported. The cases of electronic fraud that were reported increased by 14.78 per cent to 3,036 in the fourth quarter, from 2,645 in the third quarter. While the amount involved in electronic fraud soared by 847.23 per cent from N488.64 million in the third quarter, to N4.63 billion in the fourth quarter of 2016. However, the actual amount that was lost to electronic fraud declined by 3.16 per cent to N162.81 million in the review quarter, from N168.12 million in the preceding quarter.

On the whole, analysis of the fourth quarter 2016 fraud and forgery returns from the banks revealed worrisome data across many of the parameters used to

assess fraud incidences in the banking industry. That this is coming at a time of economic downturn is suspicious. It might, therefore, be necessary to investigate further the extent to which the current economic recession has directly or indirectly influenced the upswing in frauds. FITC urges stakeholders in the industry not to relax their procedures and systems (both within and outside the banking system) as far as mitigating fraudulent activities is concerned.

(Please see the appendices below for summaries of the cases of fraud and forgery covered in this report, comparison between the fourth quarter of 2016 and third quarter of 2016, as well as comparison between the fourth quarter of 2016 and fourth quarter of 2015 on selected concerns.)

Notes:

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

Note 2: Volume of fraud and forgery.

Note 3: Value of fraud and forgery.

Note 4: Consisting of computer/ Web fraud, PoS fraud, mobile banking fraud, and ATM fraud.

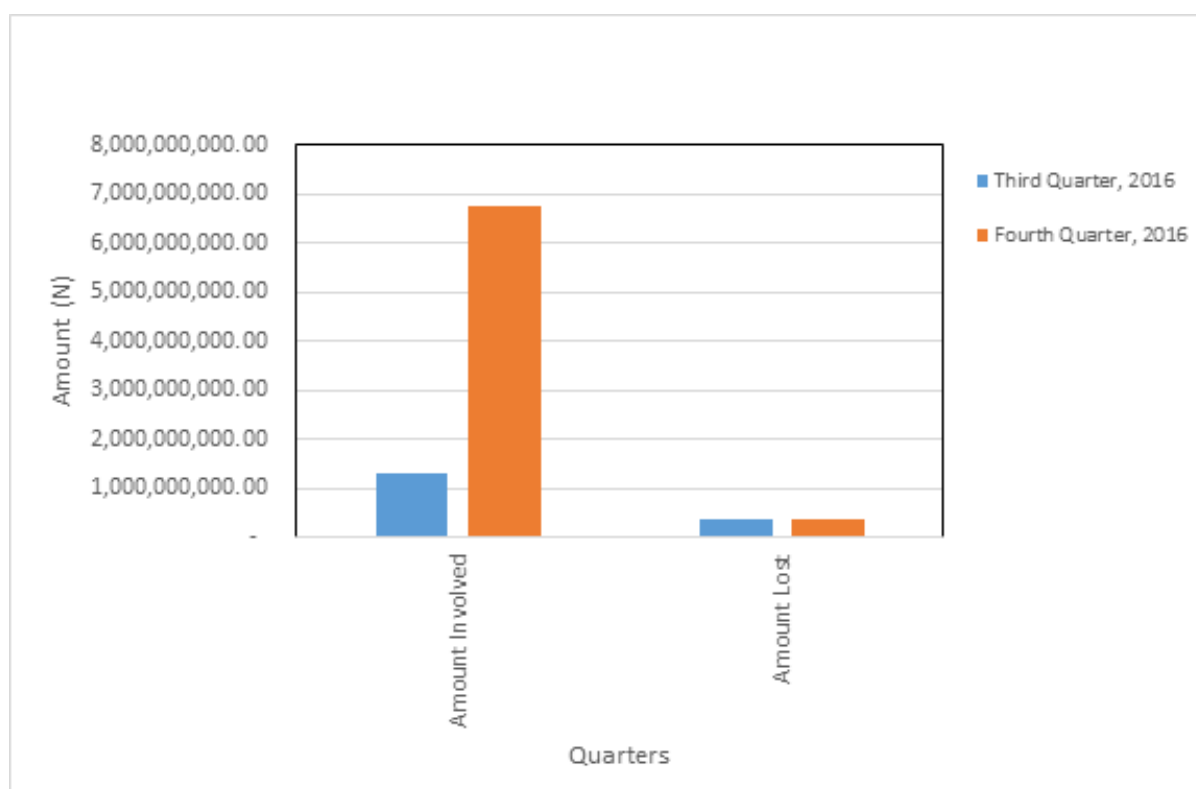
Appendix I (A)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Third and Fourth Quarters, 2016

S/N	Variables	Third Quarter, 2016	Fourth Quarter, 2016
1	Total Cases reported	3,079	3,547
2	Total Amount Involved	₦1,304,579,235.52	₦6,746,189,250.57
3	Total Amount Lost	₦378,112,577.96	₦369,737,958.38
4	Outsider Involvement	2,293	1,763
5	Insider (Staff) Involvement	273	142
6	Appointments Terminated	46	52

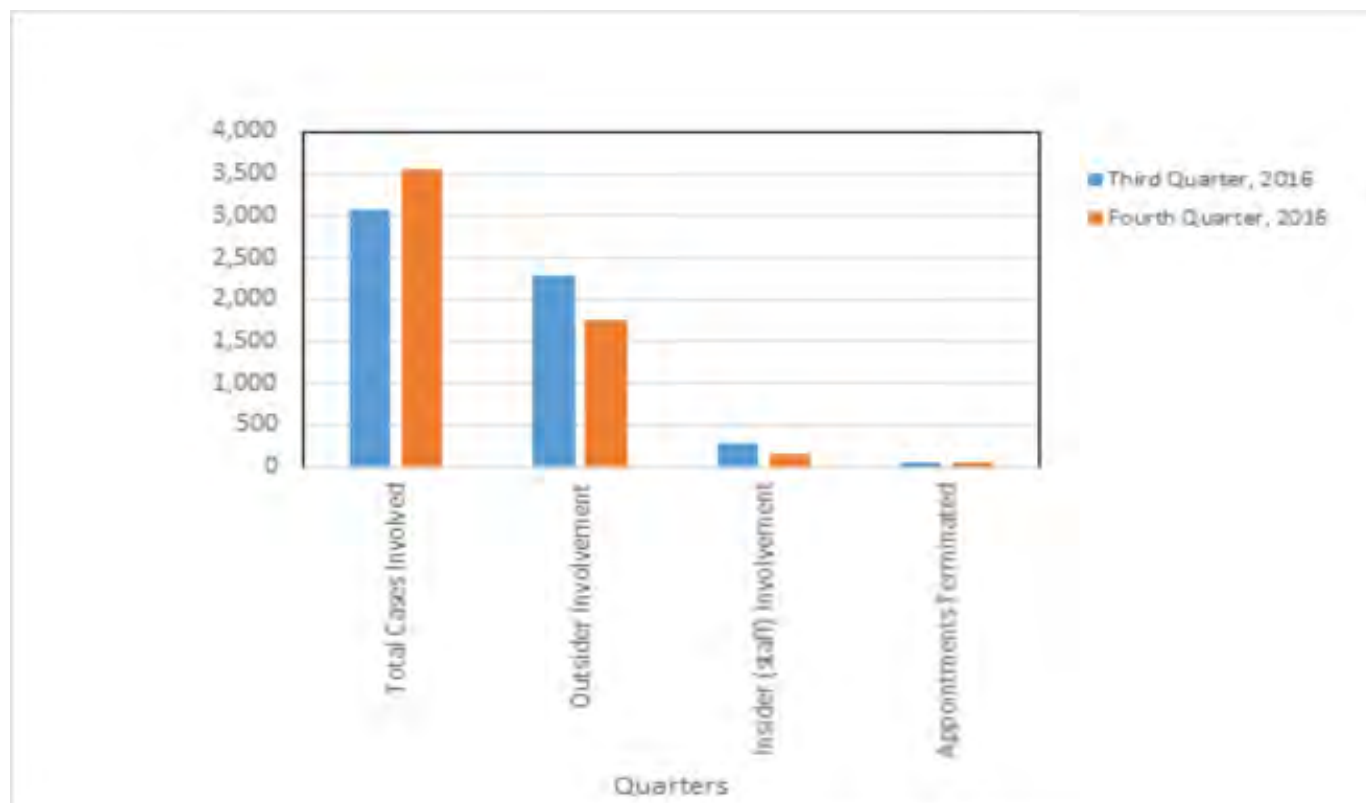
Appendix I (B)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Third and Fourth Quarters, 2016



Appendix I (C)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Third and Fourth Quarters, 2016



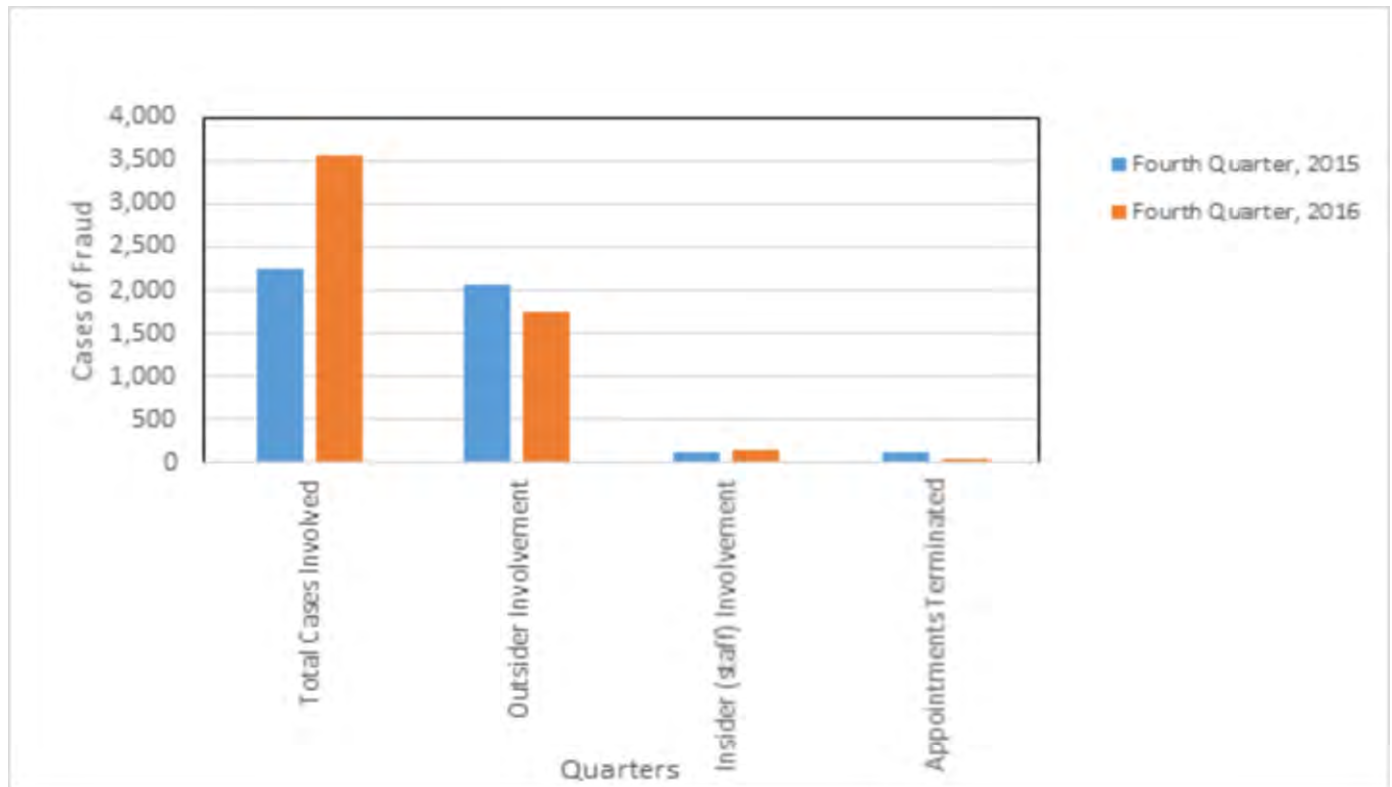
Appendix I (D)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter, 2015 and Fourth Quarter, 2016

S/N	Variables	Fourth Quarter, 2015	Fourth Quarter, 2016
1	Total Cases Involved	2,241	3,547
2	Total Amount Involved	₦3,806,247,225.96	₦6,746,189,250.57
3	Total Amount Lost	₦963,954,046.57	₦369,737,958.38
4	Outsider Involvement	2,064	1,763
5	Insider (Staff) Involvement	133	142
6	Appointments Terminated	135	52

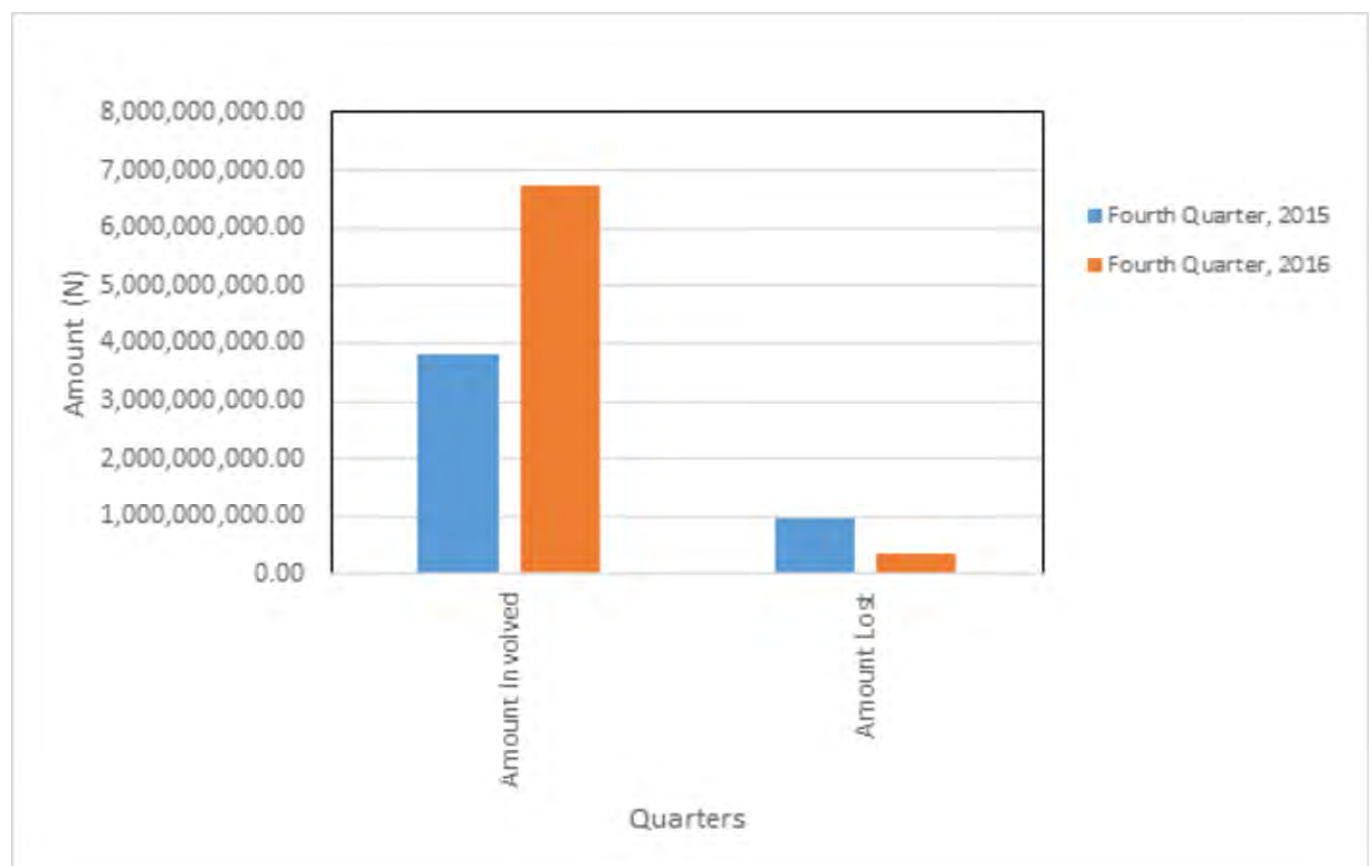
Appendix I (E)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter, 2015 and Fourth Quarter, 2016



Appendix I (F)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter, 2015 and Fourth Quarter, 2016



Appendix II (A): Frauds and Forgeries in the Nigerian Banking Industry (Fourth Quarter, 2016)

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	3 (0.08)	3 (2.11)	0 (0)	0 (0)	0 (0)	210,000.00 (0)	60,000.00 (0.02)	28.6
Falsification of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts	2 (0.06)	1 (0.70)	0 (0)	1 (33.33)	0 (0)	3,305,122.50 (0.05)	3,305,122.50 (0.89)	100
Forged Cheques with Forged Signature	25 (0.70)	0 (0)	18 (1.02)	0 (0)	7 (0.43)	89,011,862.91 (1.32)	38,323,000.00 (10.36)	43.1
Printing of Bank Document Illegally	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Clearing Fraud	2 (0.06)	0 (0)	2 (0.11)	0 (0)	0 (0)	1,288,000.00 (0.02)	0 (0)	0
Computer/Web Fraud	875 (24.67)	4 (2.82)	271 (15.37)	0 (0)	600 (36.61)	4,402,148,238.76 (65.25)	97,929,354.26 (26.49)	2.2
Mobile Fraud	396 (11.16)	3 (2.11)	181 (10.27)	0 (0)	212 (12.93)	82,994,125.81 (1.23)	23,970,353.14 (6.48)	0
Foreign Exchange Fraud	116 (3.27)	0 (0)	115 (6.52)	0 (0)	1 (0.06)	1,382,924,113.66 (20.50)	29,714,392.61 (8.04)	2.15
Cross Firing of Cheques and Kite Flying	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0

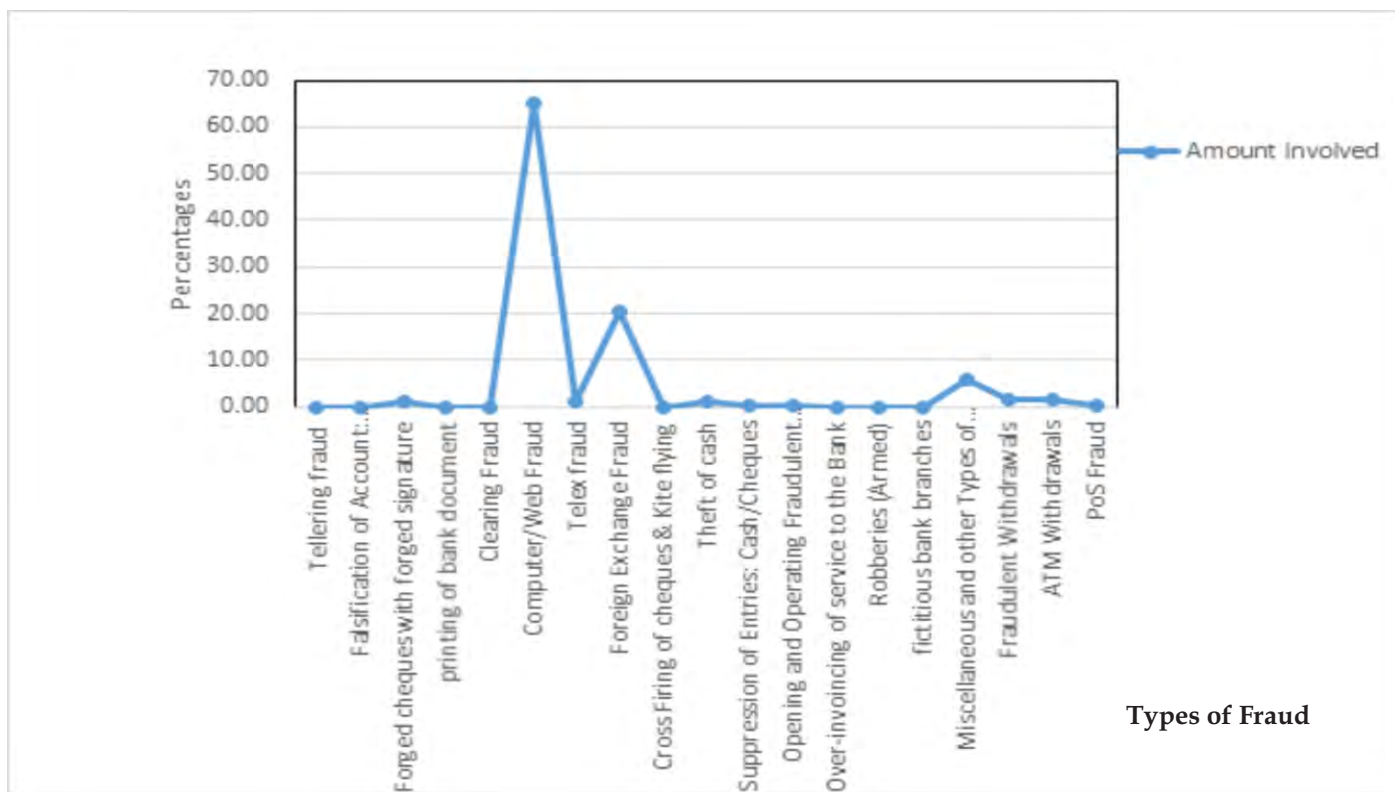
Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry (Fourth Quarter, 2016) Cont'd.

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 (0.54)	11 (7.75)	4 (0.23)	1 (33.33)	3 (0.18)	87,772,100.00 (1.30)	54,011,026.47 (14.61)	61.5
Suppression of Entries: Cash/Cheques	93 (2.62)	93 (65.49)	0 (0)	0 (0)	0 (0)	20,354,066.26 (0.30)	6,925,395.59 (1.87)	34.0
Opening and Operating Fraudulent Loans and Accounts	37 (1.04)	3 (2.11)	29 (1.64)	0 (0)	5 (0.31)	15,755,974.00 (0.23)	180,000.00 (0.05)	1.1
Over-Invoicing of Service to the Bank	1 (0.03)	1 (0.70)	0 (0)	0 (0)	0 (0)	200,000.00 (0)	107,534.25 (0.03)	53.8
Robberies (Armed)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Fictitious Bank Branches	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Miscellaneous and Other Types of Fraud	148 (4.17)	15 (10.56)	17 (0.96)	0 (50)	116 (7.08)	400,564,495.82 (5.94)	69,080,735.76 (18.68)	17.2
Fraudulent Withdrawals	65 (1.83)	6 (4.23)	17 (0.96)	1 (33.33)	41 (2.50)	116,255,385.25 (1.72)	5,220,586.81 (1.41)	4.5
Fraudulent ATM Withdrawals	1,682 (47.42)	2 (1.41)	1,037 (58.82)	0 (0)	643 (39.23)	109,912,541.21 (1.63)	35,607,302.75 (9.63)	32.4
PoS Fraud	83 (2.34)	0 (0)	72 (4.08)	0 (0)	11 (0.67)	33,493,224.41 (0.50)	5,303,154.24 (1.43)	15.8
Total	3,547	142	1,763	3	1,639	6,746,189,250.57	369,737,958.38	396.4

Note: All figures in parenthesis () indicate percentages

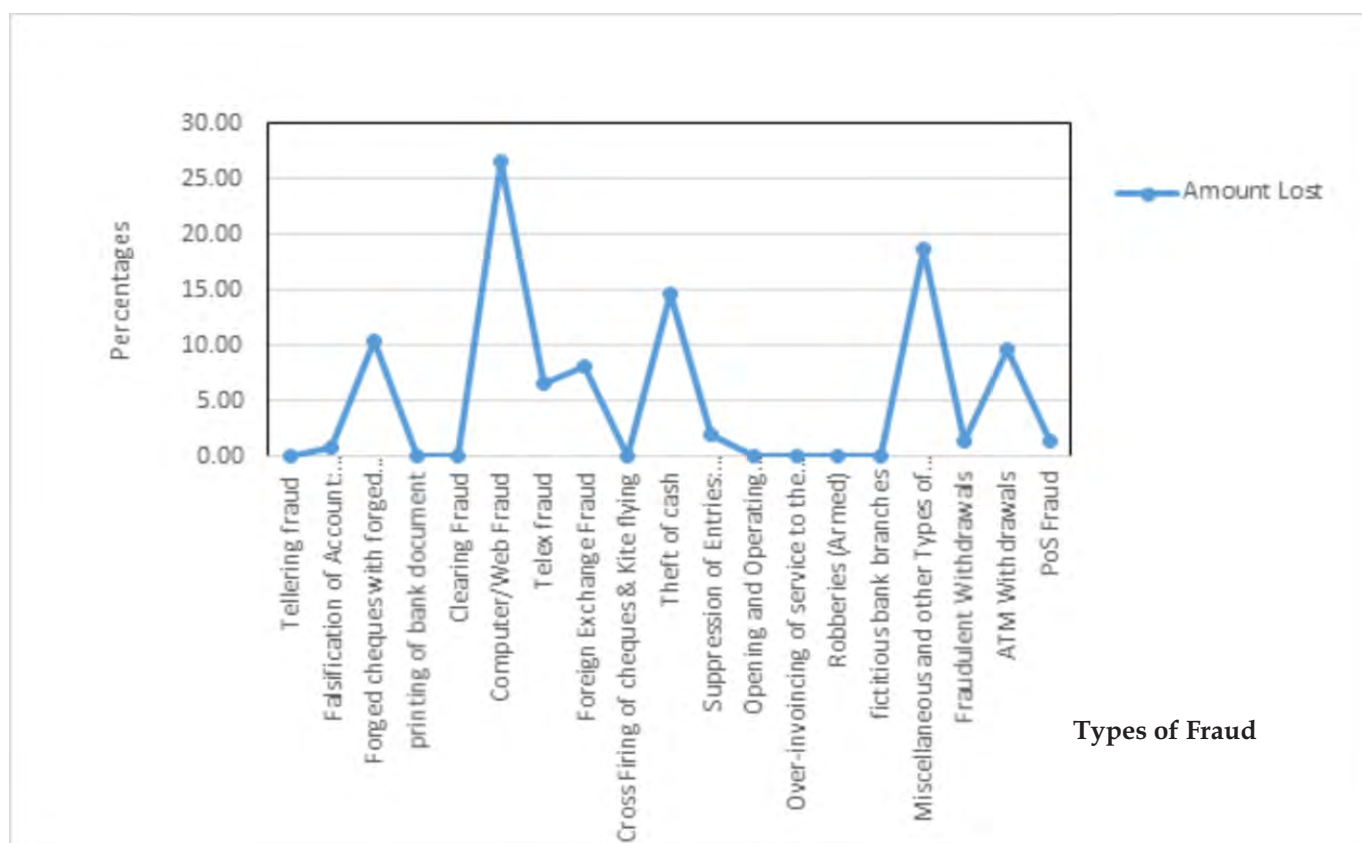
Appendix II (B)

Percentage Distribution of Amount Involved in Frauds and Forgeries (Fourth Quarter, 2016)



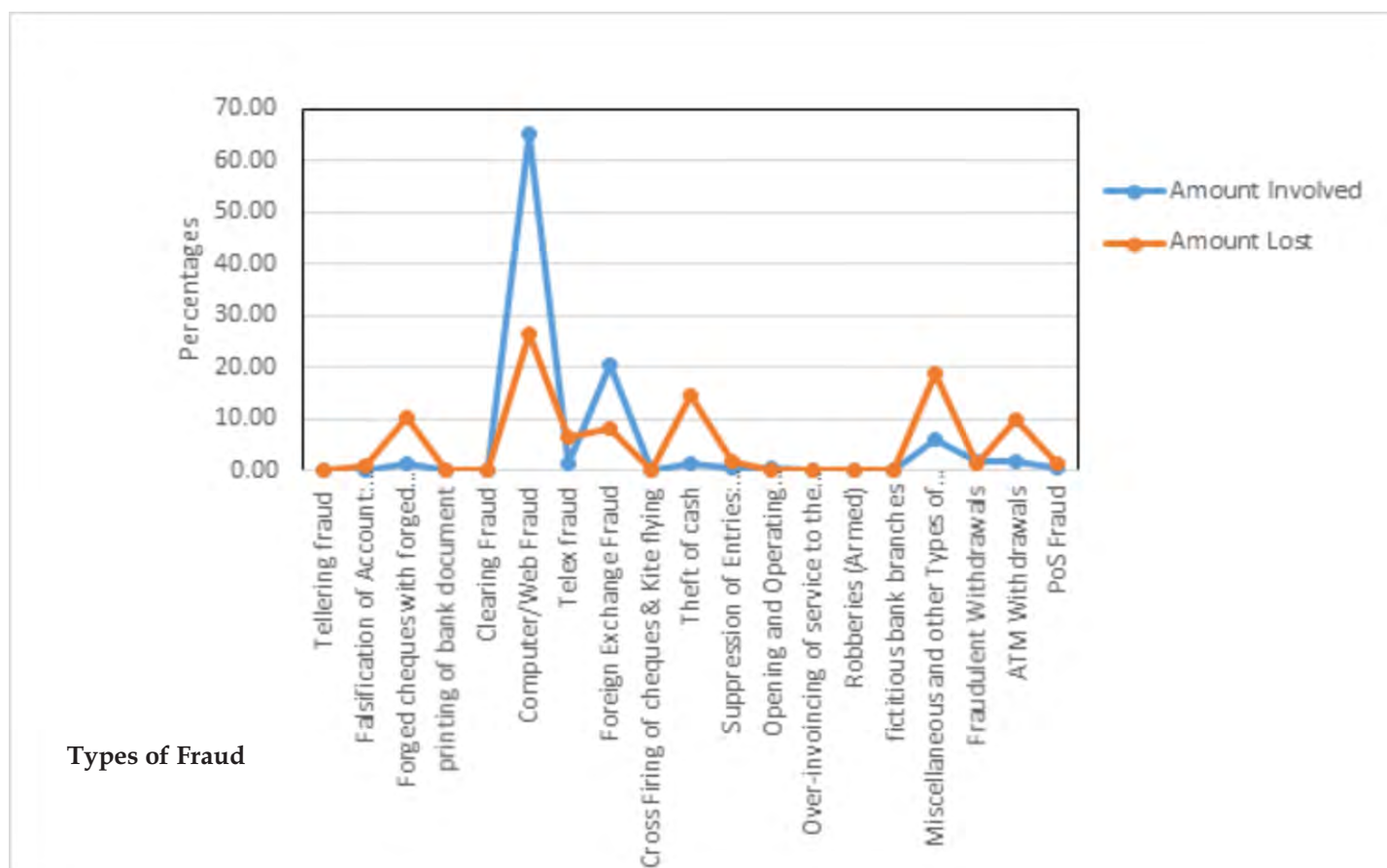
Appendix II (C)

Percentage Distribution of Amount Lost to Frauds and Forgeries (Fourth Quarter, 2016)



Appendix II (D)

Percentage Distribution of Amount Involved in and the Amount Lost to Frauds and Forgeries (Fourth Quarter, 2016)



Appendix III (A)

Frauds and Forgeries through Various Payment Channels: A Comparison between Third and Fourth Quarters, 2016

S/N	Channels	Cases: Third Quarter, 2016	Cases: Fourth Quarter, 2016
1	Web	1,363	875
2	ATM	894	1,682
3	Bank Branch	259	393
4	Mobile	301	396
5	POS	87	83
6	Van	0	0
7	Agent	175	118
	Total	3,079	3,547

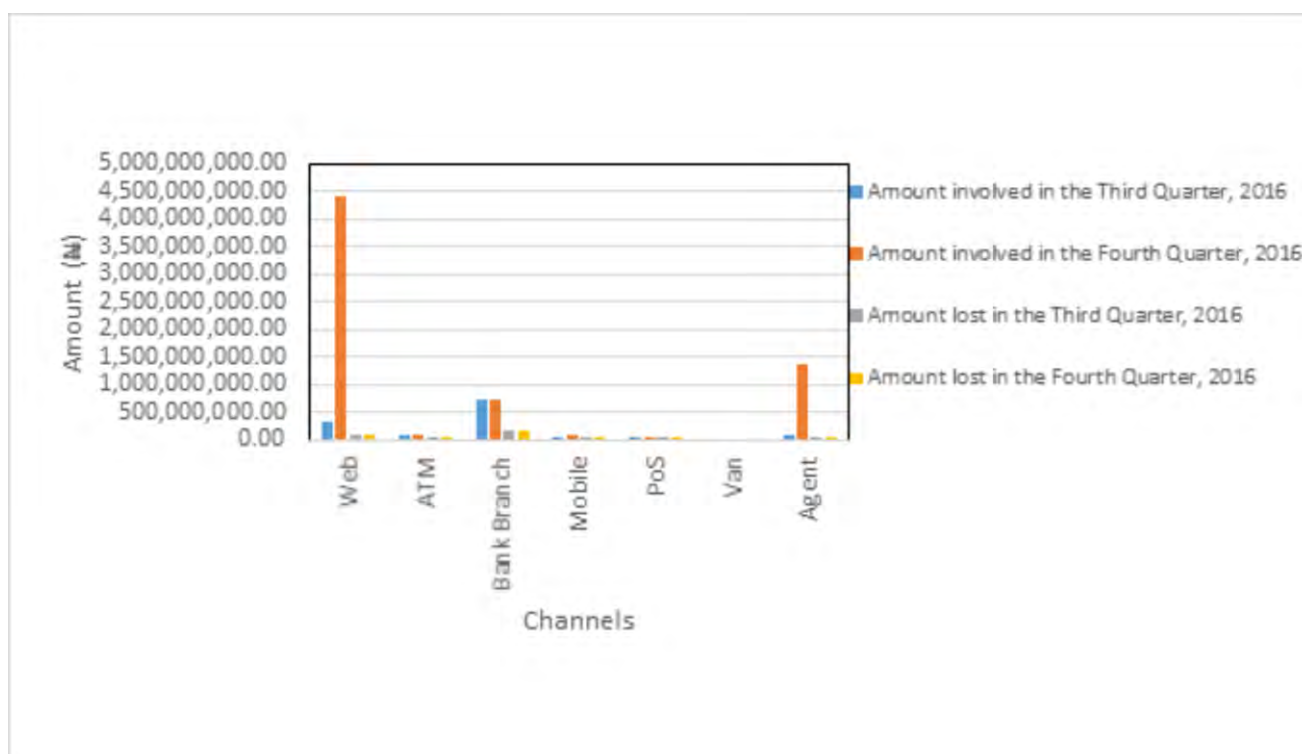
Appendix III (B)

Amount Involved and Amount Lost to Fraud through Various Payment Channels: A Comparison between Third and Fourth Quarters, 2016

S/N	Channel	Amount Involved, Third Quarter, 2016 (₦)	Amount Involved, Fourth Quarter, 2016 (₦)	Amount Lost, Third Quarter, 2016 (₦)	Amount Lost, Fourth Quarter, 2016 (₦)
1	Web	340,121,949.84	4,402,148,238.76	107,173,013.86	97,929,354.26
2	ATM	81,644,996.51	109,912,541.21	33,679,992.27	35,607,302.75
3	Bank Branch	733,155,525.81	733,429,006.74	176,637,315.78	177,213,401.38
4	Mobile	56,191,885.50	82,994,125.81	24,906,316.00	23,970,353.14
5	POS	10,680,390.18	33,493,224.41	2,356,440.06	5,303,154.24
6	Van	0	0	0	0
7	Agent	82,784,487.69	1,384,212,113.66	33,359,500.00	29,714,392.61
	Total	1,304,579,235.52	6,746,189,250.57	378,112,577.96	369,737,958.38

Appendix III (C)

Amount Involved and Amount Lost to Fraud through Various Payment Channels: A Comparison between Third and Fourth Quarters, 2016



Appendix IV (A)

Frauds and Forgeries through Various Instruments: A Comparison between Third and Fourth Quarters, 2016

S/N	Instruments	Cases: Third Quarter, 2016	Cases: Fourth Quarter, 2016
1	Cash	414	484
2	Cheques	19	27
3	Cards	2,645	3,036
4	Slips	1	0
	Total	3,079	3,547

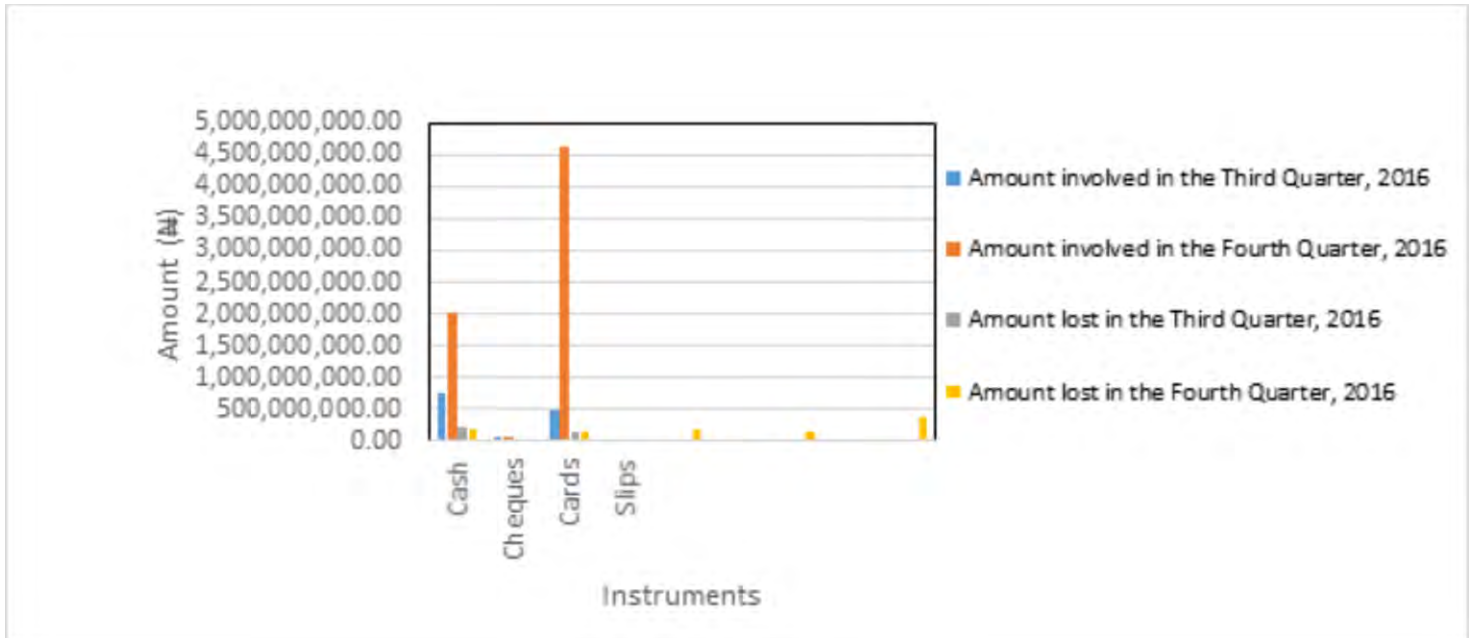
Appendix IV (B)

Amount Involved and Amount Lost to Fraud through Various Instruments of Transaction: A Comparison between Third and Fourth Quarters, 2016

S/N	Instruments	Amount Involved, Third Quarter, 2016 (₦)	Amount Involved, Fourth Quarter, 2016 (₦)	Amount Lost, Third Quarter, 2016 (₦)	Amount Lost, Fourth Quarter, 2016 (₦)
1	Cash	756,699,243.26	2,027,341,257.49	207,108,834.86	168,604,793.99
2	Cheques	59,210,770.24	90,299,862.91	2,887,980.42	38,323,000.00
3	Cards	488,639,222.02	4,628,548,130.18	168,115,762.68	162,810,164.39
4	Slips	30,000.00	0	0	0
	Total	1,304,579,235.52	6,746,189,250.57	378,112,577.96	369,737,958.38

Appendix IV (C)

**Amount Involved and Amount Lost to Fraud through Various Instruments of Transaction:
A Comparison between Third and Fourth Quarters, 2016**



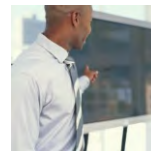
So what's your challenge?



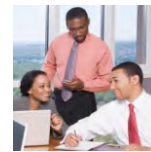
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