

Report on Frauds & Forgeries in Banks



January - December, 2017

Report on Frauds & Forgeries in the Nigerian Banking Industry

First Quarter, 2017

Overview

In the first quarter of 2017, FITC received 65 returns from 22 deposit money banks¹ on the incidences of fraud and forgery that occurred in their organisations during the period. 21 returns were received for the month of January, 22 returns were received for February, and another 22 returns were received for March, 2017.

Volume and Value of Fraud Cases

A total of 3,350 cases² of fraud and forgery were reported in the first quarter of 2017, compared to 3,547 cases reported in the fourth quarter of 2016. Thus, reported cases of fraud in the banking industry decreased by 5.55 per cent between the periods. The types of fraud that predominated in occurrence include fraudulent ATM withdrawals, computer/Web fraud, mobile banking fraud, and PoS fraud. **Appendices I and II** detail the fraud incidences that occurred during the review period, with graphical illustrations.

During the review quarter, total amount³ of money that was reported to be involved in fraud cases plummeted to N2.31 billion from N6.75 billion in the preceding quarter, indicating a

significant 65.77 per cent drop. The difference of N4.44 billion was recovered by the combined efforts of banks (through their stern internal control systems) and support from relevant external government agencies such as the law enforcement and anti-graft agencies.

Ranking the fraud types according to their value (i.e. according to the amount involved), **Appendix II (A)** shows that PoS fraud ranked first at N1.51 billion (65.55 per cent), computer/Web fraud ranked second at N254.89 million (11.04 per cent), while ATM fraud ranked third at N128.56 million (5.57 per cent), during the review period. **Appendix II (B)** further provides a graphical illustration of the amount that was involved in fraud and forgery incidences during the quarter.

Further analysis of the returns shows that computer/Web fraud accounted for N24.78 million (23.39 per cent) of the total amount that was actually lost to fraud incidence during the review period. Suppression of entries accounted for N18.74 million (17.68 per cent), while fraudulent ATM withdrawals accounted for N15.46 million (14.59 per cent). **Appendix II (C)** shows the amount that was reported lost to fraud and forgery

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

The Channels, Instruments and Personalities involved in perpetrating Fraud

During the first quarter of 2017, different channels were used by fraudsters to perpetuate fraud. These channels include the Web, ATM, mobile banking channels, bank branches, agent banking and PoS channels. On the other hand, the instruments mostly used by the fraudsters to carry out fraudulent activities were cards, cash, and cheques.

Analysis of the banks' returns according to the amount involved, shows that fraud through the PoS and ATM increased significantly by 4,419.02 per cent and 16.97 per cent in the review period from N33.49 million and N109.91 million to N1.51 billion and N128.56 million respectively. However, fraud incidences through the Web, agent and bank branch decreased considerably from N4.40 billion, N1.38 billion and N733.43 million in the preceding quarter to N254.89 million, N87.81 million and N275.07 million, indicating a decrease of 94.21 per cent, 93.66 per cent and 62.50 per cent

respectively. Similarly, fraud perpetration through mobile channel also plummeted to N49.23 million from N82.99 million, indicating a decrease of 0.41 per cent.

Analysis of the amount involved in fraud through the use of various instruments reveals that fraud attempts were perpetrated through cash, cheques and cards, and they all decreased considerably during the review period. Fraud attempts through cash shrank by 83.59 per cent from N2.03 billion in the fourth quarter of 2016, to N332.64 million in the first quarter of 2017. In the same manner, fraud attempts through the use of cheques and cards decreased by 66.51 per cent and 57.95 per cent from N90.30 million and N4.63 billion to N30.24 million and N1.95 billion in the review quarter respectively. Further details on the channels and instruments that were used to perpetrate fraud in the first quarter of 2017 are graphically illustrated in **Appendices III and IV**.

The banks reported that the appointments of twenty-nine (29) employees were terminated for fraud related offences during the review period. This shows a 44.23 per cent decrease in the number of employees whose appointments were terminated on similar grounds between the fourth quarter of 2016 and the first quarter of 2017. However, when compared with the first quarter of 2016, when 49 employees' appointments were terminated for fraud related

activities, the number trended downwards to 40.82 per cent.

Conclusion and Recommendations

The analysis of fraud and forgery incidence in the Nigerian banking industry during the first quarter of 2017 reveals that most of the performance across the parameters used decreased considerably. For instance, the total amount that was reported to be involved in fraud decreased to N2.31 billion from N6.75 billion in the preceding quarter, indicating a 65.77 per cent reduction. Also, the total amount that was reported as actually lost to fraud incidence decreased to N105.96 million from N369.74 million in the previous quarter, indicating a decline of 71.34 per cent. Similarly, the total number of fraud cases that was reported during the period went down 3,350 from 3,547, representing a 5.55 per cent decline.

Further analysis of electronic fraud⁴ shows a decrease in the number of electronic fraud incidence and the amount involved in electronic fraud during the period. The cases of electronic fraud that were reported dropped marginally by 1.52 per cent to 2,990 in the review quarter, from 3,036 in the preceding quarter. Also, the amount involved in electronic fraud fell by 57.95 per cent from N4.63 billion in the fourth quarter of 2016, to N1.95 billion in the first quarter of 2017. While the actual amount that was lost to electronic fraud declined

considerably by 70.48 per cent to N48.06 million in the review quarter, from N162.81 million in the preceding quarter.

On the whole, analyses of the first quarter 2017's fraud and forgery returns indicated an improvement across most of the performance indices used to assess fraud incidence in the banking industry. To sustain this achievement, all stakeholders in the banking industry must continue to jointly work together in curbing fraud menace. Also, FITC recommends more vigilance by banks' employees in handling both internal and external transactions, and approved procedures must be adhered to strictly, while necessary training interventions to augment their skills in identifying fraudulent activities should be done on a regular basis.

(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 first quarter of 2017, as well as comparison between the first quarter of 2017 and first quarter 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.

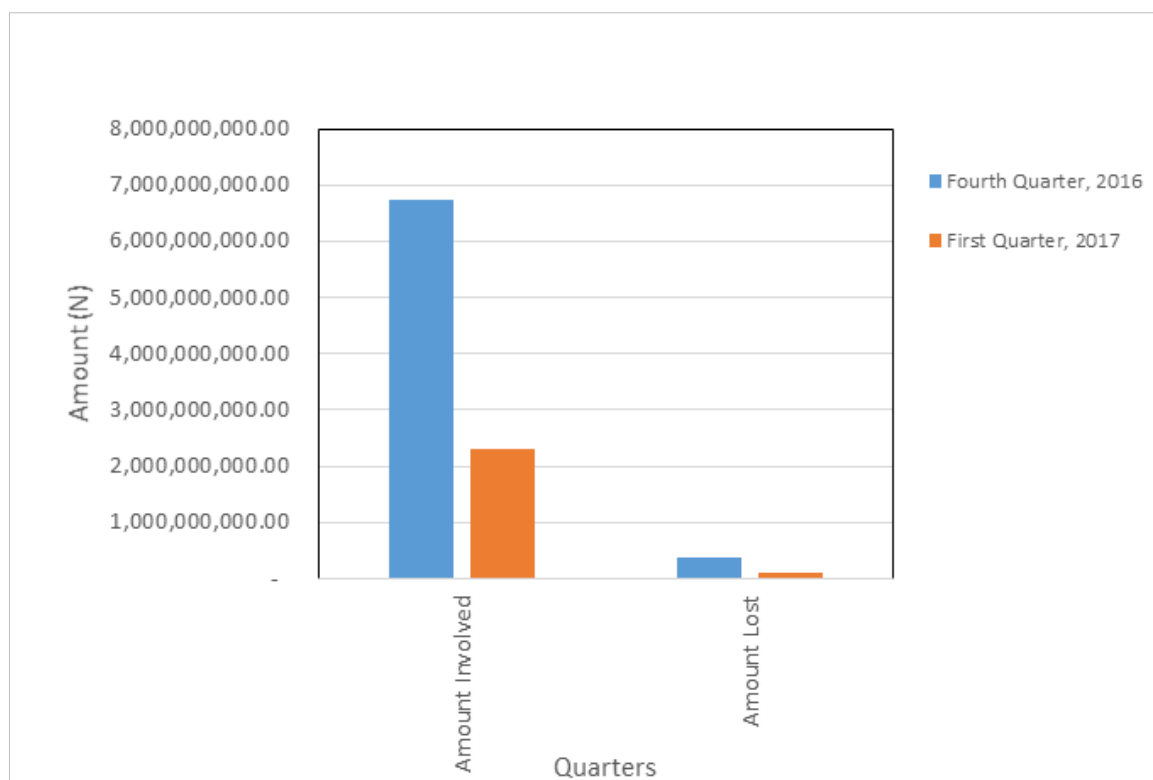
Appendix I (A)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter, 2016 and First Quarter, 2017

| S/N | Variables | Fourth Quater, 2016 | First Quater, 2017 |
|-----|-----------------------------|---------------------|--------------------|
| 1 | Total Cases Reported | 3,547 | 3,350 |
| 2 | Total Amount Involved | ₦6,746,189,250.57 | ₦2,309,137,909.14 |
| 3 | Total Amount Lost | ₦369,737,958.38 | ₦105,957,774.45 |
| 4 | Outsider Involvement | 1,763 | 2,475 |
| 5 | Insider (Staff) Involvement | 142 | 121 |
| 6 | Appointments Terminated | 52 | 29 |

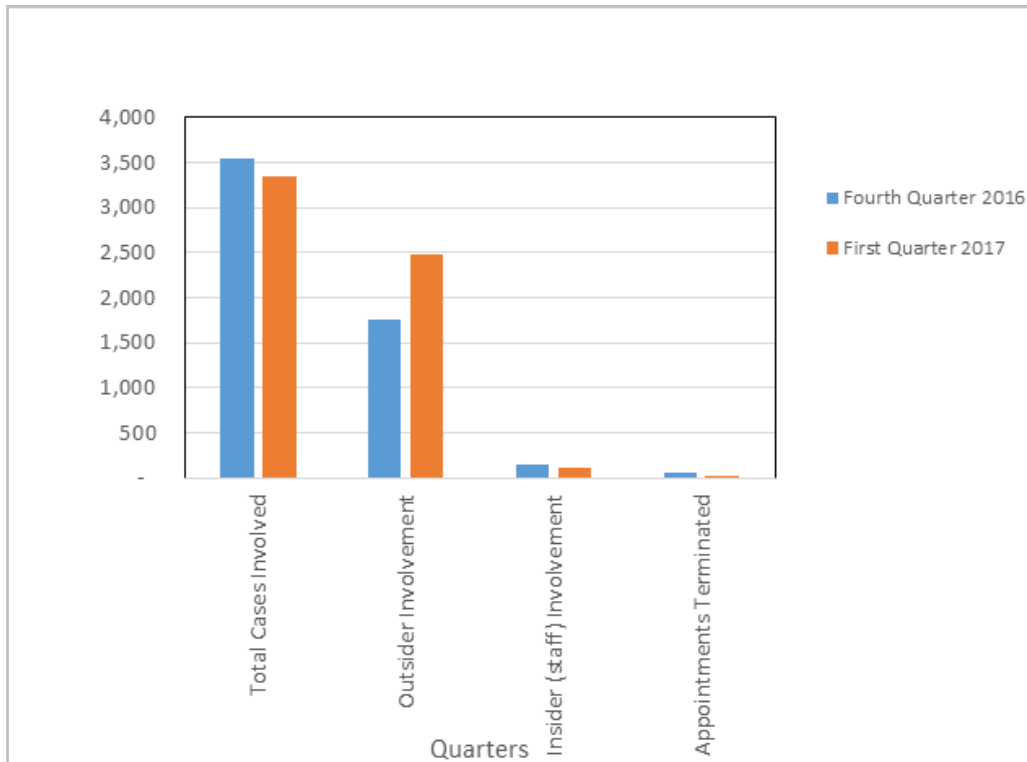
Appendix I (B)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter, 2016 and First Quarter, 2017



Appendix I (C)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter, 2016 and First Quarter, 2017



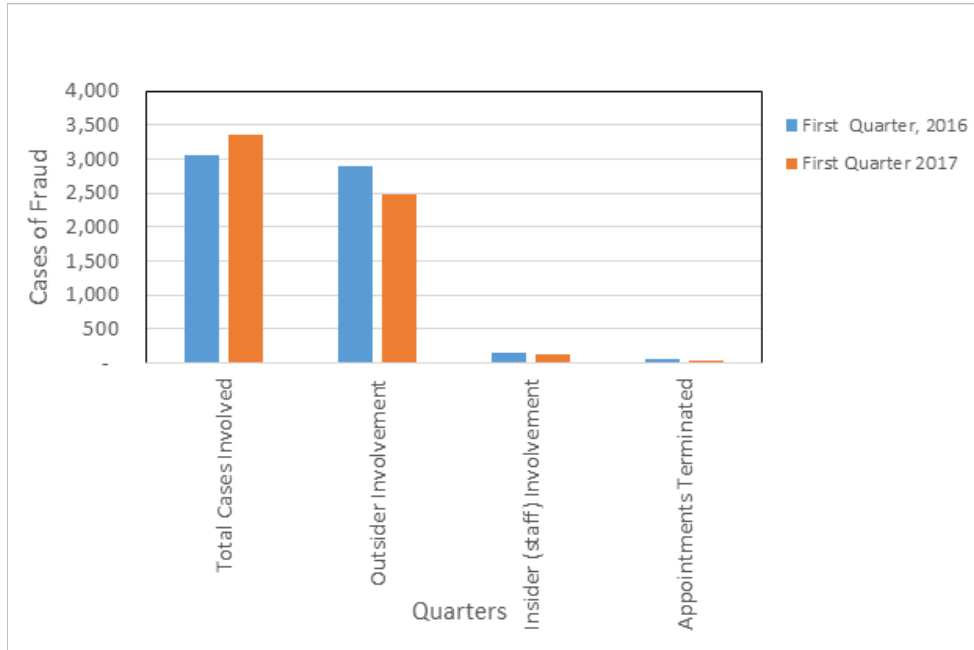
Appendix I (D)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between First Quarter, 2016 and First Quarter, 2017

| S/N | Variables | Fourth Quarter, 2016 | First Quarter, 2017 |
|-----|-----------------------------|----------------------|---------------------|
| 1 | Total Cases Reported | 3,065 | 3,350 |
| 2 | Total Amount Involved | ₦ 1,998,213,538.78 | ₦2,309,137,909.14 |
| 3 | Total Amount Lost | ₦ 492,295,973.77 | ₦105,957,774.45 |
| 4 | Outsider Involvement | 2,889 | 2,475 |
| 5 | Insider (Staff) Involvement | 161 | 121 |
| 6 | Appointments Terminated | 49 | 29 |

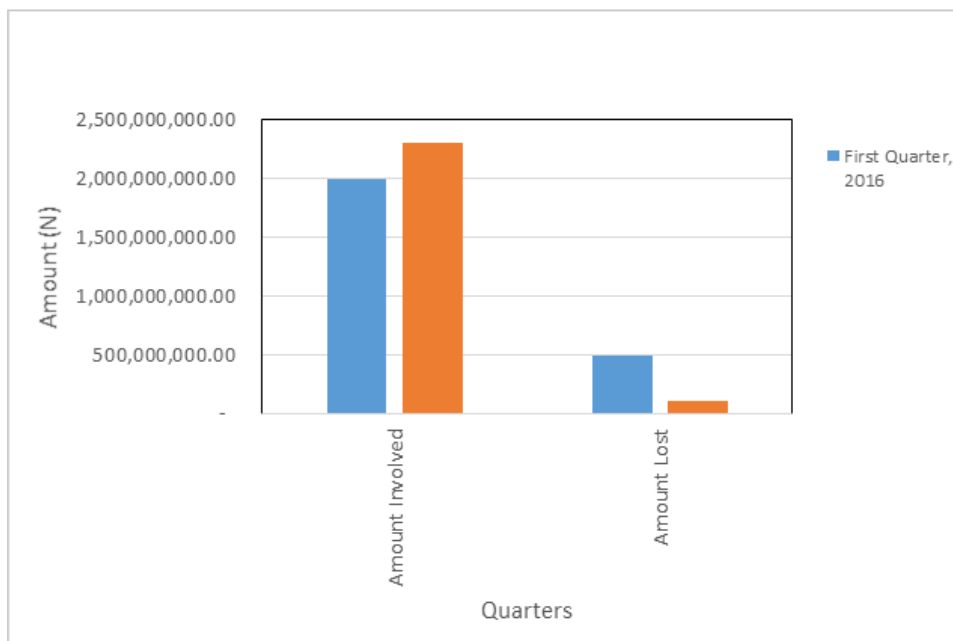
Appendix I (E)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between First Quarter, 2016 and First Quarter, 2017



Appendix I (F)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between First Quarter, 2016 and First Quarter, 2017



Appendix II (A): Frauds and Forgeries in the Nigerian Banking Industry (First Quarter, 2017)

| 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 | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 |
| 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 | 11 (0.33) | 0 (0) | 7 (0.28) | 0 (0) | 4 (0.53) | 19,282,085.00 (0.84) | 13,592,500.00 (12.83) | 70.5 |
| 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 (0.08) | 0 (0) | 0 (0) | 10,960,000.00 (0.47) | 0 (0) | 0 |
| Computer/Web Fraud | 647 (19.31) | 2 (1.65) | 407 (16.44) | 0 (0) | 238 (31.73) | 254,892,596.25 (11.04) | 24,783,412.29 (23.39) | 9.7 |
| Mobile Fraud | 402 (12.00) | 2 (1.65) | 268 (10.83) | 0 (0) | 132 (17.60) | 49,230,757.92 (2.13) | 7,685,085.48 (7.25) | 0 |
| Foreign Exchange Fraud | 42 (1.25) | 2 (1.65) | 38 (1.54) | 1 (25) | 1 (0.13s) | 76,854,570.19 (3.33) | 1,196,582.50 (1.13) | 1.56 |
| Cross Firing of Cheques and Kite Flying | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 |

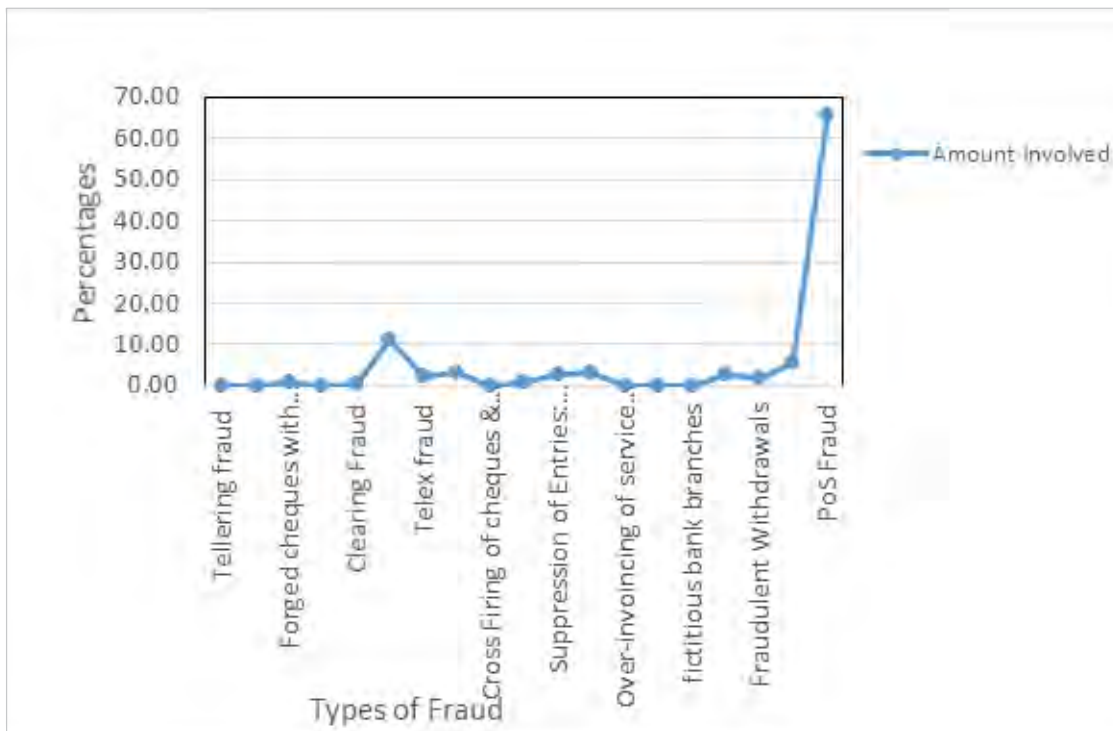
Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry (First Quarter, 2017)

| 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 (0.57) | 6 (4.96) | 6 (0.24) | 2 (50) | 5 (0.67) | 15,191,050.00 (0.66) | 4,269,500 (4.03) | 28.1 |
| Suppression of Entries: Cash/Cheques | 93 (2.78) | 79 (65.29) | 14 (0.57) | 0 (0) | 0 (0) | 59,911,137.95 (2.59) | 18,735,366.30 (17.68) | 31.3 |
| Opening and Operating Fraudulent Loans and Accounts | 57 (1.70) | 1 (0.83) | 55 (2.22) | 0 (0) | 1 (0.13) | 78,604,200.00 (3.40) | 0 (0) | 0 |
| Over-Invoicing of Service to the Bank | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 |
| Robberies (Armed) | 14 (0.42) | 0 (0) | 0 (0) | 0 (0) | 14 (1.87) | 1,823,445.00 (0.08) | 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 | 61 (1.82) | 15 (12.40) | 32 (1.29) | 1 (25) | 13 (1.73) | 58,551,395.45 (2.54) | 7,522,415.13 (7.10) | 12.8 |
| Fraudulent Withdrawals | 61 (1.82) | 11 (9.09) | 35 (1.41) | 0 (0) | 15 (2.00) | 41,707,939.90 (1.81) | 12,578,587.50 (11.87) | 30.2 |
| Fraudulent ATM Withdrawals | 1,785 (53.28) | 3 (2.48) | 1,524 (61.58) | 0 (0) | 258 (34.40) | 128,562,720.97 (5.57) | 15,455,825.26 (14.59) | 12.0 |
| PoS Fraud | 156 (4.66) | 0 (0) | 87 (3.52) | 0 (0) | 69 (9.20) | 1,513,566,010.52 (65.55) | 138,500.00 (0.13) | 0 |
| Total | 3,350 | 121 | 2,475 | 4 | 750 | 2,309,137,909.14 | 105,957,774.45 | 196.19 |

Note: All figures in parenthesis () indicate percentages

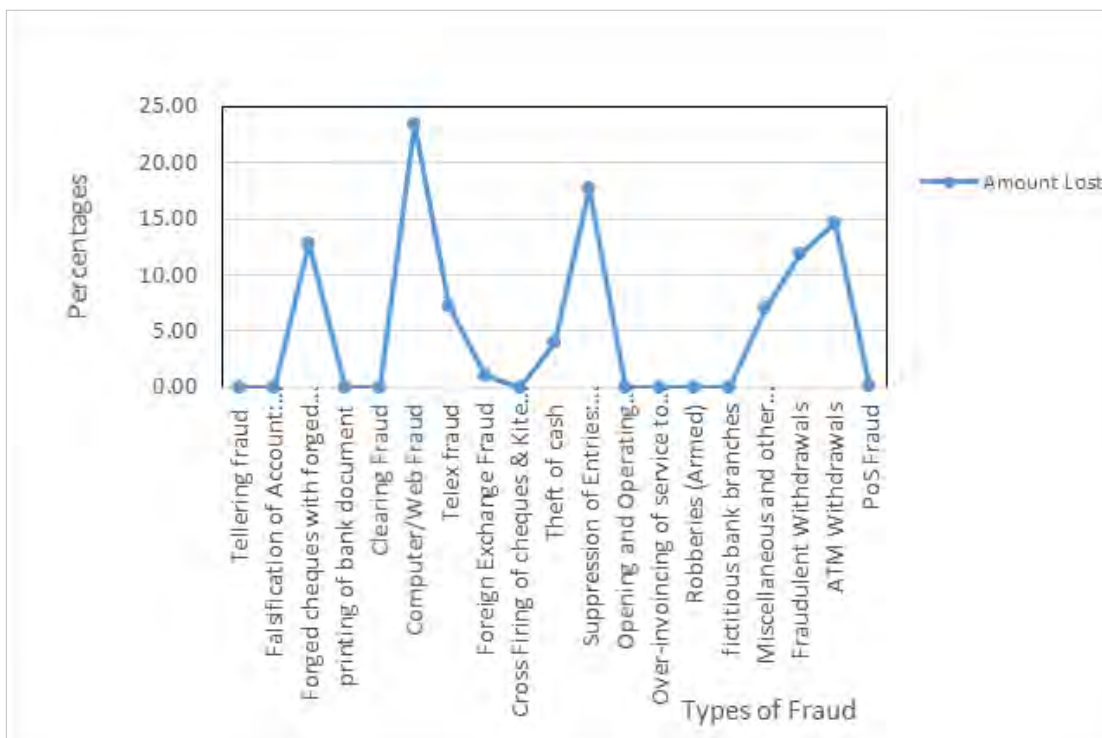
Appendix II (B)

Percentage Distribution of Amount Involved in Frauds and Forgeries (First Quarter, 2017)



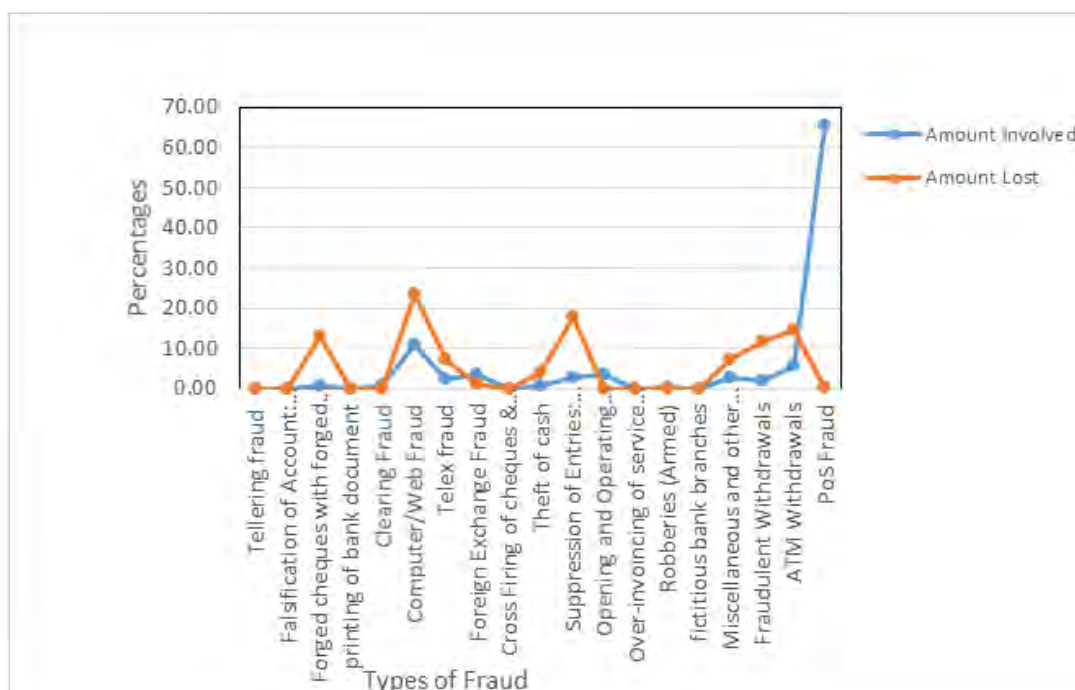
Appendix II (C)

Percentage Distribution of Amount Lost to Frauds and Forgeries (First Quarter, 2017)



Appendix II (D)

Percentage Distribution of Amount Involved in and the Amount Lost to Frauds and Forgeries (First Quarter, 2017)



Appendix III (A)

Frauds and Forgeries through various Payment Channels: A Comparison between Fourth Quarter, 2016 and First Quarter, 2017

| S/N | Channels | Cases: Fourth Quarter, 2016 | Cases: First Quarter, 2017 |
|-----|--------------|-----------------------------|----------------------------|
| 1 | Web | 875 | 647 |
| 2 | ATM | 1,682 | 1,785 |
| 3 | Bank Branch | 393 | 316 |
| 4 | Mobile | 396 | 402 |
| 5 | POS | 83 | 156 |
| 6 | Van | 0 | 0 |
| 7 | Agent | 118 | 44 |
| | Total | 3,547 | 3,350 |

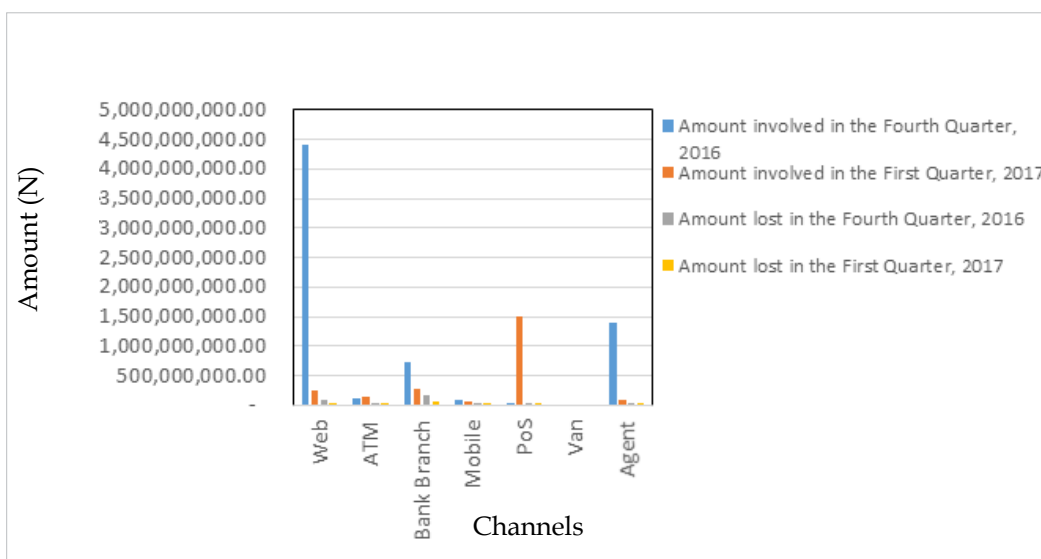
Appendix III (B)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison between Fourth Quarter, 2016 and First Quarter, 2017

| S/N | Channel | Amount Involved, Fourth Quarter, 2016 (₦) | Amount Involved, First Quarter, 2017 (₦) | Amount Lost, Fourth Quarter, 2016 (₦) | Amount Lost, First Quarter, 2017 (₦) |
|-----|--------------|---|--|---------------------------------------|--------------------------------------|
| 1 | Web | 4,402,148,238.76 | 254,892,596.25 | 97,929,354.26 | 24,783,412.29 |
| 2 | ATM | 109,912,541.21 | 128,562,720.97 | 35,607,302.75 | 15,455,825.26 |
| 3 | Bank Branch | 733,429,006.74 | 275,071,253.30 | 177,213,401.38 | 56,698,368.93 |
| 4 | Mobile | 82,994,125.81 | 49,230,757.92 | 23,970,353.14 | 7,685,085.48 |
| 5 | POS | 33,493,224.41 | 1,513,566,010.52 | 5,303,154.24 | 138,500.00 |
| 6 | Van | 0 | 0 | 0 | |
| 7 | Agent | 1,384,212,113.66 | 87,814,570.19 | 29,714,392.61 | 1,196,582.50 |
| | Total | 6,746,189,250.57 | 2,309,137,909.14 | 369,737,958.38 | 105,957,774.45 |

Appendix III (C)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison between Fourth Quarter, 2016 and First Quarter, 2017



Appendix IV (A)

Frauds and Forgeries through various Instruments: A Comparison between Fourth Quarter, 2016 and First Quarter, 2017

| S/N | Instruments | Cases: Fourth Quarter, 2016 | Cases: First Quarter, 2017 |
|-----|--------------|-----------------------------|----------------------------|
| 1 | Cash | 484 | 347 |
| 2 | Cheques | 27 | 13 |
| 3 | Cards | 3,036 | 2,990 |
| 4 | Slips | 0 | 0 |
| | Total | 3,547 | 3,350 |

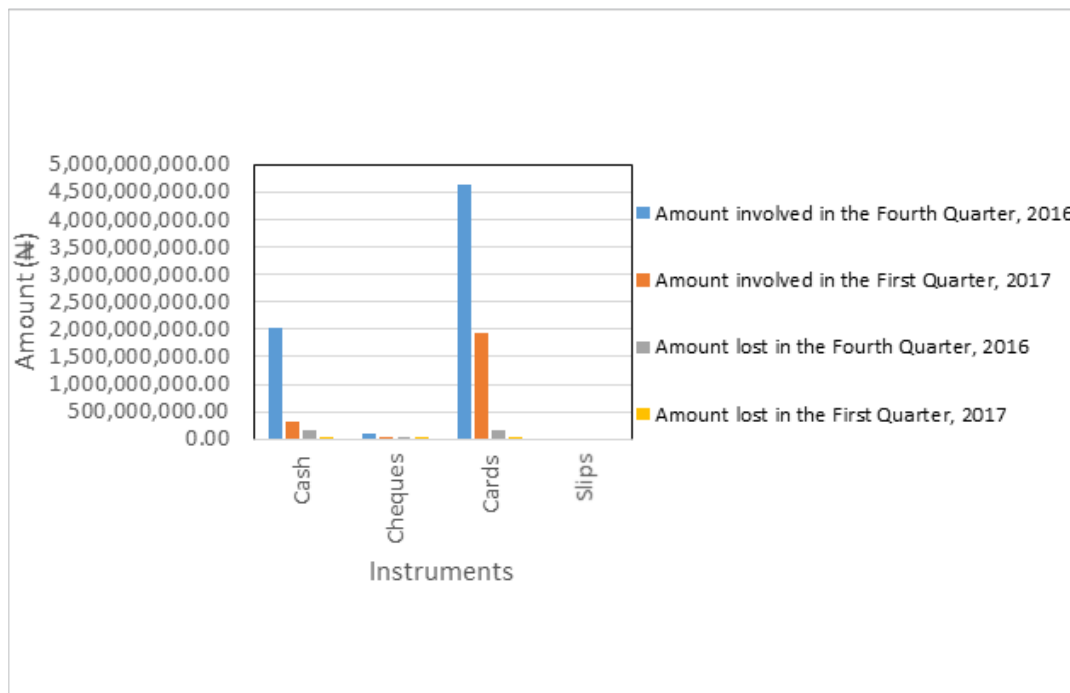
Appendix IV (B)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison between Fourth Quarter, 2016 and First Quarter, 2017

| S/N | Instruments | Amount Involved, Fourth Quarter, 2016 (₦) | Amount Involved, First Quarter, 2017 (₦) | Amount Lost, Fourth Quarter, 2016 (₦) | Amount Lost, First Quarter, 2017 (₦) |
|-----|--------------|---|--|---------------------------------------|--------------------------------------|
| 1 | Cash | 2,027,341,257.49 | 332,643,738.49 | 168,604,793.99 | 44,302,451.43 |
| 2 | Cheques | 90,299,862.91 | 30,242,085.00 | 38,323,000.00 | 13,592,500.00 |
| 3 | Cards | 4,628,548,130.18 | 1,946,252,085.65 | 162,810,164.39 | 48,062,823.02 |
| 4 | Slips | 0 | 0 | 0 | 0 |
| | Total | 6,746,189,250.57 | 2,309,137,909.14 | 369,737,958.38 | 105,957,774.45 |

Appendix IV (C)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison between Fourth Quarter, 2016 and First Quarter, 2017



Report on Frauds & Forgeries in the Nigerian Banking Industry

Second Quarter, 2017

Overview

In the second quarter of 2017, FITC received 65 returns from 22 deposit money banks¹ on the incidences of fraud and forgery that occurred in their organisations during the period. 22 of the returns were received for the month of April, 21 of the returns were received for the month of May, and 22 were received for the month of June, 2017.

Volume and Value of Fraud Cases

A total of 4,707 cases² of fraud and forgery were reported in the second quarter of 2017, compared to 3,350 cases reported in the first quarter of 2017. Thus, reported cases of fraud in the banking industry increased by 40.51 per cent between the periods. The types of fraud reported to be predominant in occurrence include Computer/Web fraud, Suppression of Entries, fraudulent ATM Withdrawals, Opening and Operating Fraudulent Loans and Accounts, and Mobile Banking fraud. **Appendices I and II** detail the fraud incidences that occurred during the period, with graphical illustrations.

During the period, total amount³ of money reported

to be involved in fraud cases decreased slightly from N2.31 billion in the preceding quarter to N2.2 billion, indicating 4.57 per cent drop. The difference of N105,437,148.79 was recovered through the combined efforts of banks' stern internal control systems and assistance from relevant government agencies, such as the law enforcement and anti-graft agencies.

Ranking the fraud types according to their value (i.e. the amount involved), **Appendix II (A)** shows that during the review period Computer/Web fraud ranked first at N1.05 billion (47.53 per cent), Miscellaneous and Other Types of fraud ranked second at N302.59 million (13.73 per cent), Suppression of Entries fraud ranked third at N174.79 million (7.93 per cent), while fraudulent ATM Withdrawals ranked fourth at N133.37 million (6.05 per cent). **Appendix II (B)** further provides a graphical illustration of the amount reported to be involved in fraud and forgery during the second quarter of 2017.

Further analysis of the returns shows that Miscellaneous and Other Types of fraud accounted for N106.31 million (27.63 per cent) of the total amount that was actually lost to fraud incidences during the review period.

Computer/Web fraud accounted for N75.01 million (19.50 per cent), while fraud through Mobile Banking Transaction accounted for N51.97 million (13.51 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 second quarter of 2017, different channels were used by fraudsters to perpetuate fraud. The channels used include the Web, ATM, mobile banking channels, bank branches, agent banking and PoS (point of sale) channels. On the other hand, the instruments mostly used by the fraudsters to carry out fraudulent activities were cards, cash, cheques and slips.

Analysing the banks' returns according to the payment channels showed that the amount involved in fraud incidents increased on four parameters (Web, bank branch, mobile banking channels and ATM), but declined on two parameters (PoS and agent banking). **Appendix III (B)** shows that on the basis

of the amount involved, fraud through PoS and agent banking decreased significantly by 98.48 per cent and 35.08 per cent in the review period from N1.51 billion and N87.81 million, to N23.05 million and N57.01 million respectively. However, fraud incidences through the Web and banks' branches increased considerably from N254.89 million and N275.07 million in the preceding quarter, to N1.05 billion and N840.28, indicating an increase of 310.93 per cent and 205.48 per cent respectively. Similarly, fraud occurrence through mobile banking channels and ATM increased from N49.23 million and N128.56 million in the preceding quarter, to N102.56 million and N133.37 million, indicating an increase of 108.33 per cent and 3.74 per cent respectively. It is important to note that while N23.05 million was reported as being involved in PoS fraud during the second quarter, no amount was lost.

Further analysis of the amount involved in fraud according to transaction instruments reveals that fraud attempts were made through the use of cash, cheques and cards in the second quarter of 2017. **Appendix IV (B)** shows that while the amount involved in fraud attempts through the use of cards shrank by 32.88 per cent from N1.95 billion in the first quarter of 2017 to N1.31 billion in the second quarter, fraud attempts through the use of cash and cheques increased by 112.11 per cent and 277.35 per cent from N332.64 million and N30.24 million, to N705.57 million and

N114.12 million respectively. It is instructive to note that while criminal elements attempted to defraud the banking industry of N77.60 million through the use of transaction slips, the industry did not lose any amount to the fraudsters. Further details on the channels and instruments that were used to perpetrate fraud in the second quarter of 2017 are graphically illustrated in **Appendices III and IV**.

The banks reported that during the review period, the appointments of fifty-five (55) employees were terminated for fraud related offences. This shows an increase of 89.66 per cent in the number of employees whose appointments were terminated on similar grounds between the first and the second quarters of 2017. However, when compared with the second quarter of 2016, the number of employees whose appointments were terminated on the grounds of fraud related activities increased significantly by 19.57 per cent.

Conclusion and Recommendations

Analyses of fraud and forgery incidences in the Nigerian banking industry in the second quarter of 2017 reveal that performance across most of the parameters deteriorated. For instance, although the total amount that was reported to be involved in fraud decreased to N2.20 billion from N2.31 billion in the preceding quarter (indicating a fair 4.57 per cent reduction), the total amount that was reported as actually lost to fraud incidence

increased significantly from N105.96 million in the previous quarter, to N384.73 million in the second quarter of 2017, indicating an increase of 263.10 per cent. Similarly, the total number of fraud cases that was reported during the period went up from 3,350 to 4,707, indicating an increase of 40.51 per cent.

The analyses further show that there was an increase in the number of electronic fraud⁴ incidents and the amount actually lost during the period. Reported cases of electronic fraud increased significantly by 45.02 per cent from 2,990 in the preceding quarter to 4,336 in the reviewed quarter. Also, the amount lost to electronic fraud increased by 182.02 per cent from N48.06 million in the first quarter of 2017, to N135.55 million in the second quarter. However, the amount involved in electronic fraud decreased by 32.88 per cent from N1.95 billion in the previous quarter, to N1.31 billion in the second quarter.

On the whole, analysis of the 2017 second quarter's fraud and forgery returns from the banks revealed a lackluster performance across most of the indices used to assess fraud incidence in the industry. The fluctuating trend in the reported fraud data (particularly the total amount involved in fraud, and the total amount lost to fraud) in the industry over the past five quarters (Q1, 2016 to Q1, 2017) have not been very impressive. This further reinforces the need for all stakeholders in the

banking industry to play more active role in combating fraud incidence in the industry. In addition, banks and relevant regulatory institutions should introduce policies that will deter fraudsters, and make it “expensive” to make attempt at fraud.

(Please see the appendices below for summaries of the cases of fraud and forgery covered in this report, comparison between the first quarter and the second quarters of 2017, as well as comparison between the second quarters of 2016 and 2017 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.

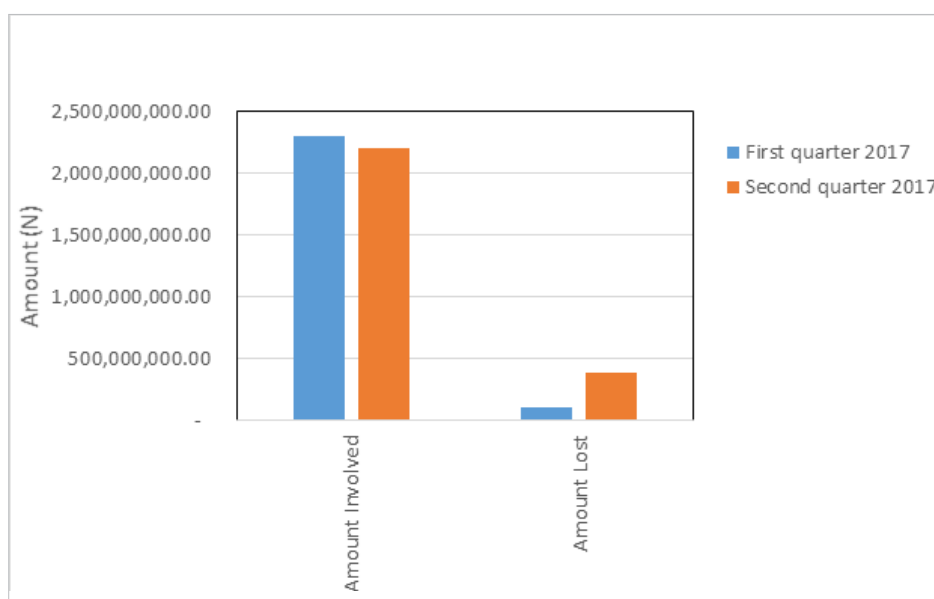
Appendix I (A)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between First and Second Quarters, 2017

| S/N | Variables | First Quarter, 2017 | Second Quarter, 2017 |
|-----|-----------------------------|---------------------|----------------------|
| 1 | Total Cases reported | 3,350 | 4,707 |
| 2 | Total Amount Involved | ₦2,309,137,909.14 | ₦2,203,700,760.35 |
| 3 | Total Amount Lost | ₦105,957,774.45 | ₦384,728,332.75 |
| 4 | Outsider Involvement | 2,475 | 3,499 |
| 5 | Insider (Staff) Involvement | 121 | 158 |
| 6 | Appointments Terminated | 29 | 55 |

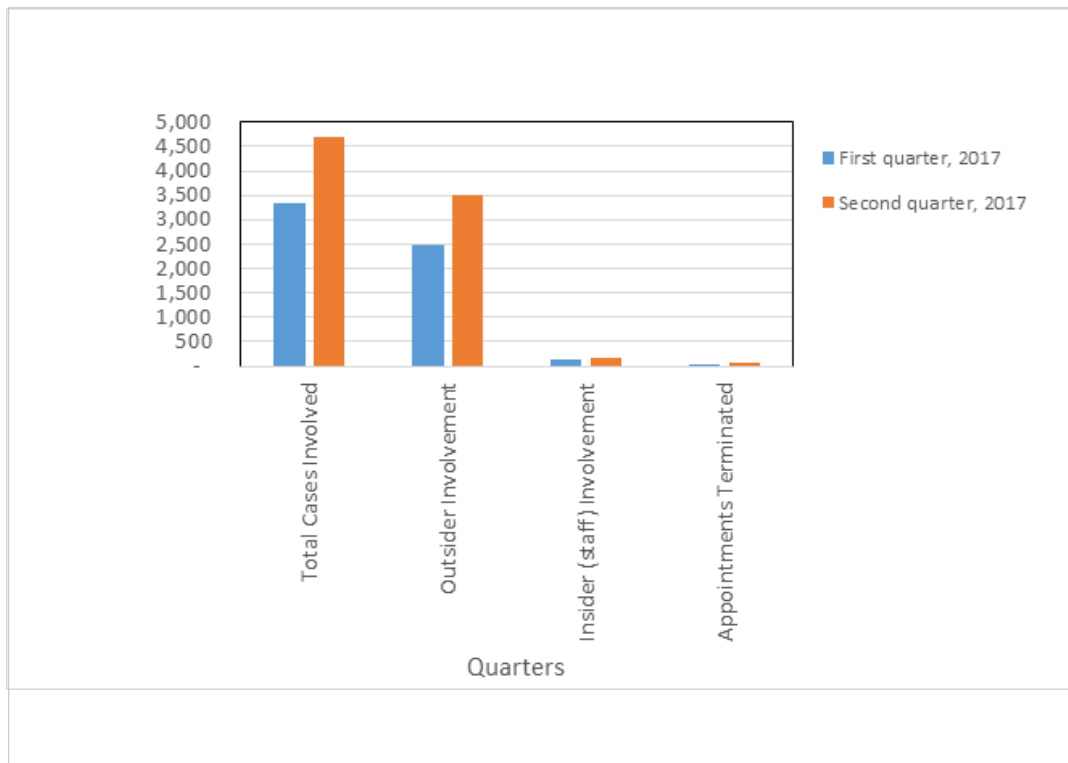
Appendix I (B)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between First and Second Quarters, 2017



Appendix I (C)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between First and Second Quarters, 2017



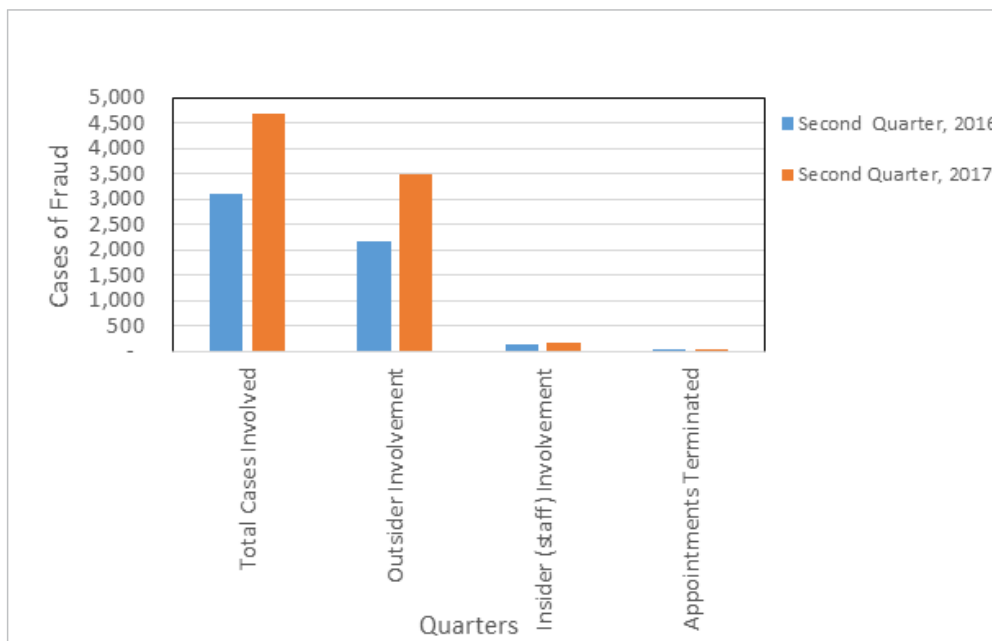
Appendix I (D)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second Quarter, 2016 and Second Quarter, 2017

| S/N | Variables | Second Quarter, 2016 | Second Quarter, 2017 |
|-----|-----------------------------|----------------------|----------------------|
| 1 | Total Cases Involved | 3,094 | 4,707 |
| 2 | Total Amount Involved | N 2,181,135,130.05 | N 2,203,700,760.35 |
| 3 | Total Amount Lost | N 810,750,636.52 | N384,728,332.75 |
| 4 | Outsider Involvement | 2,186 | 3,499 |
| 5 | Insider (Staff) Involvement | 130 | 158 |
| 6 | Appointments Terminated | 40 | 55 |

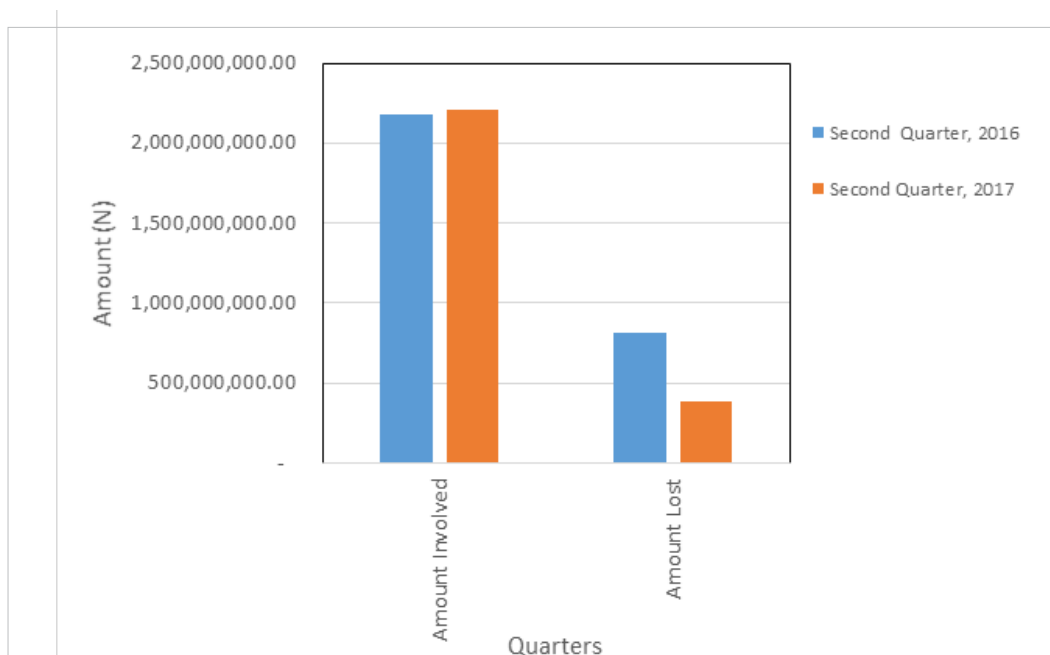
Appendix I (E)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second Quarter, 2016 and Second Quarter, 2017



Appendix I (F)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second Quarter, 2016 and Second Quarter, 2017



Appendix II (A): Frauds and Forgeries in the Nigerian Banking Industry (Second Quarter, 2017)

| 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 | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0.00 (0) | 0.00 (0) | 0 |
| Falsification of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0.00 (0) | 0.00 (0) | 0 |
| Forged Cheques with Forged Signature | 20 (0.42) | 2 (1.27) | 12 (0.34) | 0 (0) | 6 (0.57) | 99,696,161.00 (4.52) | 440,000.00 (0.11) | 0.4 |
| Printing of Bank Document Illegally | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0.00 (0) | 0.00 (0) | 0 |
| Clearing Fraud | 2 (0.04) | 0 (0) | 2 (0.06) | 0 (0) | 0 (0) | 14,422,512.00 (0.65) | 14,300,000.00 (3.72) | 99.2 |
| Computer/Web Fraud | 1060 (22.52) | 1 (0.63) | 570 (16.29) | 0 (0) | 489 (46.70) | 1,047,421,665.92 (47.53) | 75,005,052.35 (19.50) | 7.2 |
| Mobile Fraud | 691 (14.68) | 1 (0.63) | 518 (14.80) | 0 (0) | 172 (16.43) | 102,560,963.69 (4.65) | 51,967,991.04 (13.51) | 50.7 |
| Foreign Exchange Fraud | 52 (1.10) | 1 (0.63) | 47 (1.34) | 0 (0) | 4 (0.38) | 42,589,379.58 (1.93) | 1,452,914.96 (0.38) | 3.4 |
| Cross Firing of Cheques and Kite Flying | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0.00 (0) | 0.00 (0) | 0 |

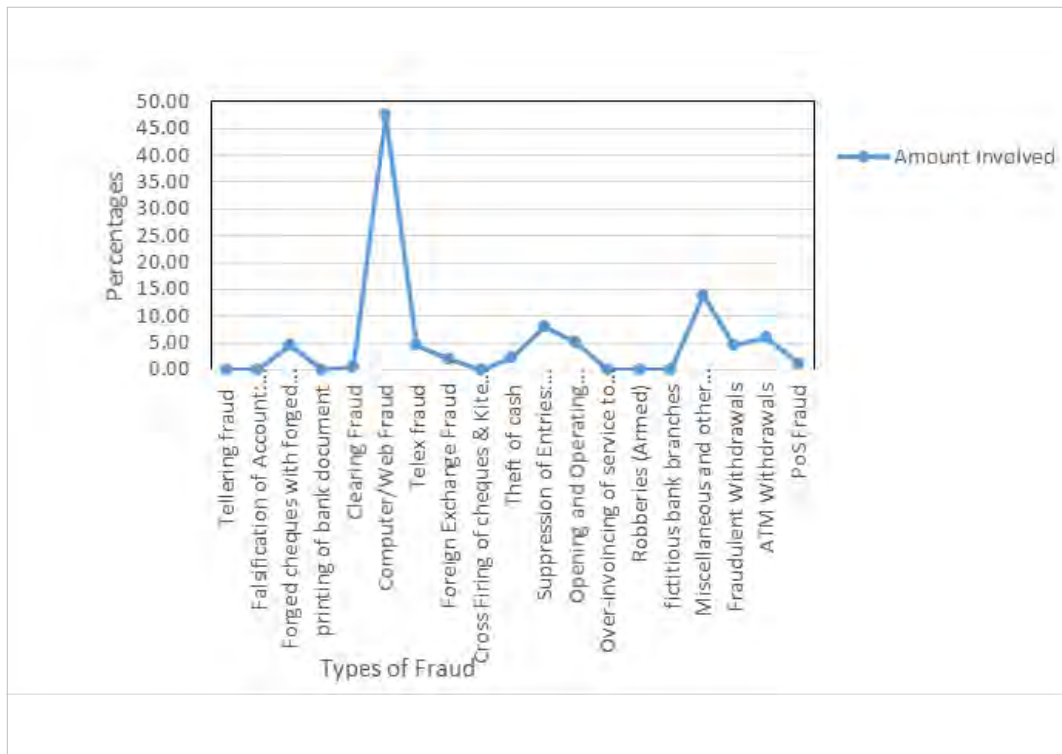
Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry (Second Quarter, 2017)

| 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 (0.30) | 6 (3.80) | 3 (0.09) | 0 (0) | 5 (0.48) | 48,702,250.00 (2.21) | 40,685,750.00 (10.58) | 83.5 |
| Suppression of Entries: Cash/Cheques | 103 (2.19) | 103 (65.19) | 0 (0) | 0 (0) | 0 (0) | 174,790,773.14 (7.93) | 46,393,354.78 (12.06) | 26.5 |
| Opening and Operating Fraudulent Loans and Accounts | 36 (0.76) | 2 (1.27) | 34 (0.97) | 0 (0) | 0 (0) | 114,362,488.99 (5.19) | 0.00 (0) | 0 |
| Over-Invoicing of Service to the Bank | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0.00 (0) | 0.00 (0) | 0 |
| Robberies (Armed) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0.00 (0) | 0.00 (0) | 0 |
| Fictitious Bank Branches | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0.00 (0) | 0.00 (0) | 0 |
| Miscellaneous and Other Types of Fraud | 77 (1.64) | 26 (16.46) | 41 (1.17) | 2 (66.67) | 8 (0.76) | 302,588,533.26 (13.73) | 106,307,099.62 (27.63) | 35.1 |
| Fraudulent Withdrawals | 67 (1.42) | 14 (8.86) | 47 (1.34) | 1 (33.33) | 5 (0.48) | 100,143,481.87 (4.54) | 39,600,570.00 (10.29) | 39.5 |
| ATM Withdrawals | 2,423 (51.48) | 2 (1.27) | 2,119 (60.56) | 0 (0) | 302 (28.84) | 133,371,079.43 (6.05) | 8,575,600.00 (2.23) | 6.4 |
| PoS Fraud | 162 (3.44) | 0 (0) | 106 (3.03) | 0 (0) | 56 (5.35) | 23,051,471.46 (1.05) | 0.00 (0) | 0.0 |
| Total | 4,707 | 158 | 3,499 | 3 | 1047 | 2,203,700,760.35 | 384,728,332.75 | 352.02 |

Note: All figures in parenthesis () indicate percentages

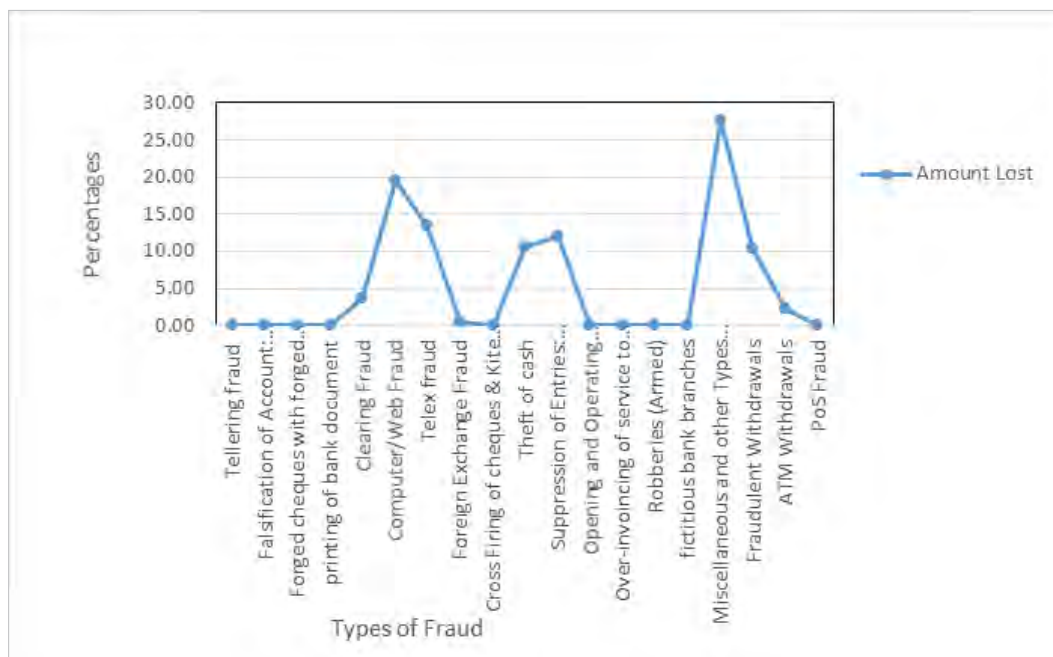
Appendix II (B)

Percentage Distribution of Amount Involved in Frauds and Forgeries (Second Quarter, 2017)



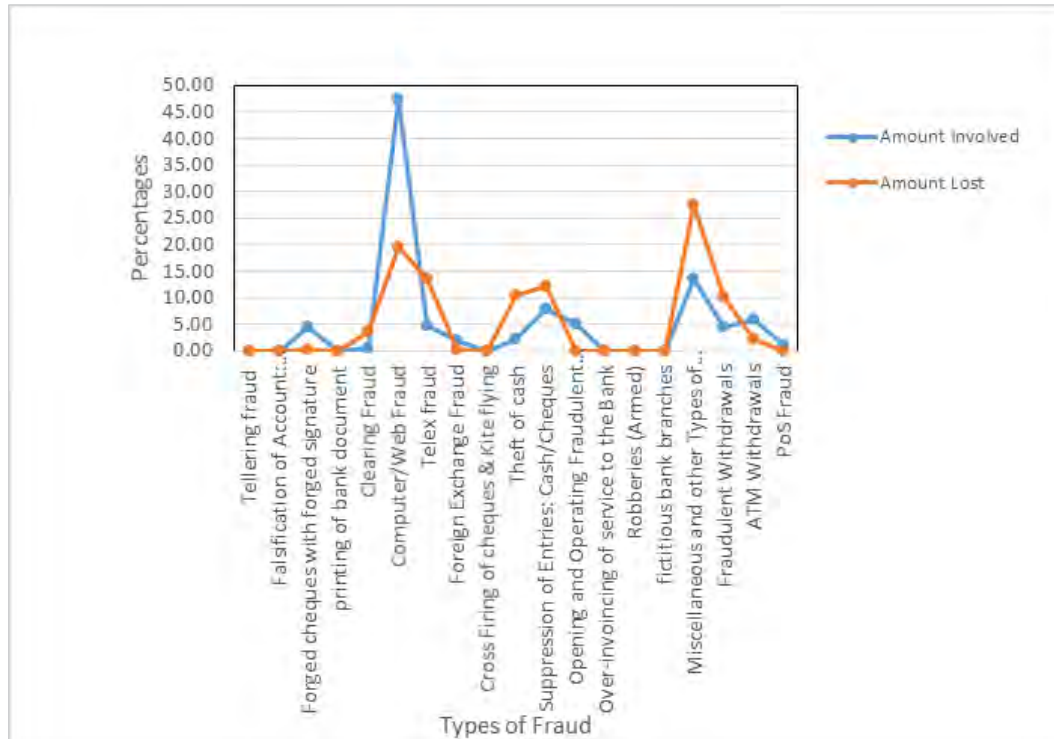
Appendix II (C)

Percentage Distribution of Amount Lost to Frauds and Forgeries (Second Quarter, 2017)



Appendix II (D)

Percentage Distribution of Amount Involved in and the Amount Lost to Frauds and Forgeries (Second Quarter, 2017)



Appendix III (A)

Frauds and Forgeries through various Payment Channels: A Comparison between First and Second Quarters, 2017)

| S/N | Channels | Cases: First Quarter, 2017 | Cases: Second Quarter, 2017 |
|-----|--------------|----------------------------|-----------------------------|
| 1 | Web | 647 | 1,060 |
| 2 | ATM | 1,785 | 2,423 |
| 3 | Bank Branch | 316 | 317 |
| 4 | Mobile | 402 | 691 |
| 5 | POS | 156 | 162 |
| 6 | Van | 0 | 0 |
| 7 | Agent | 44 | 54 |
| | Total | 3,350 | 4,707 |

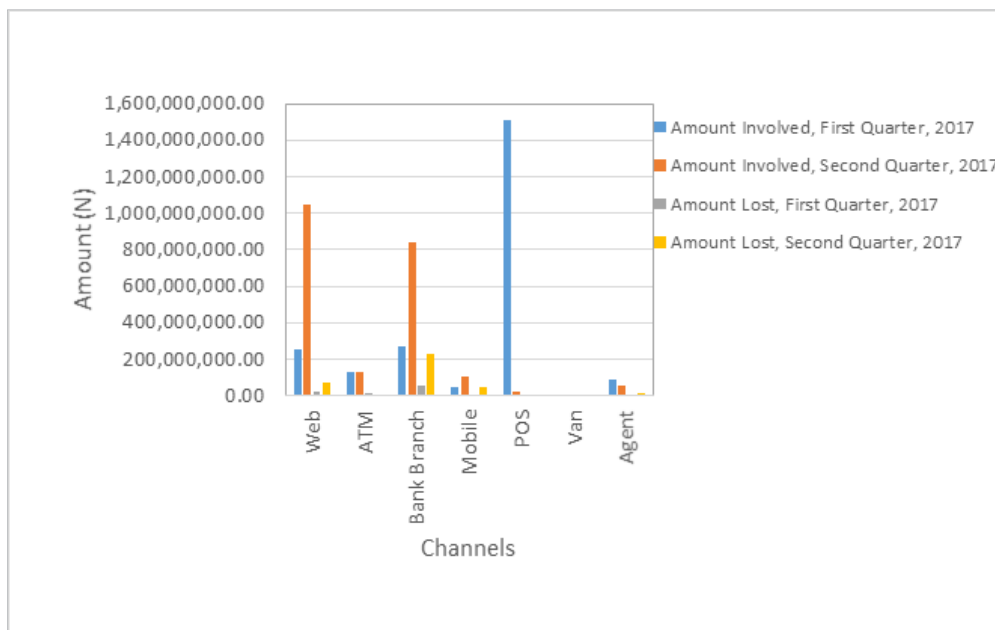
Appendix III (B)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison between First and Second Quarters, 2017

| S/N | Channel | Amount Involved, First Quarter, 2017 (₦) | Amount Involved, Second Quarter, 2017 (₦) | Amount Lost, First Quarter, 2017 (₦) | Amount Lost, Second Quarter, 2017 (₦) |
|-----|--------------|--|---|--------------------------------------|---------------------------------------|
| 1 | Web | 254,892,596.25 | 1,047,421,665.95 | 24,783,412.29 | 75,005,052.35 |
| 2 | ATM | 128,562,720.97 | 133,371,079.43 | 15,455,825.26 | 8,575,600.00 |
| 3 | Bank Branch | 275,071,253.30 | 840,283,688.26 | 56,698,368.93 | 233,426,774.40 |
| 4 | Mobile | 49,230,757.92 | 102,560,963.69 | 7,685,085.48 | 51,967,991.04 |
| 5 | POS | 1,513,566,010.52 | 23,051,471.46 | 138,500.00 | - |
| 6 | Van | 0 | - | - | - |
| 7 | Agent | 87,814,570.19 | 57,011,891.58 | 1,196,582.50 | 15,752,914.96 |
| | Total | 2,309,137,909.14 | 2,203,700,760.35 | 105,957,774.45 | 384,728,332.75 |

Appendix III (C)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison between First and Second Quarters, 2017



Appendix IV (A)

Frauds and Forgeries through various Instruments: A Comparison between First and Second Quarters, 2017

| S/N | Instruments | Cases: First Quarter, 2017 | Cases: Second Quarter, 2017 |
|-----|--------------|----------------------------|-----------------------------|
| 1 | Cash | 347 | 346 |
| 2 | Cheques | 13 | 22 |
| 3 | Cards | 2,990 | 4,336 |
| 4 | Slips | 0 | 3 |
| | Total | 3,350 | 4,707 |

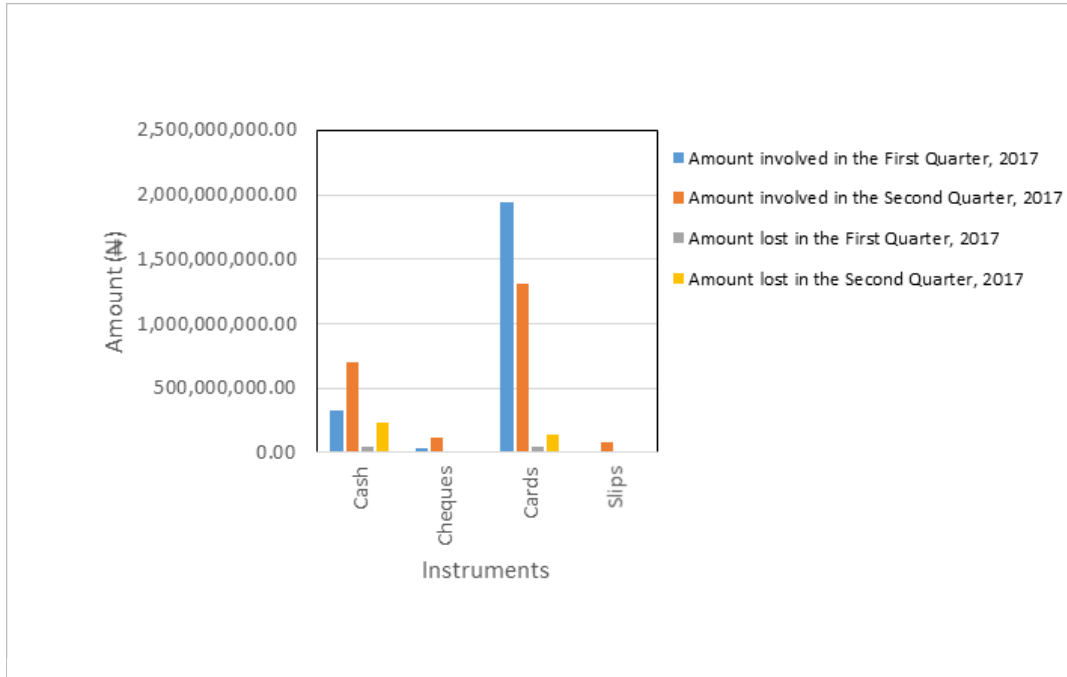
Appendix IV (B)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison between First and Second Quarters, 2017

| S/N | Instruments | Amount Involved, First Quarter, 2017 (₦) | Amount Involved, Second Quarter, 2017 (₦) | Amount Lost, First Quarter, 2017 (₦) | Amount Lost, Second Quarter, 2017 (₦) |
|-----|--------------|--|---|--------------------------------------|---------------------------------------|
| 1 | Cash | 332,643,738.49 | 705,573,906.83 | 44,302,451.43 | 234,439,689.36 |
| 2 | Cheques | 30,242,085.00 | 114,118,673.00 | 13,592,500.00 | 14,740,000.00 |
| 3 | Cards | 1,946,252,085.65 | 1,306,405,180.52 | 48,062,823.02 | 135,548,643.39 |
| 4 | Slips | 0 | 77,603,000.00 | - | - |
| | Total | 2,309,137,909.14 | 2,203,700,760.35 | 105,957,774.45 | 384,728,332.75 |

Appendix IV (C)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison between First and Second Quarter, 2017



Report on Frauds & Forgeries in the Nigerian Banking Industry

Third Quarter, 2017

Overview

In the third quarter of 2017, FITC received a total of 63 returns from 22 deposit money banks¹ on the incidences of fraud and forgery that occurred in their organisations during the period. Twenty one (21) of the returns were received for the month of July, while 19 and 23 returns were received for the months of August and September, 2017 respectively.

Volume and Value of Fraud Cases

A total of 5,981 cases² of fraud and forgery were reported in the third quarter of 2017, compared to 4,707 cases reported in the second quarter of 2017. Hence, reported cases of fraud in the banking industry increased by 27.07 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, PoS fraud, and Suppression of Entries. **Appendices I and II**, detail the fraud incidences that occurred during the period, with graphical illustrations.

During the period, total amount³ of money reported to be involved in fraud cases increased to N3.71 billion from N2.20 billion in the

preceding quarter, indicating 68.21 per cent rise. The difference of N1.50 billion was recovered through the combined efforts of banks' stern internal control systems and assistance from relevant government agencies, such as the law enforcement and anti-graft agencies.

Ranking the fraud types according to the amount involved, per **Appendix II (A)**, shows that Miscellaneous⁴ and Other Types of fraud ranked first at N2.06 billion (55.56 per cent), Computer/Web fraud ranked second at N621.83 million (16.78 per cent), Clearing fraud ranked third at N280.61 million (7.57 per cent), while fraudulent ATM Withdrawals ranked fourth at N186.67 million (5.04 per cent). **Appendix II (B)** further provides a graphical illustration of the amount reported to be involved in fraud and forgery during the period under review.

Further analysis of the returns shows that Miscellaneous and Other Types of fraud accounted for N1.13 billion (69.26 per cent) of the total amount that was actually lost to fraud incidences during the review period. Computer/Web fraud accounted for N184.37 million (11.32 per cent), and fraud through Theft of Cash accounted for N72.66 million (4.46 per cent). **Appendix II (C)** shows the

amount reportedly 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 perpetuate fraud. The channels used include the ATM, Web, mobile banking channels, bank branches, agent banking and PoS (point of sale) channels. On the other hand, the instruments mostly used by the fraudsters to carry out fraudulent activities were cards, cash, cheques and slips.

An analysis of the banks' returns according to the payment channels shows that the amount involved in fraud incidents increased on four parameters (bank branch, agent banking, ATM and mobile banking channels), but declined on two parameters (Web and PoS). **Appendix III (B)** shows that fraud through Web and PoS declined significantly by 40.63 per cent and 35.71 per cent in the review period to N621.83 million and N14.82 million, from N1.05 billion and N23.05 million

respectively. However, fraud incidences through banks' branches and agent banking increased considerably from N840.28 million and N57.01 million in the preceding quarter, to N2.43 billion and N351.72 million, indicating an upsurge of 188.95 per cent and 516.93 per cent respectively. Similarly, fraud occurrence through ATM and mobile banking channels increased from N133.37 million and N102.56 million in the preceding quarter, to N186.67 million and N103.78 million, indicating an increase of 40 per cent and 1.19 per cent respectively. It is important to note that there was a considerable decline in the amount reported for PoS fraud during the third quarter and no amount was lost as well.

Further analysis of fraud per transaction instruments reveals that fraudsters made attempts through the use of cash, cards, cheques and slips in the review quarter. **Appendix IV (B)** shows that while the amount involved in fraud attempts through the use of cards and slips shrank by 29.03 per cent and 92.94 per cent, from N1.31 billion and N77.60 million in the preceding quarter, to N927.10 million and N5.48 million respectively in the third quarter, fraud attempts through the use of cash and cheques rose by 241.58 per cent and 219.13 per cent to N2.41 billion and N364.18 million, from N705.57 million and N114.12 million, respectively. Further details on the channels and instruments that were used to perpetrate

fraud in the third quarter of 2017 are graphically illustrated in **Appendices III and IV**.

During the third quarter of 2017, banks reported termination of fifty-nine (59) employees for involvement in fraud related practices. This shows an increase of 7.27 per cent in the number of banks' employees whose appointments were terminated compared to the preceding period. Similarly, when compared to the third quarter of 2016, the number of employees whose appointments were terminated on the grounds of fraud related offences increased considerably from forty-six (46) employees. This indicates an increase of 28.26 per cent.

C o n c l u s i o n a n d R e c o m m e n d a t i o n s

Analysis of fraud and forgery incidences in the Nigerian banking industry in the third quarter of 2017 reveals that performance across most of the parameters deteriorated. For instance, total amount that was reported to be involved in and lost to fraud increased to N3.71 billion and N1.63 billion in the review quarter from N2.20 billion and N384.73 million in the preceding quarter, thus indicating a rise of 68.21 per cent and 323.44 per cent respectively. Similarly, the total number of fraud cases reported during the period increased from 4,707 to 5,981, signifying an increase of 27.06 per cent.

The analysis further indicates an

increase in the number of electronic fraud⁵ incidents by 20.89 per cent, from 4,336 in the preceding quarter to 5,242 in the review quarter. Also, amount lost to electronic fraud increased to N226.27 million from N135.55 million reported in the second quarter of 2017. Indicating an increase of 66.93 per cent. However, the amount involved in electronic fraud decreased from N1.31 billion in the preceding quarter to N927.10 million in the review quarter, representing 29.03 per cent decline.

By and large, analysis of the 2017 third quarter fraud and forgery returns from the banks reveals an uninspiring performance across most of the indices used to assess fraud incidence in the industry. As a deterrent measure therefore, FITC recommends that banks with support from regulators and relevant agencies, increase the penalties for engaging in fraudulent practices, while banks consistently beef up their security systems to make it impenetrable to fraudsters. Security training is essential for bank officers.

(Please see the appendices below for summaries of the cases of fraud and forgery covered in this report, comparison between the second and third quarters of 2017, as well as comparison between the third quarters of 2016 and 2017 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: Miscellaneous fraud include unauthorised debit, fraudulent diversions of customers' fund for personal use, fraudulent debit of customers' accounts, fraudulent debit of inter-branch suspense accounts, conversion of dividend warrants, dry postings, diversion of deposits, and misappropriation of funds etc.

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

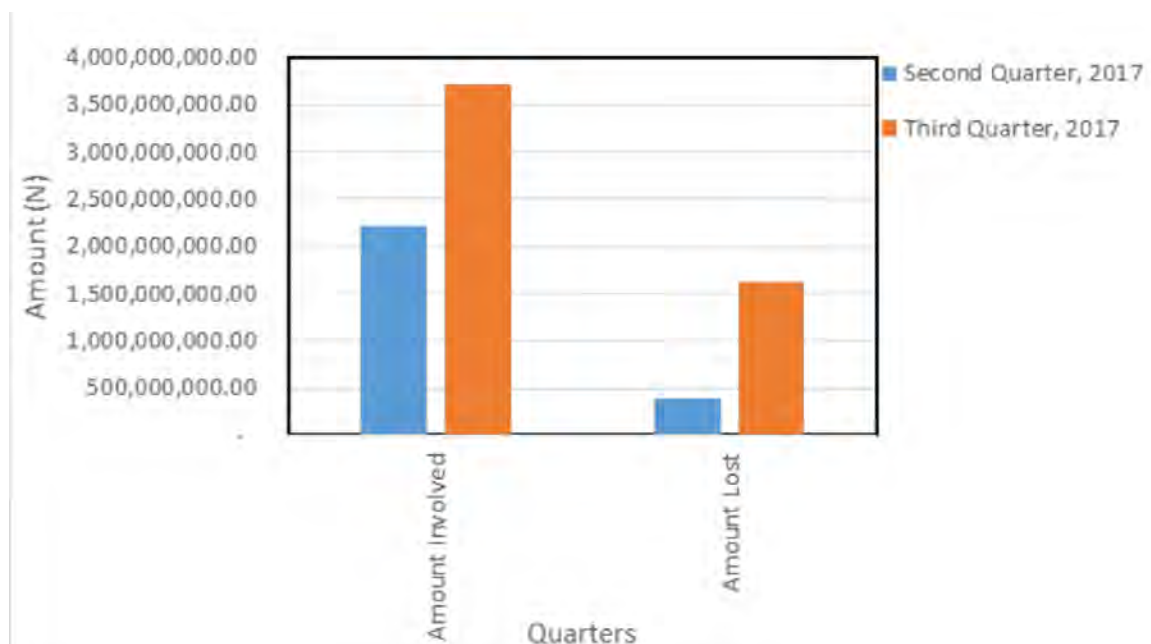
Appendix I (A)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second and Third Quarters, 2017

| S/N | Variables | Second Quarter, 2017 | Third Quarter, 2017 |
|-----|-----------------------------|----------------------|---------------------|
| 1 | Total Cases reported | 4,707 | 5,981 |
| 2 | Total Amount Involved | ₦2,203,700,760.35 | ₦3,706,833,261.69 |
| 3 | Total Amount Lost | ₦384,728,332.75 | ₦1,629,083,234.56 |
| 4 | Outsider Involvement | 3,499 | 3,542 |
| 5 | Insider (Staff) Involvement | 158 | 304 |
| 6 | Appointments Terminated | 55 | 59 |

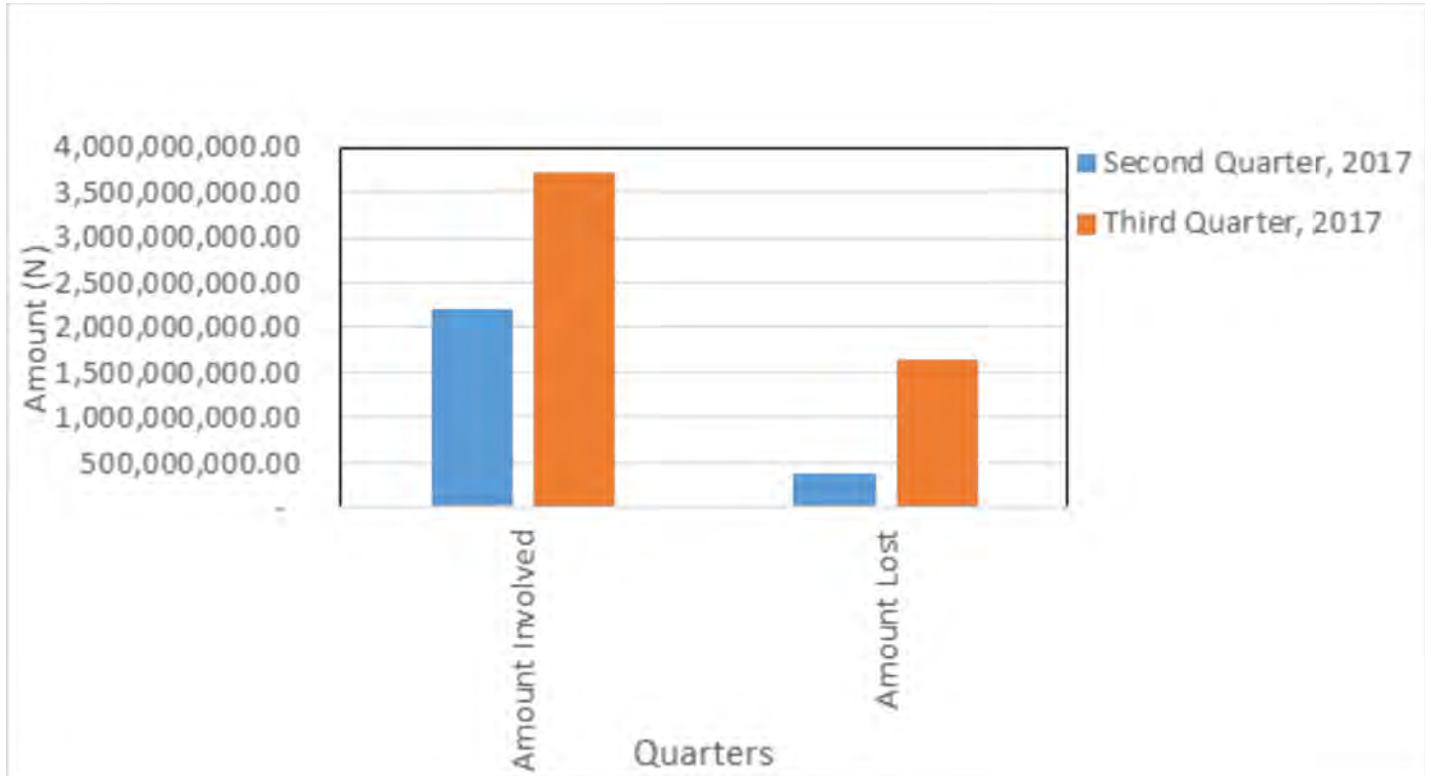
Appendix I (B)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second and Third Quarters, 2017



Appendix I (C)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second and Third Quarters, 2017



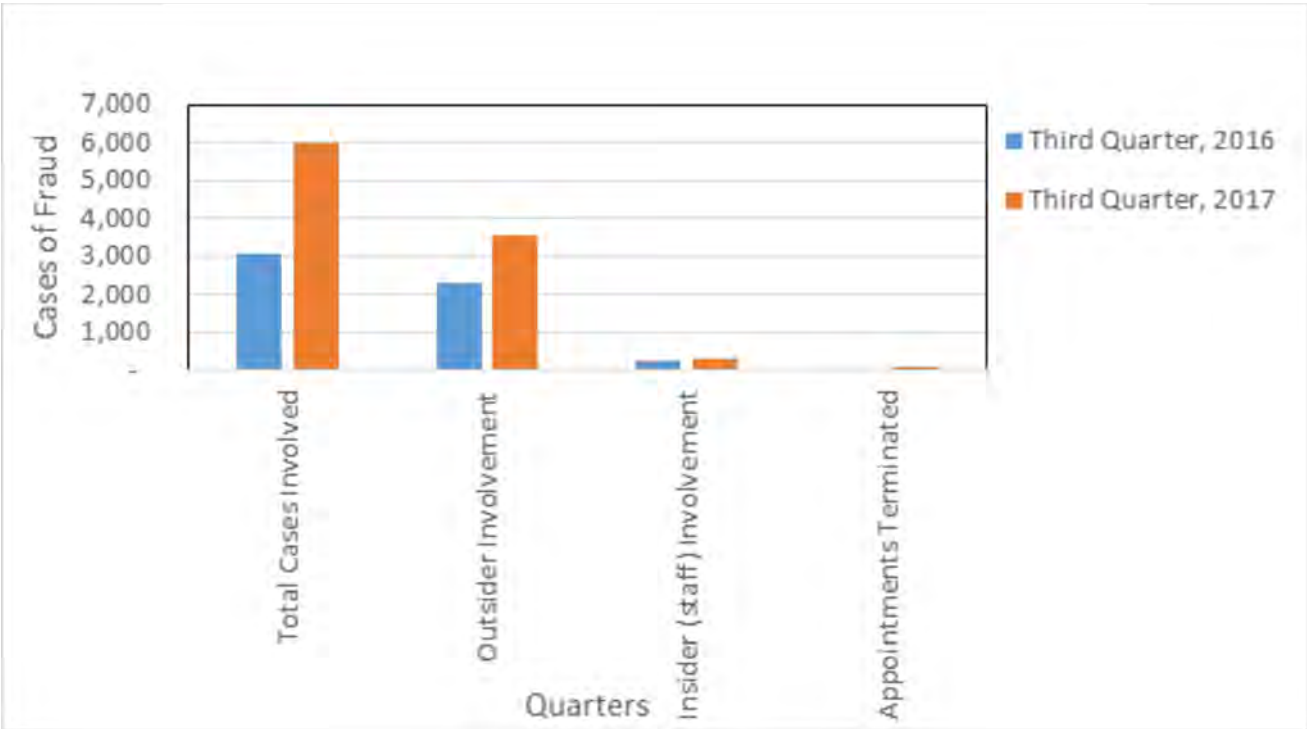
Appendix I (D)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Third Quarter, 2016 and Third Quarter, 2017

| S/N | Variables | Third Quarter, 2016 | Third Quarter, 2017 |
|-----|-----------------------------|---------------------|---------------------|
| 1 | Total Cases Involved | 3,079 | 5,981 |
| 2 | Total Amount Involved | ₦ 1,304,579,235.52 | ₦ 3,706,833,262 |
| 3 | Total Amount Lost | ₦ 378,112,577.96 | ₦ 1,629,083,235 |
| 4 | Outsider Involvement | 2,293 | 3,542 |
| 5 | Insider (Staff) Involvement | 273 | 304 |
| 6 | Appointments Terminated | 46 | 59 |

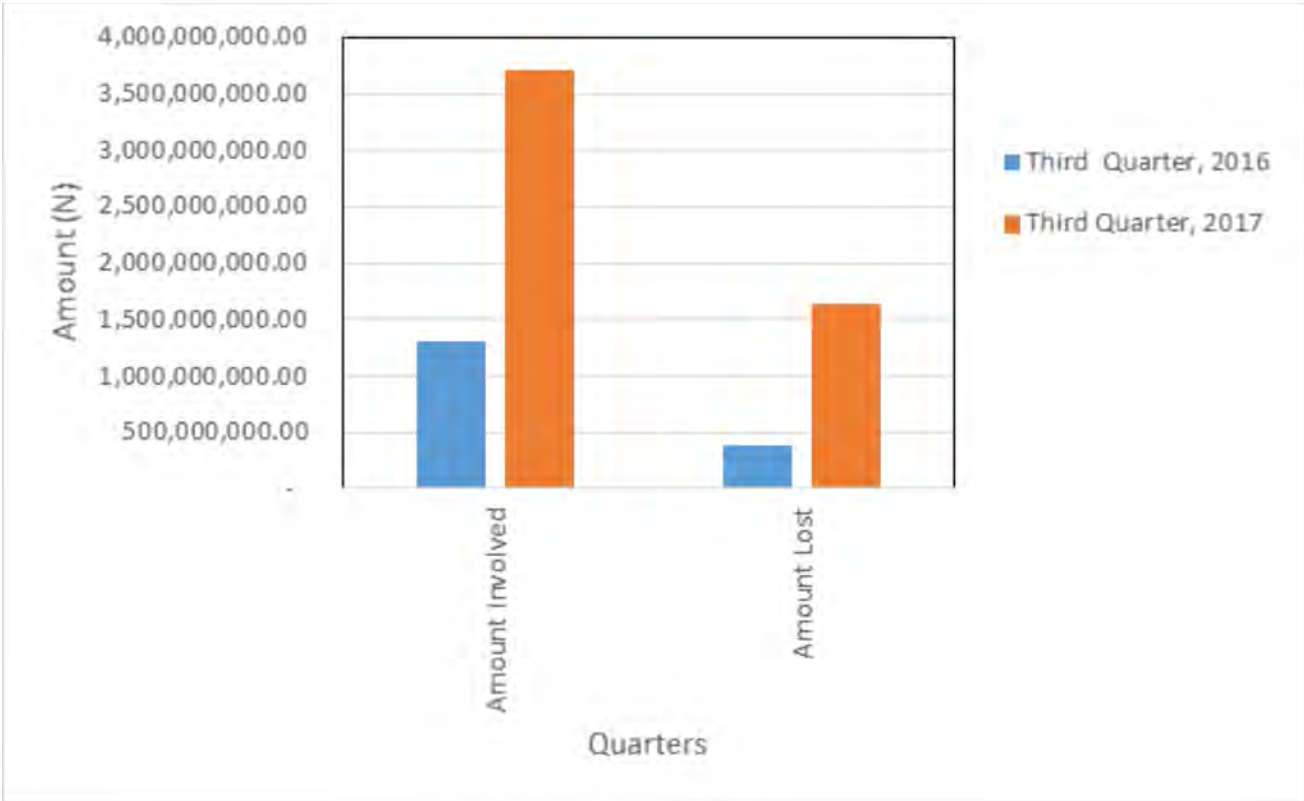
Appendix I (E)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Third Quarter, 2016 and Third Quarter, 2017



Appendix I (F)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Third Quarter, 2016 and Third Quarter, 2017



Appendix II (A): Frauds and Forgeries in the Nigerian Banking Industry (Third Quarter, 2017)

| 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 | 9 (0.15) | 9 (2.96) | 0 (0) | 0 (0) | 0 (0) | 14,505,845.00 (0.39) | 12,922,845.00 (0.79) | 89.1 |
| Falsification of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0.00 (0) | 0.00 (0) | 0 |
| Forged Cheques with Forged Signature | 29 (0.48) | 2 (0.66) | 19 (0.54) | 0 (0) | 8 (0.38) | 83,575,418.18 (2.25) | 11,215,743.01 (0.69) | 13.4 |
| Printing of Bank Document Illegally | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0.00 (0) | 0.00 (0) | 0 |
| Clearing Fraud | 64 (1.07) | 0 (0) | 62 (1.75) | 0 (0) | 2 (0.09) | 280,609,091.05 (7.75) | 0 (0) | 0 |
| Computer/Web Fraud | 1,389 (23.22) | 34 (11.18) | 339 (9.57) | 0 (0) | 1,016 (47.74) | 621,829,470.42 (16.78) | 184,368,312.57 (11.32) | 29.6 |
| Mobile Fraud | 595 (9.95) | 21 (6.91) | 315 (8.89) | 1 (14.29) | 258 (12.12) | 103,782,272.04 (2.80) | 32,209,735.10 (1.98) | 31.0 |
| Foreign Exchange Fraud | 130 (2.17) | 1 (0.33) | 115 (3.25) | 0 (0) | 14 (0.66) | 71,114,007.32 (1.92) | 66,134,572.57 (4.06) | 93.0 |
| Cross Firing of Cheques and Kite Flying | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0.00 (0) | 0.00 (0) | 0 (0) |

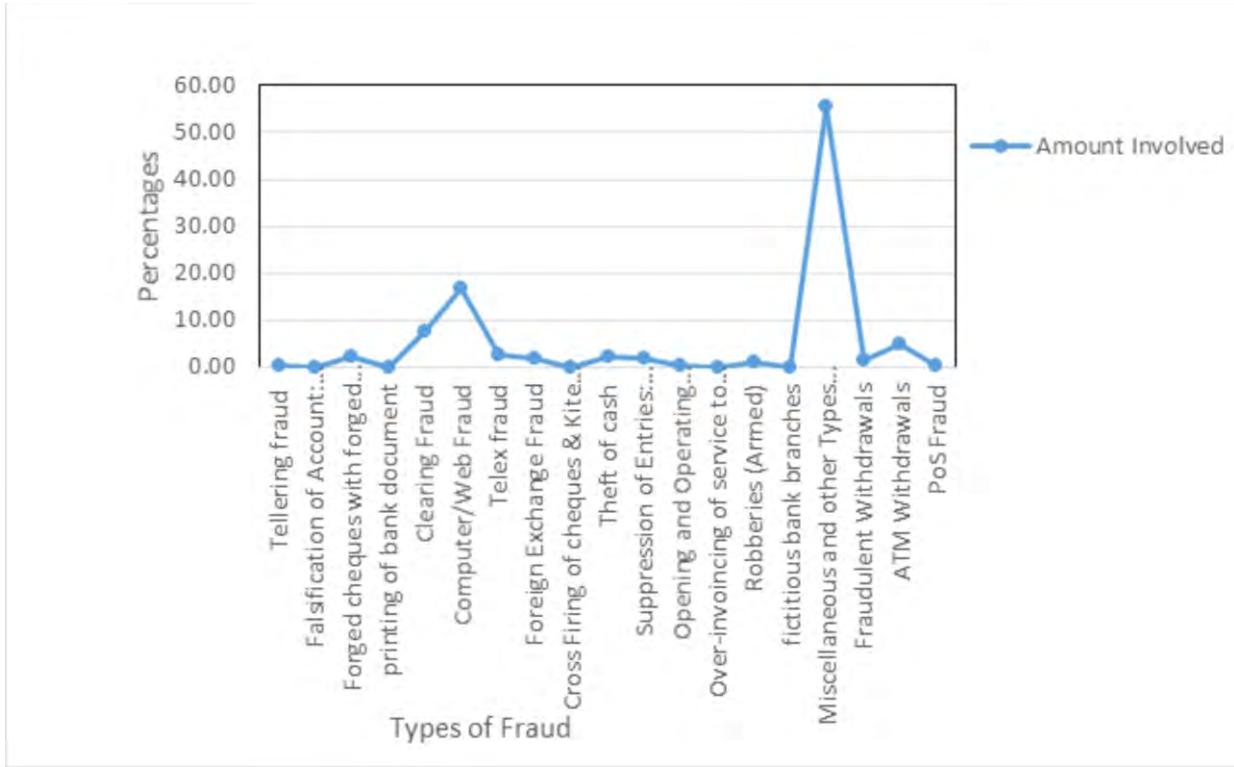
Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry (Third Quarter, 2017) Cont'd.

| 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 | 109 (1.82) | 11 (3.62) | 1 (0.03) | 1 (14.29) | 96 (4.51) | 88,811,761.23 (2.40) | 72,664,846.71 (4.46) | 81.8 |
| Suppression of Entries: Cash/Cheques | 154 (2.57) | 76 (25.00) | 78 (2.20) | 0 (0) | 0 (0) | 70,376,613.50 (1.90) | 61,352,748.50 (3.77) | 87.2 |
| Opening and Operating Fraudulent Loans and Accounts | 45 (0.75) | 2 (0.66) | 40 (1.13) | 1 (14.29) | 2 (0.09) | 15,869,999.00 (0.43) | 8,093,260.00 (0.50) | 51.0 |
| Over-Invoicing of Service to the Bank | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0.00 (0) | 0.00 (0) | 0 |
| Robberies (Armed) | 5 (0.08) | 0 (0) | 3 (0.08) | 0 (0) | 2 (0.09) | 35,505,420.00 (0.96) | 11,196,000.00 (0.69) | 31.5 |
| Fictitious Bank Branches | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0.00 (0) | 0.00 (0) | 0 |
| Miscellaneous and Other Types of Fraud | 66 (1.10) | 30 (9.87) | 2 (0.73) | 0 (0) | 10 (0.47) | 2,059,666,496.55 (55.56) | 1,128,307,070.35 (69.26) | 54.8 |
| Fraudulent Withdrawals | 128 (2.14) | 15 (4.93) | 32 (0.09) | 3 (42.86) | 78 (3.67) | 59,696,864.48 (1.61) | 30,923,626.17 (1.90) | 51.8 |
| ATM Withdrawals | 3,098 (51.80) | 99 (32.57) | 2,441 (68.92) | 1 (14.29) | 557 (26.17) | 186,669,638.53 (5.04) | 9,694,474.58 (0.60) | 5.2 |
| PoS Fraud | 160 (2.68) | 4 (1.32) | 71 (2.00) | 0 (0) | 85 (3.99) | 14,820,364.41 (0.40) | 0.00 (0) | 0.0 |
| Total | 5,981 | 304 | 3,542 | 7 | 2,128 | 3,706,833,261.69 | 1,629,083,234.56 | 619.49 |

Note: All figures in parenthesis () indicate percentages

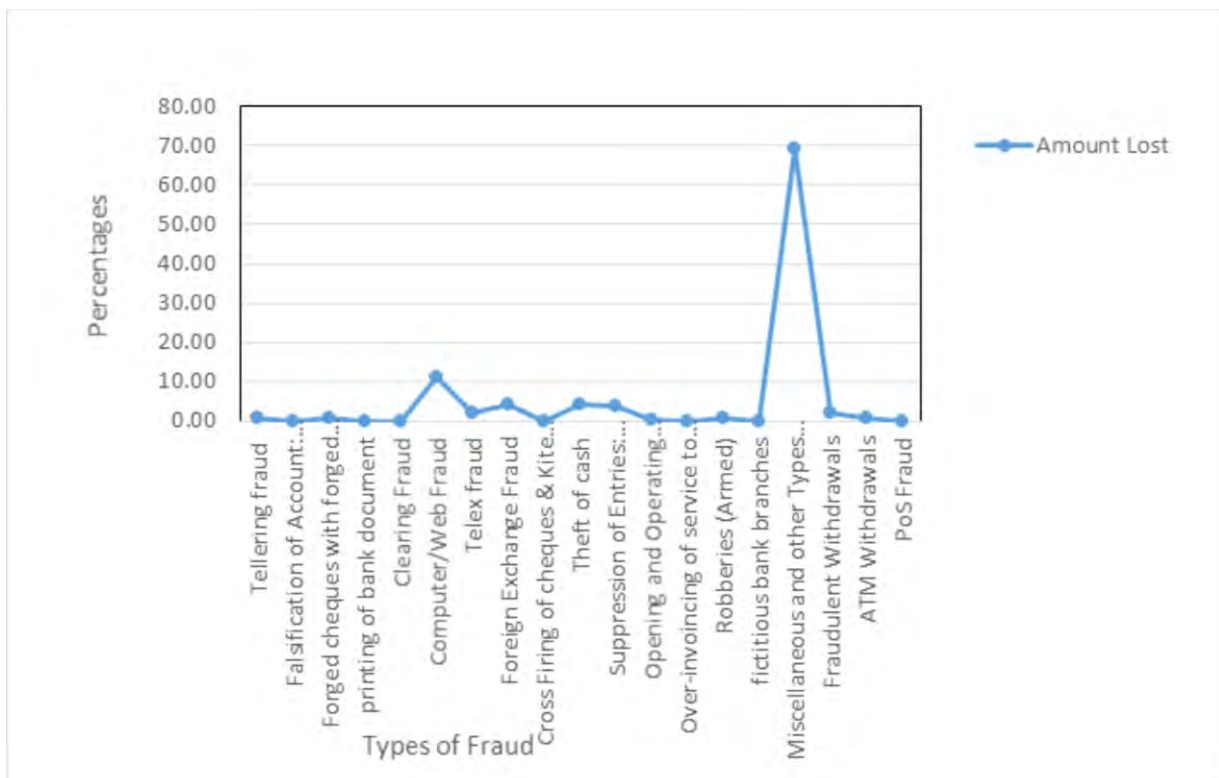
Appendix II (B)

Percentage Distribution of Amount Involved in Frauds and Forgeries (Third Quarter, 2017)



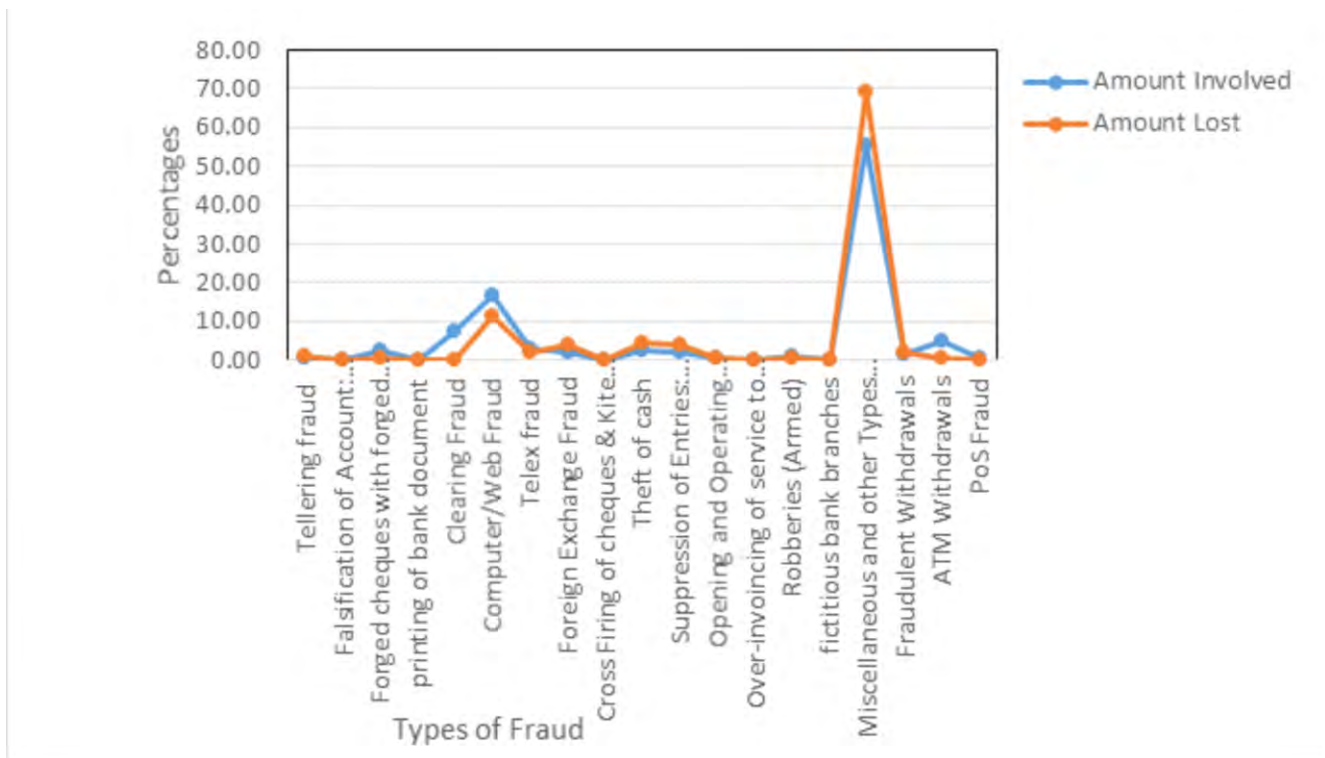
Appendix II (C)

Percentage Distribution of Amount lost to Frauds and Forgeries (Third Quarter, 2017)



Appendix II (D)

Percentage Distribution of Amount Involved in and the Amount Lost to Frauds and Forgeries (Third Quarter, 2017)



Appendix III (A)

Frauds and Forgeries through various Payment Channels: A Comparison between Second and Third Quarters, 2017

| S/N | Channels | Cases: Second Quarter, 2017 | Cases: Third Quarter, 2017 |
|-----|--------------|-----------------------------|----------------------------|
| 1 | Web | 1,060 | 1,389 |
| 2 | ATM | 2,423 | 3,098 |
| 3 | Bank Branch | 317 | 545 |
| 4 | Mobile | 691 | 595 |
| 5 | POS | 162 | 160 |
| 6 | Van | 0 | 0 |
| 7 | Agent | 54 | 194 |
| | Total | 4,707 | 5,981 |

Appendix III (B)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison (Second and Third Quarters, 2017)

| S/N | Channel | Amount Involved, Second Quarter, 2017 (₦) | Amount Involved, Third Quarter, 2017 (₦) | Amount Lost, Second Quarter, 2017 (₦) | Amount Lost, Third Quarter, 2017 (₦) |
|-----|--------------|---|--|---------------------------------------|--------------------------------------|
| 1 | Web | 1,047,421,665.95 | 621,829,470.42 | 75,005,052.35 | 184,368,312.57 |
| 2 | ATM | 133,371,079.43 | 186,669,638.53 | 8,575,600.00 | 9,694,474.58 |
| 3 | Bank Branch | 840,283,688.26 | 2,428,008,417.94 | 233,426,774.40 | 1,336,676,139.74 |
| 4 | Mobile | 102,560,963.69 | 103,782,272.04 | 51,967,991.04 | 32,209,735.10 |
| 5 | POS | 23,051,471.46 | 14,820,364.41 | - | - |
| 6 | Van | - | - | - | - |
| 7 | Agent | 57,011,891.58 | 351,723,098.37 | 15,752,914.96 | 66,134,572.57 |
| | Total | 2,203,700,760.35 | 3,706,833,261.69 | 384,728,332.75 | 1,629,083,234.56 |

Appendix III (C)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison between Second and Third Quarters, 2017



Appendix IV (A)

Frauds and Forgeries through various Instruments: A Comparison between Second and Third Quarters, 2017

| S/N | Instruments | Cases: Second Quarter, 2017 | Cases: Third Quarter, 2017 |
|-----|--------------|-----------------------------|----------------------------|
| 1 | Cash | 346 | 643 |
| 2 | Cheques | 22 | 93 |
| | Cards | 4,336 | 5,242 |
| 4 | Slips | 3 | 3 |
| | Total | 4,707 | 5,981 |

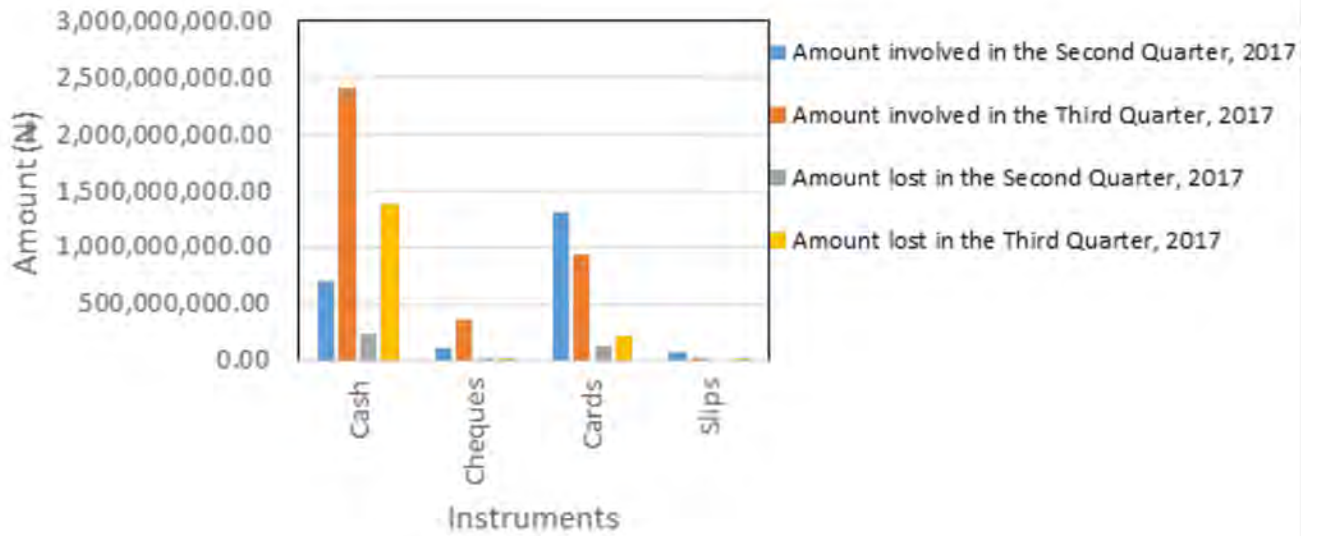
Appendix IV (B)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison (Second and Third Quarters, 2017)

| S/N | Instruments | Amount Involved, Second Quarter, 2017 (₦) | Amount Involved, Third Quarter, 2017 (₦) | Amount Lost, Second Quarter, 2017 (₦) | Amount Lost, Third Quarter, 2017 (₦) |
|-----|--------------|---|--|---------------------------------------|--------------------------------------|
| 1 | Cash | 705,573,906.83 | 2,410,066,495.82 | 234,439,689.36 | 1,387,173,458.05 |
| 2 | Cheques | 114,118,673.00 | 364,184,509.23 | 14,740,000.00 | 11,215,743.01 |
| 3 | Cards | 1,306,405,180.52 | 927,101,745.39 | 135,548,643.39 | 226,272,522.25 |
| 4 | Slips | 77,603,000.00 | 5,480,511.25 | - | 4,421,511.25 |
| | Total | 2,203,700,760.35 | 3,706,833,261.69 | 384,728,332.75 | 1,629,083,234.56 |

Appendix IV (C)

**Amount Involved and Amount Lost to Fraud through various Instruments of Transaction:
A Comparison (Second and Third Quarters, 2017)**



Report on Frauds & Forgeries in the Nigerian Banking Industry

Fourth Quarter, 2017

Overview

In the fourth quarter of 2017, FITC received a total of 68 returns from 23 deposit money banks¹ on the incidences of fraud and forgery that occurred in their organisations during the period. Twenty three (23) of the returns were received for the month of October, while 22 and 23 returns were received for the months of November and December, 2017 respectively.

Volume and Value of Fraud Cases

A total of 6,233 cases² of fraud and forgery were reported in the fourth quarter of 2017, compared to 5,981 cases reported in the third quarter of 2017. This indicates that reported cases of fraud in the banking industry increased by 4.21 per cent between the periods. The types of fraud predominant in occurrence include fraudulent ATM Withdrawals, Computer/Web fraud, Mobile Banking fraud, PoS fraud, and Suppression of Entries. Appendices I and II, detail the fraud incidences that occurred during the period, with graphical illustrations.

During the period, total amount³ reported to be involved in fraud cases increased from N3.71 billion in the preceding quarter to N4.24 billion in the review period, indicating 14.41 per

cent rise. The difference of N534 million was likely to have been recovered through the combined efforts of banks' dogged internal control systems and assistance from relevant government agencies, such as the anti-graft and law enforcement agencies.

A ranking of the fraud types according to the amount involved per **Appendix II (A)**, shows that PoS fraud ranked first at N1.24 billion (29.32 per cent), Miscellaneous⁴ and Other Types of fraud ranked second at N1.10 billion (25.90 per cent), Computer/Web fraud ranked third at N583.55 million (13.76 per cent), while fraudulent ATM Withdrawals ranked fourth at N376.61 million (8.88 per cent). A graphical illustration of the amount reported to be involved in fraud and forgery during the period under review is provided in **Appendix II (B)**.

Further analysis of the returns shows that PoS fraud accounted for N492.03 million (44.66 per cent) of the total amount that was actually lost to fraud incidences during the review period. Computer/Web fraud accounted for N317.28 million (28.80 per cent), and fraudulent withdrawals accounted for N80.37 million (7.30 per cent). **Appendix II (C)** shows the amount reportedly 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 perpetuate fraud. This include the ATM, Web, mobile banking channels, bank branches, agent banking and PoS (point of sale) channels. On the other hand, the instruments mostly used by the fraudsters to carry out fraudulent activities were cards, cash and cheques.

An analysis of the banks' returns according to the payment channels shows that the amount involved in fraud incidents decreased on three parameters (Bank branches, Web and Agent banking) while it increased on three other parameters (PoS, ATM and mobile banking channels). **Appendix III (B)** shows that fraud through banks' branch and Web declined significantly by 26.99 per cent and 6.16 per cent in the review period to N1.77 billion and N583.55 million, from N2.43 billion and N621.83 million respectively. Similarly, fraud through agent banking plummeted significantly by

82.96 per cent during the review quarter to N59.92 million from N351.72 million in the previous quarter. However, fraud incidences through PoS and ATM increased considerably from N14.82 million and N186.67 million in the preceding quarter, to N1.24 billion and N376.61 million, indicating a surge of 8,290.31 per cent and 101.75 per cent respectively. In the same vein, fraud occurrence through mobile banking channel increased by 97.04 per cent from N103.78 million in the preceding quarter, to N103.78 million in the current quarter. It is imperative to note that there was a remarkable decline in the amount actually lost to fraud through banks' branch which dropped to N183.02 million, from N1.34 billion reported in the preceding quarter.

Further analysis of fraud by instruments of transaction reveals that fraudsters made attempts through the use of cash, cards and cheques in the review quarter. **Appendix IV (B)** shows that the amount involved in fraud attempts through the use of cash and cheques declined by 31.44 per cent and 50.47 per cent, from N2.41 billion and N364.18 million in the preceding quarter, to N1.65 billion and N180.36 million respectively in the fourth quarter. However, fraud attempts through the use of cards snowballed by 159.75 per cent to N2.41 billion from N927.10 million in the preceding period. Additional details on the channels and instruments that were used to perpetrate fraud

in the fourth quarter of 2017 are graphically illustrated in **Appendices III and IV**.

During the fourth quarter of 2017, banks reported termination of forty (40) employees for involvement in fraud related practices. This indicates a considerable decrease of 32.20 per cent in the number of banks' employees whose appointments were terminated compared to the preceding period where fifty-nine (59) banks' staff were retrenched on similar offences. Comparing the number of employees whose appointments were terminated on the grounds of fraud related crimes in the corresponding period of 2016, the figure decreased considerably by 23.08 per cent.

Conclusion and Recommendations

Analysis of fraud and forgery incidences in the Nigerian banking industry in the fourth quarter of 2017, shows mixed performance per the parameters assessed. For instance, the number of fraud cases reported during the period increased from 5,981 to 6,233 signifying an increase of 4.21 per cent. In addition, the total amount that was reported to be involved in fraud increased to N4.24 billion from N3.71 billion in the preceding quarter, indicating 14.41 per cent upswing. However, total amount lost to fraud dipped by 32.38 per cent to N1.10 billion in the review quarter from N1.63 billion reported in the preceding quarter, and the total number of employee terminated decreased

from 59 to 40.

The analysis further reveals an increase in the number of electronic fraud⁵ incidents by 11.12 per cent, from 5,242 in the preceding quarter to 5,825 in the review quarter. Similarly, amount involved in and lost to electronic fraud increased to N2.41 billion and N885.79 million from N927.10 million and N226.27 million reported in the third quarter of 2017. Indicating an increase of 159.75 per cent and 291.47 per cent respectively.

On the whole, comparing the analysis of the fourth quarter 2017 fraud and forgery returns from the banks to performance in the preceding quarter, most of the assessed indices did not show satisfactory improvements. It is disheartening to know that electronic fraud contributed 80.41 per cent to the total amount that was actually lost to fraud in the review period. In view of these findings, FITC recommends that banks pay closer attention to their security systems and in particular, expand counter fraud strategies on their electronic payment platforms.

(Please see the appendices below for summaries of the cases of fraud and forgery covered in this report, comparison between the third and fourth quarters of 2017, as well as comparison between the fourth quarters of 2016 and 2017 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: Miscellaneous fraud include unauthorised debit, fraudulent diversions of customers’ fund for personal use, fraudulent debit of customers’ accounts, fraudulent debit of inter-branch suspense accounts, conversion of dividend warrants, dry postings, diversion of deposits, and misappropriation of funds etc.

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

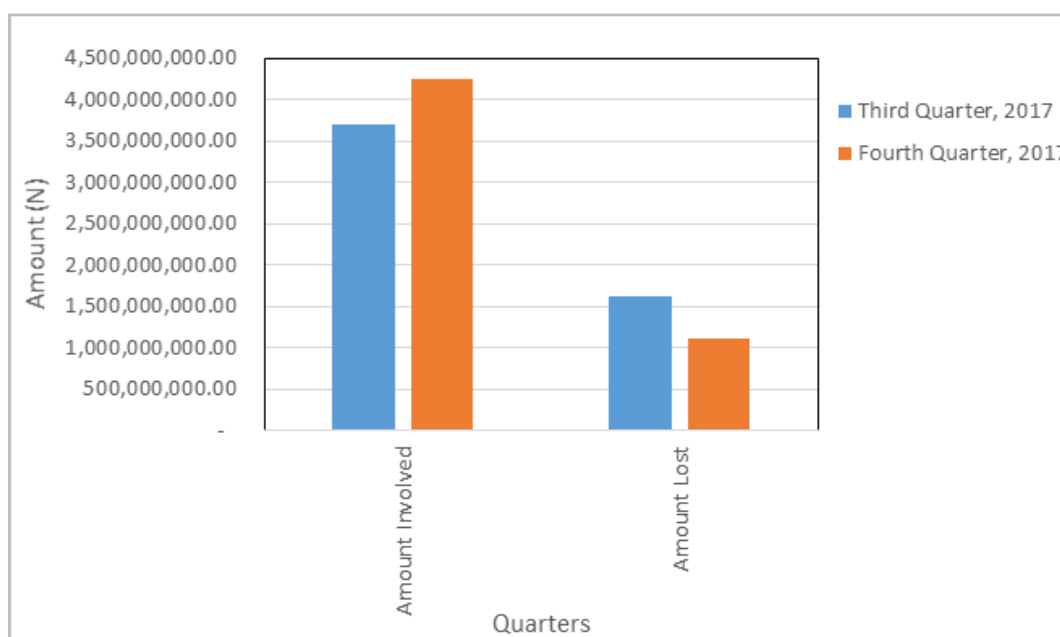
Appendix I (A)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Third and Fourth Quarters, 2017

| S/N | Variables | Third Quarter, 2017 | Fourth Quarter, 2017 |
|-----|-----------------------------|---------------------|----------------------|
| 1 | Total Cases reported | 5,981 | 6,233 |
| 2 | Total Amount Involved | ₦3,706,833,261.69 | ₦4,240,845,904.59 |
| 3 | Total Amount Lost | ₦1,629,083,234.56 | ₦1,101,639,419.98 |
| 4 | Outsider Involvement | 3,542 | 3,813 |
| 5 | Insider (Staff) Involvement | 304 | 324 |
| 6 | Appointments Terminated | 59 | 40 |

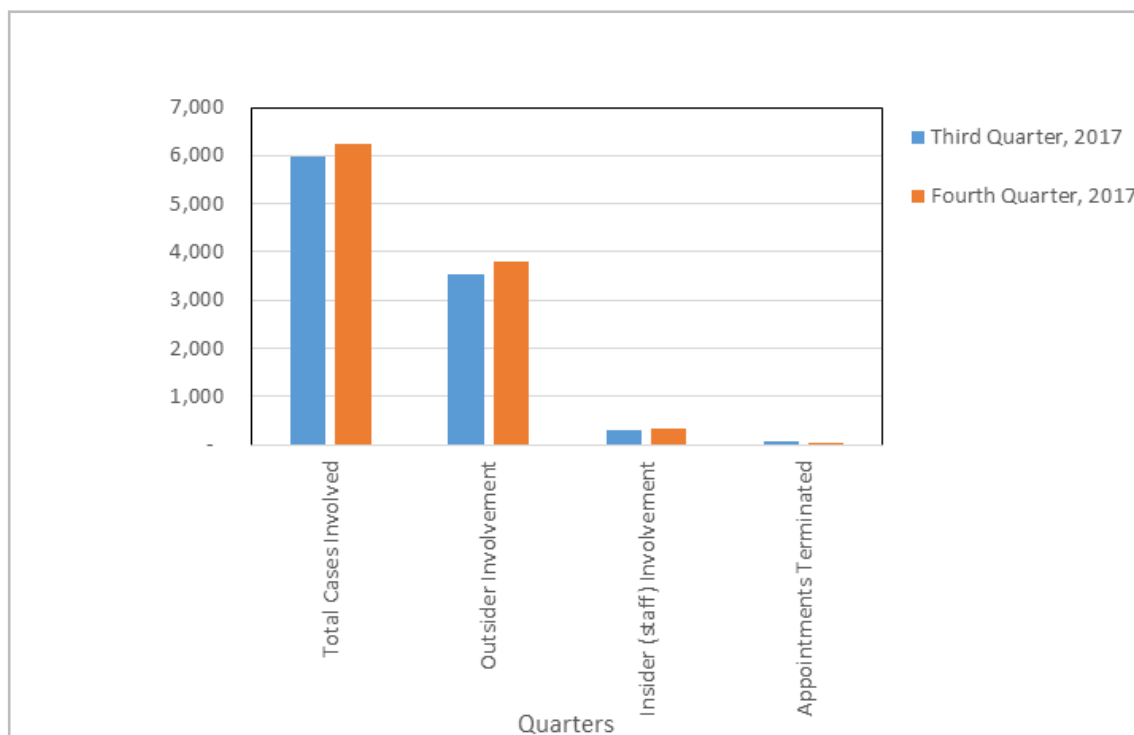
Appendix I (B)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Third and Fourth Quarters, 2017



Appendix I (C)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Third and Fourth Quarters, 2017



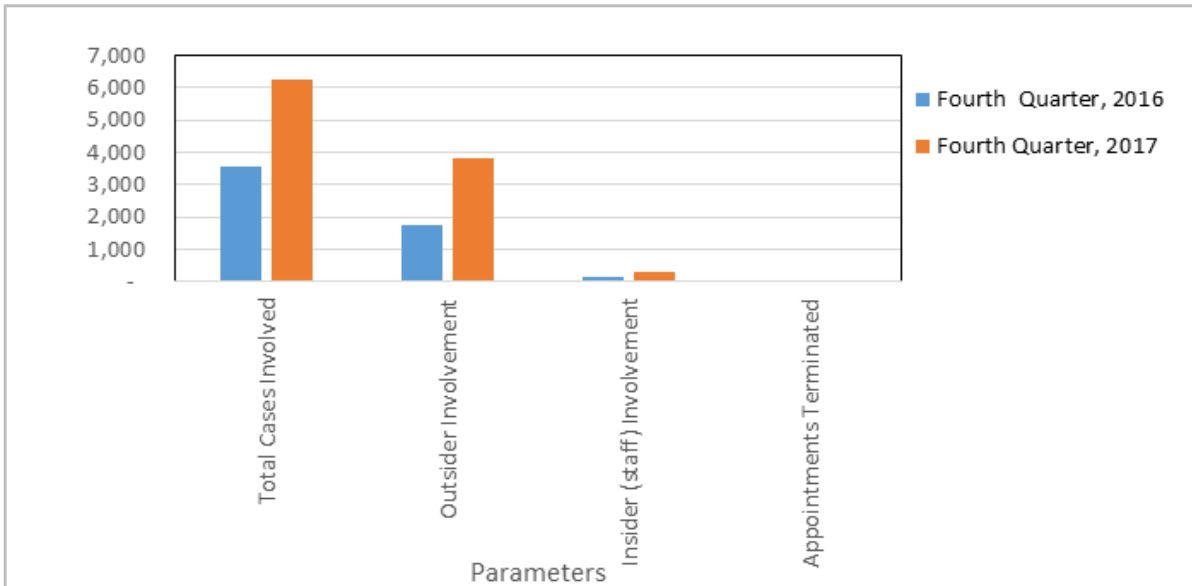
Appendix I (D)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter, 2016 and Fourth Quarter, 2017

| S/N | Variables | Fourth Quarter, 2016 | Fourth Quarter, 2017 |
|-----|-----------------------------|----------------------|----------------------|
| 1 | Total Cases Involved | 3,547 | 6,233 |
| 2 | Total Amount Involved | ₦ 6,746,189,250.57 | ₦4,240,845,904.59 |
| 3 | Total Amount Lost | ₦ 369,737,958.38 | ₦1,101,639,419.98 |
| 4 | Outsider Involvement | 1,763 | 3,813 |
| 5 | Insider (Staff) Involvement | 142 | 324 |
| 6 | Appointments Terminated | 52 | 40 |

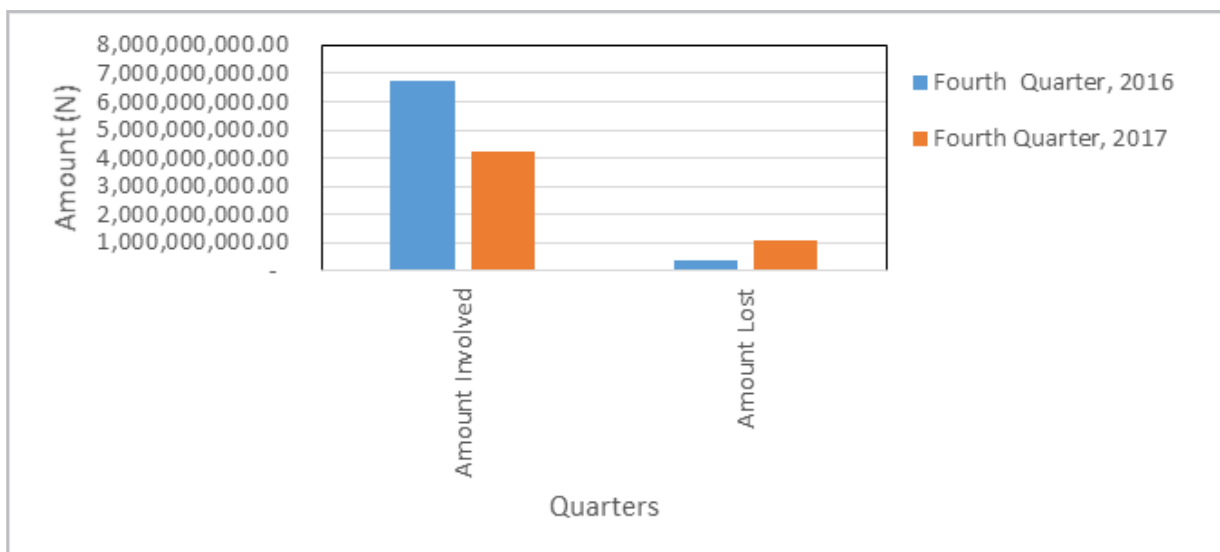
Appendix I (E)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter, 2016 and Fourth Quarter, 2017



Appendix I (F)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second Quarter, 2016 and Second Quarter, 2017



Appendix II (A): Frauds and Forgeries in the Nigerian Banking Industry (Fourth Quarter, 2017)

| 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 | 19 (0.30) | 19 (5.86) | 0 (0) | 0 (0) | 0 (0) | 4,586,815.00 (0.11) | 2,292,015.00 (0.21) | 50 |
| Falsification of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts | 4 (0) | 0 (0.06) | 4 (0.10) | 0 (0) | 0 (0) | 150,000.00 (0) | 0.00 (0) | 0 |
| Forged Cheques with Forged Signature | 22 (0.35) | 2 (0.62) | 17 (0.45) | 0 (0) | 3 (0.14) | 148,239,406.01 (3.50) | 5,893,000.00 (0.53) | 4.0 |
| Printing of Bank Document Illegally | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0.00 (0) | 0.00 (0) | 0 |
| Clearing Fraud | 7 (0.11) | 2 (0.62) | 4 (0.10) | 0 (0) | 1 (0.05) | 31,973,674.62 (0.75) | 15,348,630.00 (1.39) | 48.0 |
| Computer/Web Fraud | 1,400 (22.46) | 35 (10.80) | 392 (10.28) | 0 (0) | 973 (46.56) | 583,547,061.87 (13.76) | 317,282,661.58 (28.80) | 54.4 |
| Mobile Fraud | 1,240 (19.89) | 29 (8.95) | 843 (22.11) | 3 (50) | 365 (17.46) | 204,493,480.36 (4.82) | 13,744,074.51 (1.25) | 6.7 |
| Foreign Exchange Fraud | 62 (0.99) | 1 (0.31) | 59 (1.55) | 0 (0) | 2 (0.10) | 27,944,782.94 (0.66) | 17,479,963.46 (1.59) | 62.6 |
| Cross Firing of Cheques and Kite Flying | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0.00 (0) | 0.00 (0) | 0 |

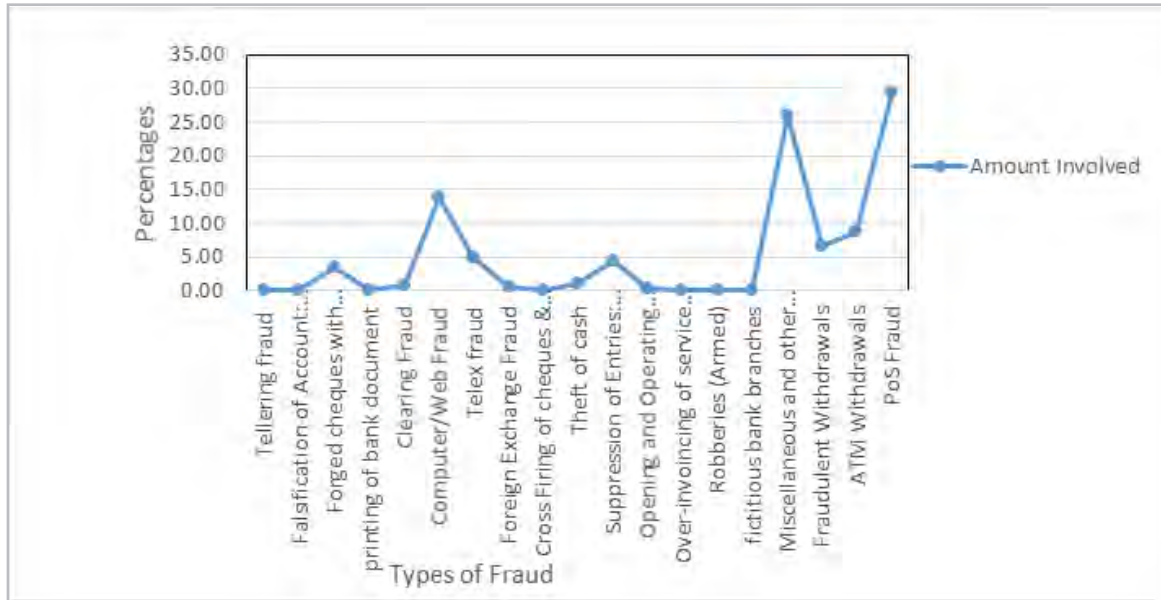
Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry (Fourth Quarter, 2017)

| 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 | 13 (0.21) | 11 (3.40) | 1 (0.03) | 0 (0) | 1 (0.05) | 39,576,100.00 (0.93) | 29,491,500.00 (2.68) | 74.5 |
| Suppression of Entries: Cash/Cheques | 108 (1.73) | 108 (33.33) | 0 (0) | 0 (0) | 0 (0) | 187,038,943.48 (4.41) | 44,698,510.00 (4.06) | 23.9 |
| Opening and Operating Fraudulent Loans and Accounts | 37 (0.59) | 3 (0.93) | 34 (0.89) | 0 (0) | 0 (0) | 18,713,187.34 (0.44) | 2,592,500.00 (0.24) | 13.9 |
| Over-Invoicing of Service to the Bank | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 |
| Robberies (Armed) | 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 (0.90) | 37 (11.42) | 7 (0.18) | 2 (33.33) | 10 (0.48) | 1,098,202,246.20 (25.90) | 17,685,253.33 (1.61) | 1.6 |
| Fraudulent Withdrawals | 80 (1.28) | 12 (3.70) | 11 (0.29) | 1 (16.67) | 56 (2.68) | 276,299,978.60 (6.52) | 80,368,753.14 (7.30) | 29.1 |
| ATM Withdrawals | 3,038 (48.74) | 60 (18.52) | 2,313 (60.66) | 0 (0) | 665 (31.82) | 376,606,020.80 (8.88) | 62,729,287.88 (5.69) | 16.7 |
| PoS Fraud | 147 (2.36) | 5 (1.54) | 128 (3.36) | 0 (0) | 14 (0.67) | 1,243,474,207.37 (29.32) | 492,033,271.08 (44.66) | 39.6 |
| Total | 6,233 | 324 | 3,813 | 6 | 2,090 | 4,240,845,904.59 | 1,101,639,419.98 | 424.79 |

Note: All figures in parenthesis () indicate percentages

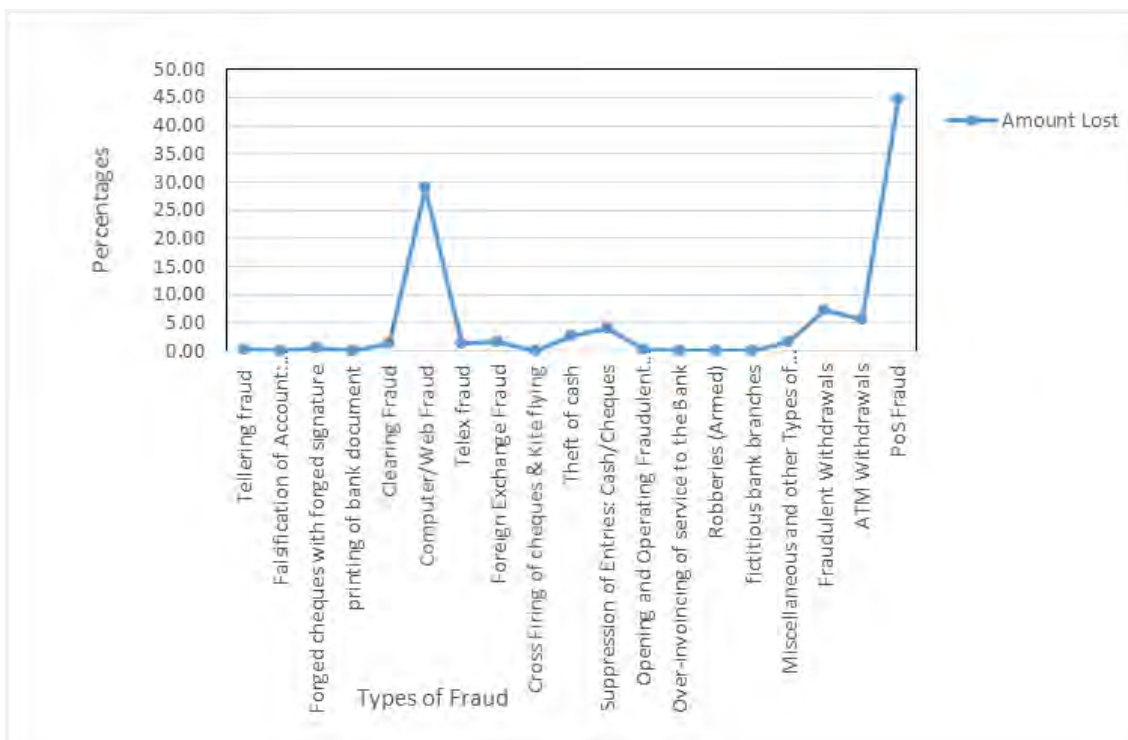
Appendix II (B)

Percentage Distribution of Amount Involved in Frauds and Forgeries (Fourth Quarter, 2017)



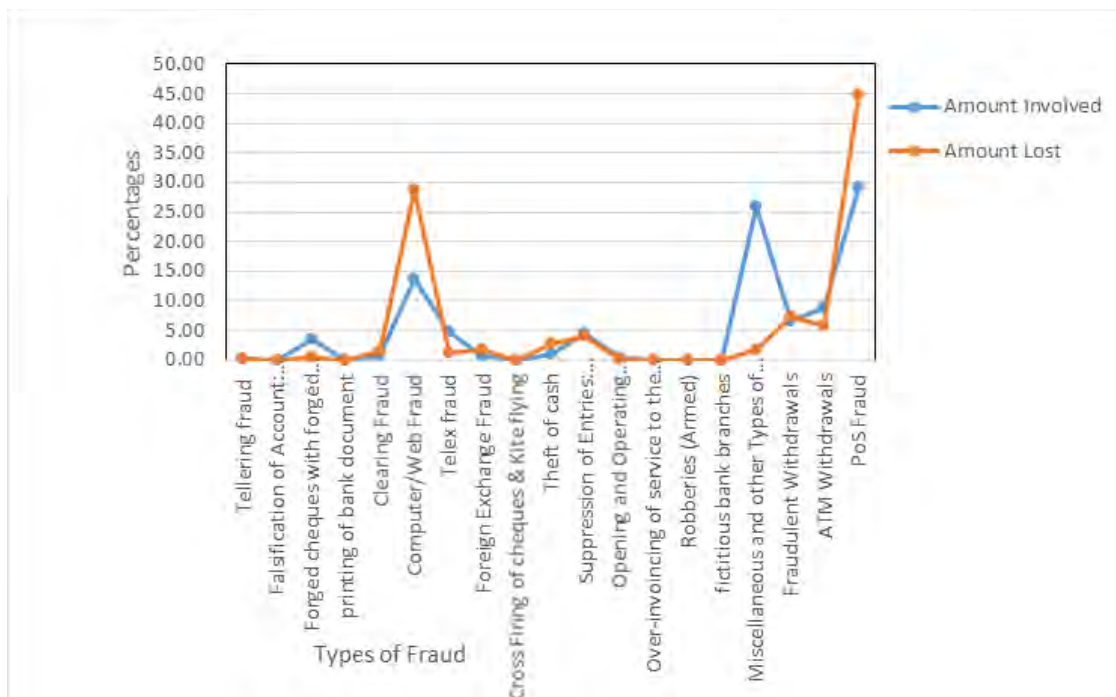
Appendix II (C)

Percentage Distribution of Amount Lost to Frauds and Forgeries (Fourth Quarter, 2017)



Appendix II (D)

Percentage Distribution of Amount Involved in and the Amount Lost to Frauds and Forgeries (Fourth Quarter, 2017)



Appendix III (A)

Frauds and Forgeries through various Payment Channels: A Comparison between Third and Fourth Quarters, 2017)

| S/N | Channels | Cases: Third Quarter, 2017 | Cases: Fourth Quarter, 2017 |
|-----|--------------|----------------------------|-----------------------------|
| 1 | Web | 1,389 | 1,400 |
| 2 | ATM | 3,098 | 3,038 |
| 3 | Bank Branch | 545 | 339 |
| 4 | Mobile | 595 | 1,240 |
| 5 | POS | 160 | 147 |
| 6 | Van | 0 | 0 |
| 7 | Agent | 194 | 69 |
| | Total | 5,981 | 6,233 |

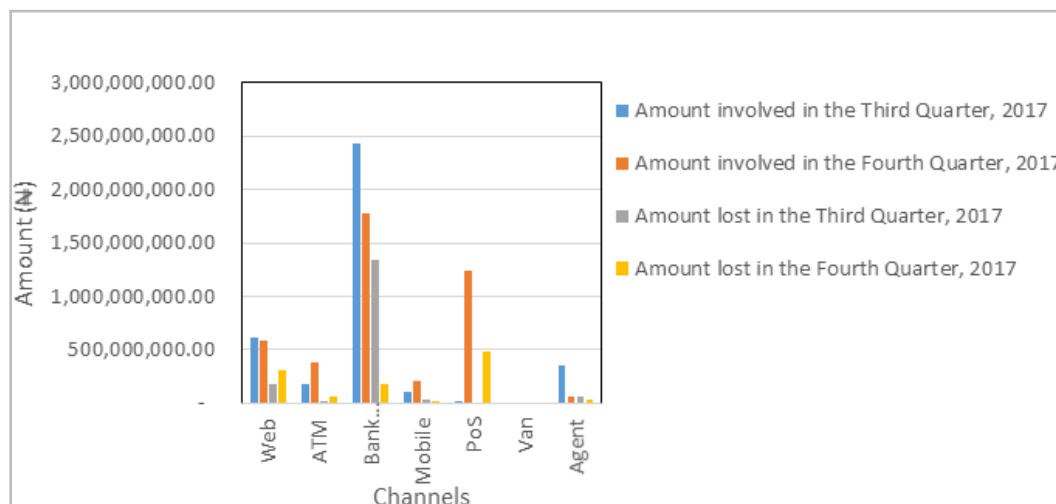
Appendix III (B)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison between Third and Fourth Quarters, 2017

| S/N | Channel | Amount Involved, Third Quarter, 2017 (₦) | Amount Involved, Fourth Quarter, 2017 (₦) | Amount Lost, Third Quarter, 2017 (₦) | Amount Lost, Fourth Quarter, 2017 (₦) |
|-----|--------------|---|--|---|--|
| 1 | Web | 621,829,470.42 | 583,547,061.87 | 184,368,312.57 | 317,282,661.58 |
| 2 | ATM | 186,669,638.53 | 376,606,020.80 | 9,694,474.58 | 62,729,287.88 |
| 3 | Bank Branch | 2,428,008,417.94 | 1,772,806,676.63 | 1,336,676,139.74 | 183,021,531.47 |
| 4 | Mobile | 103,782,272.04 | 204,493,480.36 | 32,209,735.10 | 13,744,074.51 |
| 5 | POS | 14,820,364.41 | 1,243,474,207.37 | - | 492,033,271.08 |
| 6 | Van | - | - | - | - |
| 7 | Agent | 351,723,098.37 | 59,918,457.56 | 66,134,572.57 | 32,828,593.46 |
| | Total | 3,706,833,261.69 | 4,240,845,904.59 | 1,629,083,234.56 | 1,101,639,419.98 |

Appendix III (C)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison between Third and Fourth Quarters, 2017



Appendix IV (A)

Frauds and Forgeries through various Instruments: A Comparison between Third and Fourth Quarters, 2017

| S/N | Instruments | Cases: Third Quarter, 2017 | Cases: Fourth Quarter, 2017 |
|-----|--------------|----------------------------|-----------------------------|
| 1 | Cash | 643 | 378 |
| 2 | Cheques | 93 | 30 |
| 3 | Cards | 5,242 | 5,825 |
| 4 | Slips | 3 | 0 |
| | Total | 5,981 | 6,233 |

Appendix IV (B)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison between Third and Fourth Quarters, 2017

| S/N | Instruments | Amount Involved, Third Quarter, 2017 (₦) | Amount Involved, Fourth Quarter, 2017 (₦) | Amount Lost, Third Quarter, 2017 (₦) | Amount Lost, Fourth Quarter, 2017 (₦) |
|-----|--------------|---|--|---|--|
| 1 | Cash | 2,410,066,495.82 | 1,652,362,053.56 | 1,387,173,458.05 | 194,608,494.93 |
| 2 | Cheques | 364,184,509.23 | 180,363,080.63 | 11,215,743.01 | 21,241,630.00 |
| 3 | Cards | 927,101,745.39 | 2,408,120,770.40 | 226,272,522.25 | 885,789,295.05 |
| 4 | Slips | 5,480,511.25 | 0 | 4,421,511.25 | 0 |
| | Total | 3,706,833,261.69 | 4,240,845,904.59 | 1,629,083,234.56 | 1,101,639,419.98 |

Appendix IV (C)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison between Third and Fourth Quarter, 2017

