

Report on Frauds & Forgeries in Banks



First Quarter - Fourth Quarter, 2018



FITC's Fraud and Forgery report is designed to present an outlook on incidences and trends of fraud in the Nigerian Banking Sector, on quarterly epoch. The report also highlights actions taken to mitigate the occurrence of fraud in Nigerian banks. It is directed at a wide spectrum of readers, including financial analysts in government and the private sector. FITC neither accepts nor assumes any liability or duty of care for any other purpose, save where expressly agreed by our prior consent in writing.

Table of Contents

Title	Page
Discalimer	2
Quarter 1	4
Quarter 2	14
Quarter 3	26
Quarter 4	32

Quarter

1

Report on Frauds & Forgeries in the Nigerian Banking Industry

First Quarter, 2018

Overview

In the first quarter of 2018, FITC received a total of 65 returns from 22 deposit money banks¹ on the incidences of fraud and forgery that occurred in their organisations during the period. Twenty two (22) returns were received for each of the months of January and February, while 21 returns were received for March, 2018.

Volume and Value of Fraud Cases

A total of 6,607 cases² of fraud and forgery were reported in the first quarter of 2018, compared to 6,233 reported cases in the fourth quarter of 2017, indicating that reported cases of fraud in the banking industry increased by 6 per cent between the periods. The most foremost types of fraud include fraudulent ATM Withdrawals, Mobile Banking fraud, Computer/Web fraud, PoS fraud, and Suppression of Entries. Details of the fraud incidences that occurred during the period are graphical illustrated in **Appendices I and II**.

During the period, total amount³ reported to be involved in fraud cases decreased from N4.24 billion in the preceding quarter to N3.42 billion in the review period, thus indicating 19.31 per cent reduction. The difference of

N818.75 million was recovered through the collective efforts of banks' tenacious 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 Miscellaneous⁴ and Other Types of Fraud ranked first at N1.07 billion (31.13 per cent), Theft of Cash fraud ranked second at N542.66 million (15.86 per cent), Computer/Web fraud ranked third at N439.37 million (12.84 per cent) and Mobile Banking fraud ranked fourth at N342.35 million (10 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 Miscellaneous and Other Types of fraud accounted for N519.58 million (43.05 per cent) of the total amount that was actually lost to fraud incidences during the review period. Foreign Exchange fraud accounted for N308.48 million (25.56 per cent) and Computer/Web fraud accounted for N106.21 million (8.80 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 deployed different channels to perpetuate fraud. These channels include the ATM, web, mobile banking platforms, bank branches, PoS (point of sale) and agent banking channels. On the other hand, the instruments mostly used to carry out fraudulent activities include cards, cash and cheques.

The analysis of banks' returns according to the payment channels shows that the amount involved in fraud incidents increased on three parameters (bank branch, mobile banking and agent banking) while it decreased on two other parameters (ATM and PoS). **Appendix III (B)**, shows that fraud through POS plunged significantly by 99.04 per cent during the review quarter to N11.98 million from N1.24 billion in the previous quarter. Similarly, fraud through web and ATM declined by 24.71 per cent and 44.54 per cent in the review period to N439.37 million and N208.88 million, from

N583.55 million and N376.61 million respectively. However, fraud incidences through bank branch and mobile banking increased considerably from N1.77 billion and N204.49 million in the preceding quarter, to N2.07 billion and N342.35 million, representing increase of 16.59 per cent and 67.41 per cent respectively. In the same vein, fraud occurrence through agent channel increased significantly by 488.63 per cent from N59.92 million in the preceding quarter, to N352.70 million in the current quarter.

Further analysis shows that the amount lost to fraud through web and ATM decreased considerably by 66.53 per cent and 65.52 per cent in the review period to N106.21 million and N21.63 million, from N317.28 million and N62.73 million respectively. Similarly, amount lost through PoS payment channel reduced significantly by 99.99 per cent from N492.03 million to N43,000 million in the review quarter. Conversely, amount lost through bank branch and mobile banking increased from N183.02 million and N13.74 million in the preceding quarter, to N678.18 million and N92.26 million, appreciating by 270.55 per cent and 571.28 per cent respectively. In the same vein, fraud occurrence through agent channel increased by 839.68 per cent from N32.83 million in the preceding quarter, to N308.48 million in the review quarter.

Supplementary analysis of fraud by instruments of transaction reveals that perpetrators 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 went up by 36.75 per cent, from N1.65 billion in the preceding quarter to N2.26 billion in the first quarter of 2018. However, fraud attempts through the use of cards and cheques plunged by 58.37 per cent and 14.43 per cent, to N1.41 billion and N154.34 million from N2.41 billion and N180.36 million in the preceding period respectively. Additional details on the channels and instruments that were used to perpetrate fraud in the first quarter of 2018 are graphically illustrated in **Appendices III and IV**.

During the reviewed quarter, banks reported termination of thirty (30) employees for involvement in fraud-related practices. This indicates a considerable decrease of 25 per cent in the number of banks' employees whose appointments were terminated compared to the preceding quarter where forty (40) banks' staff were retrenched for similar offences. Comparing the number of employees whose appointments were terminated on the grounds of fraud related crimes in the corresponding period of 2017, the figure increased by 3.45 per cent.

Conclusion and Recommendations

Analysis of fraud and forgery incidences in the Nigerian banking industry in the first quarter of 2018, shows mixed

performance on the parameters assessed. For instance, the number of fraud cases reported during the period increased from 6,233 to 6,607, signifying a 6 per cent rise. Similarly, the total amount lost to fraud appreciated by 9.55 per cent to N1.21 billion in the review quarter from N1.10 billion reported in the preceding quarter. However, the total amount that was reported to be involved in fraud decreased by 19.31 per cent from N4.24 billion to N3.42 billion in the review quarter, while the total number of employees appointment terminated decreased from 40 to 30.

The analysis further reveals an increase in the number of electronic fraud⁵ incidents by 4.98 per cent, from 5,825 in the preceding quarter to 6,115 in the review quarter. However, amount involved in and lost to electronic fraud decreased to N1.00 billion and N220.14 million from N2.41 billion and N885.79 million reported in the fourth quarter of 2017. Thus indicating a decline of 58.37 per cent and 75.15 per cent respectively. This analysis also reveals that electronic fraud contributed 29.30 per cent and 18.24 per cent to the total amount that was involved in and actually lost to fraud in the review period, respectively.

Largely, the analysis of the first quarter 2018 fraud and forgery returns of banks did not show desired improvements in some of the analysed parameters when compared with report of the preceding quarter. Therefore, there is need for operators and

regulators alike, to commit to new set of cutting-edge technologies as well as initiatives to strengthen operational systems and processes in order to drastically reduce fraud occurrences in the industry.

(Please see the appendices below for summaries of the cases of fraud and forgery covered in this report. Comparison between the fourth quarter of 2017 and

first quarter of 2018, as well as comparison between the first quarters of 2017 and 2018 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.

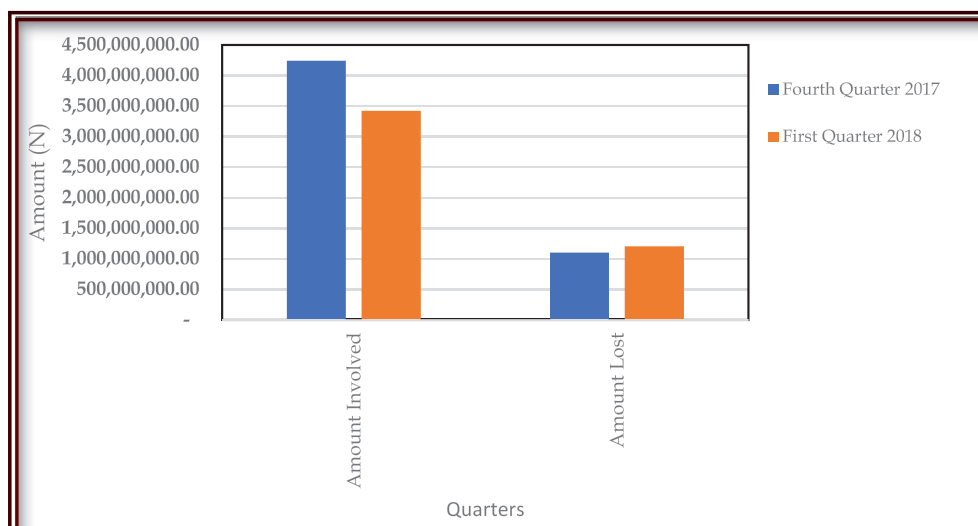
Appendix I (A)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter 2017 and First Quarter, 2018

S/N	Variables	Fourth Quarter, 2017	First Quarter, 2018
1	Total Cases reported	6,233	6,607
2	Total Amount Involved	₦4,240,845,904.59	₦3,422,099,795.52
3	Total Amount Lost	₦1,101,639,419.98	₦1,206,807,240.37
4	Outsider Involvement	3,813	3,923
5	Insider (Staff) Involvement	324	376
6	Appointments Terminated	40	30

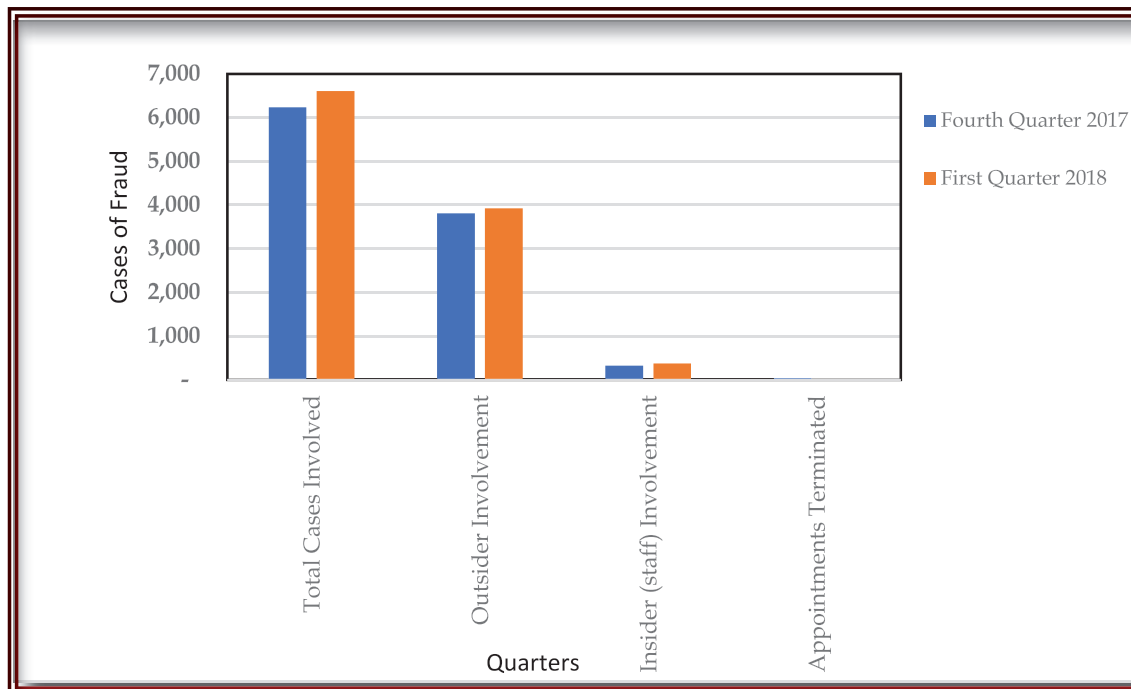
Appendix I (B)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter 2017 and First Quarter, 2018



Appendix I (C)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter 2017 and First Quarter, 2018



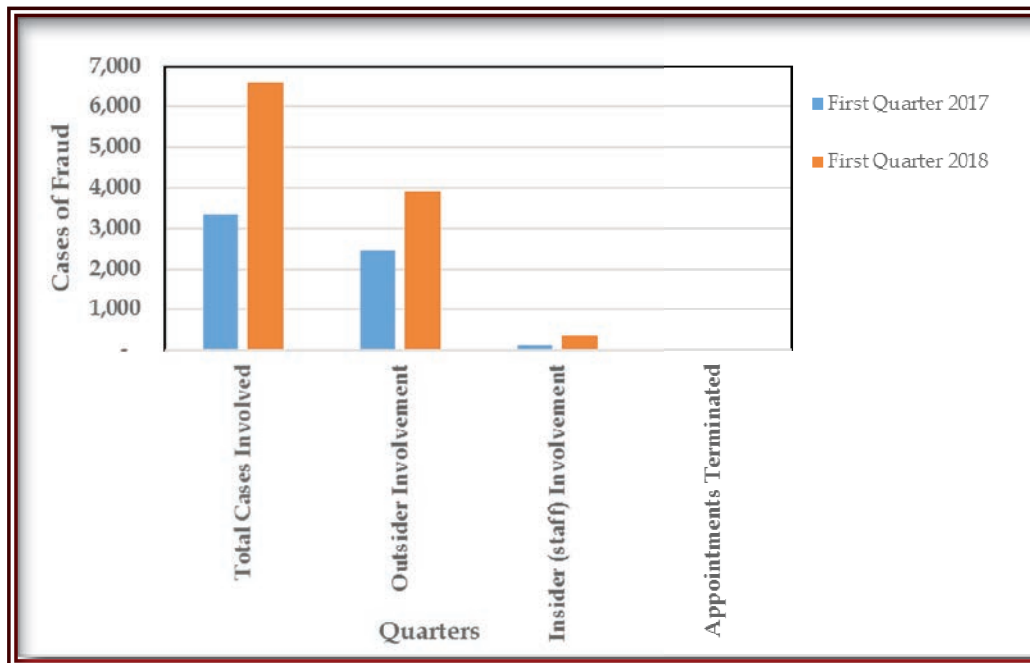
Appendix I (D)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between First Quarter 2017 and First Quarter, 2018

S/N	Variables	First Quarter, 2017	First Quarter, 2018
1	Total Cases Involved	3,350	6,607
2	Total Amount Involved	₦2,309,137,909.14	₦3,422,099,795.52
3	Total Amount Lost	₦105,957,774.45	₦1,206,807,240.37
4	Outsider Involvement	2,475	3,923
5	Insider (Staff) Involvement	121	376
6	Appointments Terminated	29	30

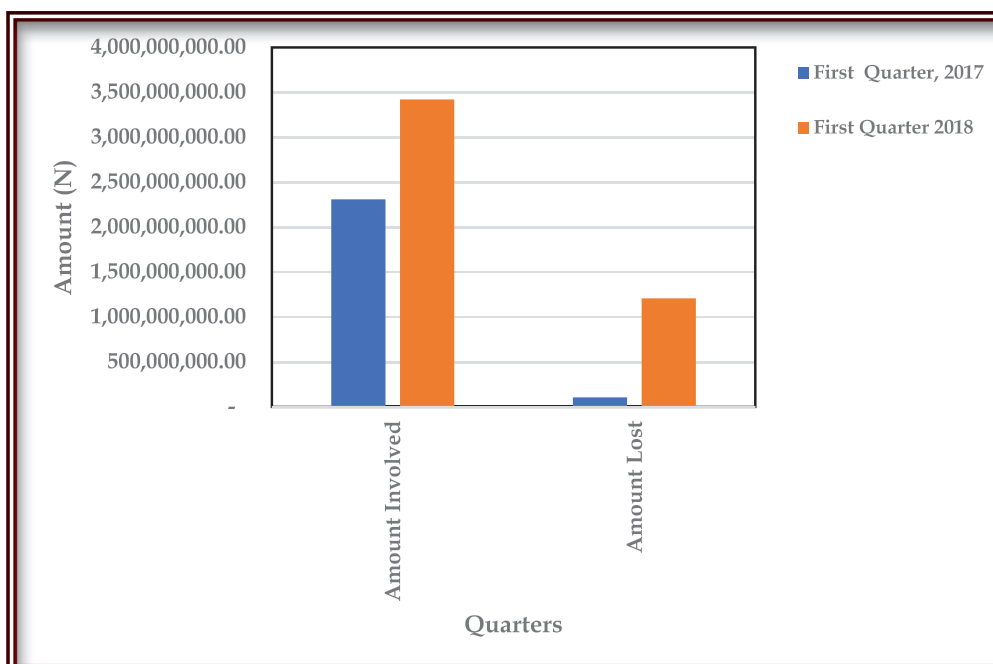
Appendix I (E)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between First Quarter, 2017 and First Quarter, 2018



Appendix I (F)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between First Quarter, 2017 and First Quarter, 2018



Appendix II (A): Frauds and Forgeries in the Nigerian Banking Industry (First Quarter, 2018)

Types of Fraud	Total Number of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (₦)	Actual/Expected Loss (₦)	Expected Loss/Amount Involved (%)
Teller Fraud	7 (0.11)	7 (1.86)	0 (0)	0 (0)	0 (0)	586,400.00 (0.02)	0 (0)	0
Falsification of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts	6 (0.09)	5 (1.33)	1 (0.03)	0 (0)	0 (0)	6,958,238.18 (0.20)	100,000.00 (0.01)	1.4
Forged Cheques with Forged Signature	28 (0.42)	2 (0.53)	20 (0.51)	0 (0)	6 (0.26)	134,056,650.00 (3.92)	300,000.00 (0.02)	0.2
Printing of Bank Document Illegally	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Clearing Fraud	4 (0.06)	0 (0)	3 (0.08)	0 (0)	1 (0.04)	20,287,500.00 (0.59)	0 (0)	0
Computer/Web Fraud	1,276 (19.31)	61 (16.22)	342 (8.72)	0 (0)	873 (37.84)	439,366,034.77 (12.84)	106,208,850.12 (8.80)	24.2
Mobile Fraud	1,827 (27.65)	5 (1.33)	936 (23.86)	0 (0)	886 (38.40)	342,346,624.57 (10.00)	92,261,400.94 (7.65)	0
Foreign Exchange Fraud	97 (1.47)	3 (0.80)	90 (2.29)	0 (0)	4 (0.17)	332,411,147.77 (9.71)	308,482,477.14 (25.56)	92.8
Cross Firing of Cheques and Kite Flying	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)

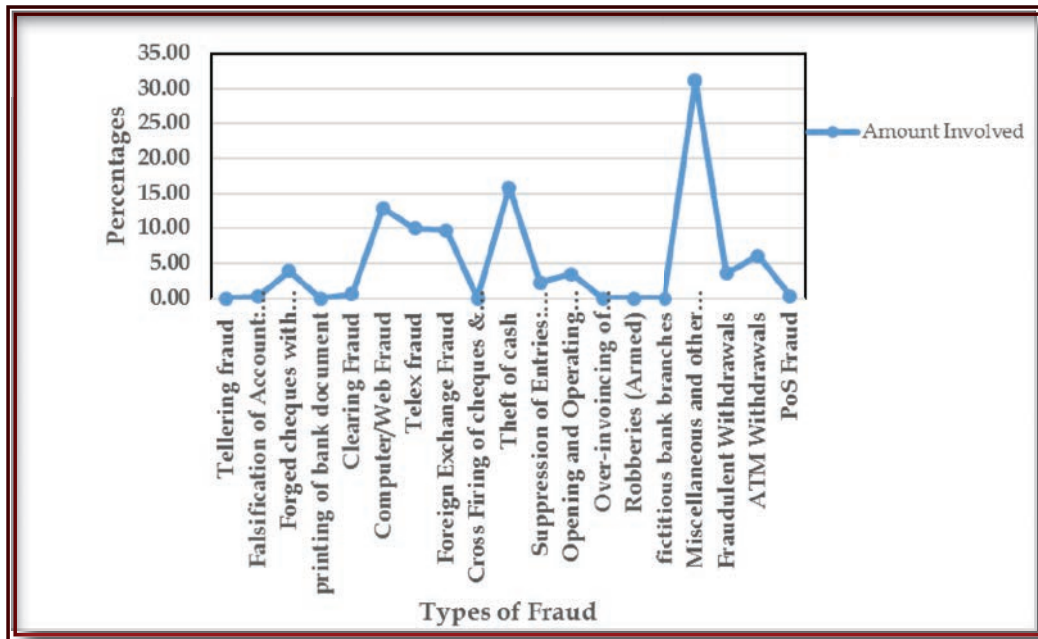
Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry (First Quarter, 2018)

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	21 (0.32)	15 (3.99)	2 (0.05)	0 (0)	4 (0.17)	542,655,977.00 (15.86)	25,235,096.10 (2.09)	4.7
Suppression of Entries: Cash/Cheques	101 (1.53)	101 (26.86)	0 (0)	0 (0)	0 (0)	77,744,917.88 (2.27)	43,589,011.64 (3.61)	56.1
Opening and Operating Fraudulent Loans and Accounts	81 (1.23)	11 (2.93)	62 (1.58)	0 (0)	8 (0.35)	117,488,371.97 (3.43)	8,726,500.00 (0.72)	7.4
Over-Invoicing of Service to the Bank	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Robberies (Armed)	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	62 (0.94)	39 (10.37)	15 (0.38)	0 (0)	8 (0.35)	1,065,459,261.64 (31.13)	519,583,716.18 (43.05)	48.8
Fraudulent Withdrawals	85 (1.29)	33 (8.78)	13 (0.33)	1 (100.00)	38 (1.65)	121,879,790.29 (3.56)	80,649,809.10 (6.68)	66.2
ATM Withdrawals	2,897 (43.85)	86 (22.87)	2,343 (59.72)	0 (0)	468 (20.29)	208,876,584.56 (6.10)	21,627,379.17 (1.79)	10.4
PoS Fraud	115 (1.74)	8 (2.13)	96 (2.45)	0 (0)	11 (0.48)	11,982,296.91 (0.35)	43,000.00 (0.00)	0.40
Total	6,607	376	3,923	1	2,307	3,422,099,795.52	1,206,807,240.37	312.4

Note: All figures in parenthesis () indicate percentages

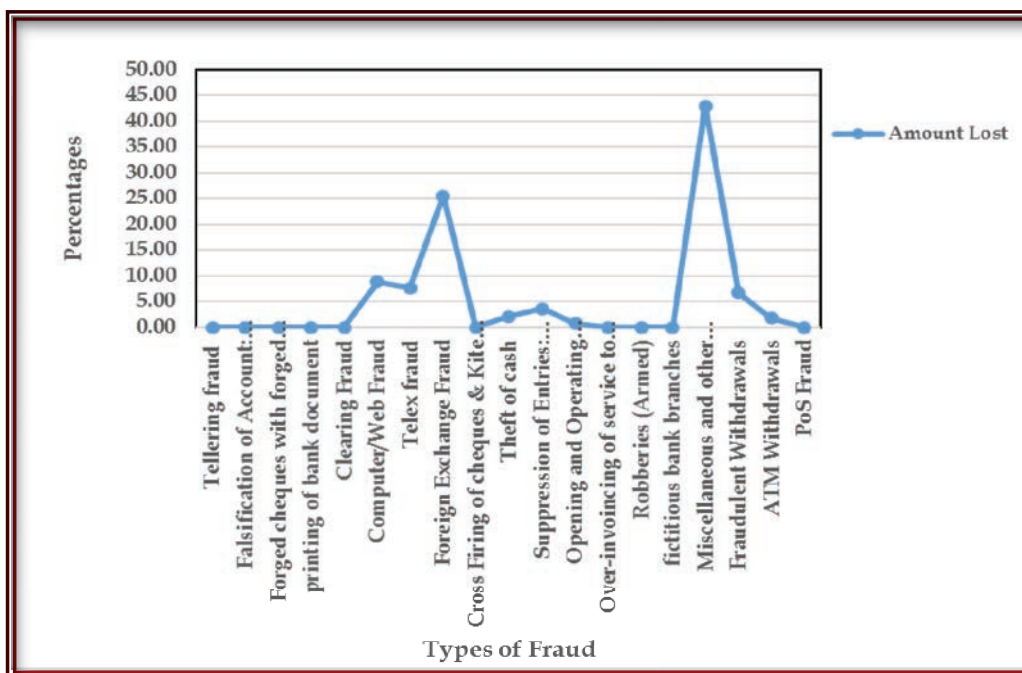
Appendix II (B)

Percentage Distribution of Amount Involved in Frauds and Forgeries (First Quarter, 2018)



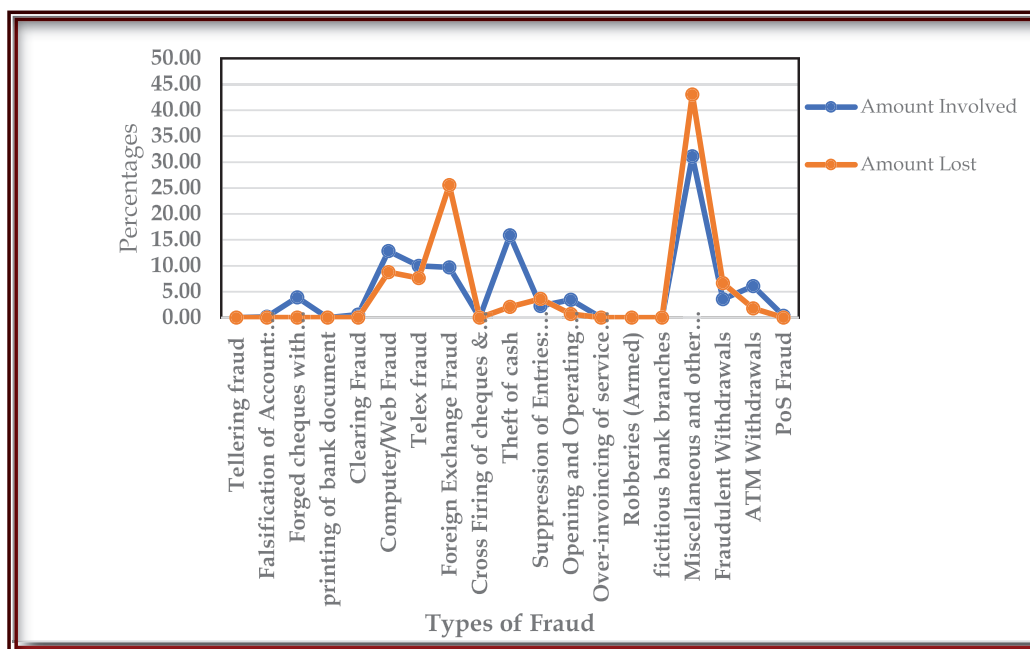
Appendix II (C)

Percentage Distribution of Amount Lost to Frauds and Forgeries (First Quarter, 2018)



Appendix II (D)

Percentage Distribution of Amount Involved in and the Amount Lost to Frauds and Forgeries (First Quarter, 2018)



Appendix III (A)

Frauds and Forgeries through various Payment Channels: A Comparison between Fourth Quarter, 2017 and First Quarter, 2018

S/N	Channels	Cases: Fourth Quarter, 2017	Cases: First Quarter, 2018
1	Web	1,400	1,276
2	ATM	3,038	2,897
3	Bank Branch	339	391
4	Mobile	1,240	1,827
5	POS	147	115
6	Van	0	0
7	Agent	69	101
	Total	6,233	6,607

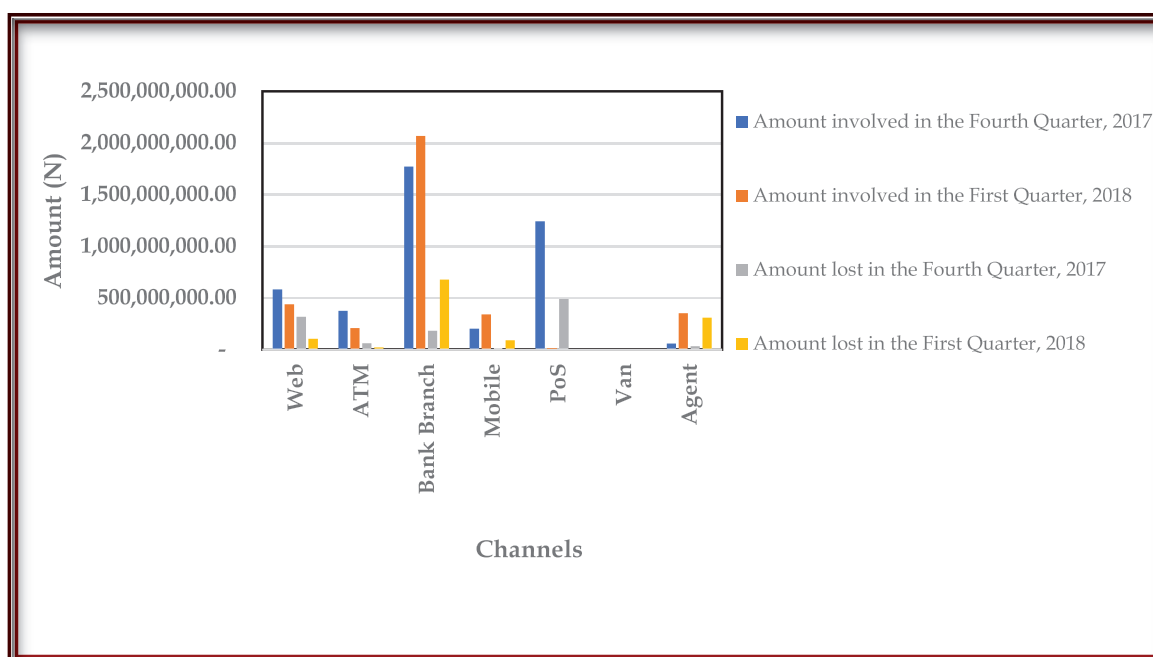
Appendix III (B)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison between Fourth Quarter, 2017 and First Quarter, 2018

S/N	Channel	Amount Involved, Fourth Quarter, 2017 (₦)	Amount Involved, First Quarter, 2018 (₦)	Amount Lost, Fourth Quarter, 2017 (N)	Amount Lost, First Quarter, 2018 (₦)
1	Web	583,547,061.87	439,366,034.77	317,282,661.58	106,208,850.12
2	ATM	376,606,020.80	208,876,584.56	62,729,287.88	21,627,379.17
3	Bank Branch	1,772,806,676.63	2,066,829,606.95	183,021,531.47	678,184,133.00
4	Mobile	204,493,480.36	342,346,624.57	13,744,074.51	92,261,400.94
5	PoS	1,243,474,207.37	11,982,296.91	492,033,271.08	43,000.00
6	Van	-	-	-	-
7	Agent	59,918,457.56	352,698,647.77	32,828,593.46	308,482,477.1
	Total	4,240,845,904.59	3,422,099,795.52	1,101,639,419.98	1,206,807,240.37

Appendix III (C)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison between Fourth Quarter, 2017 and First Quarter, 2018



Appendix IV (A)

Frauds and Forgeries through various Instruments: A Comparison between Fourth Quarter, 2017 and First Quarter, 2018

S/N	Instruments	Cases: Fourth Quarter, 2017	Cases: First Quarter, 2018
1	Cash	378	452
2	Cheques	30	32
3	Cards	5,825	6,115
4	Slips	0	8
	Total	6,233	6,607

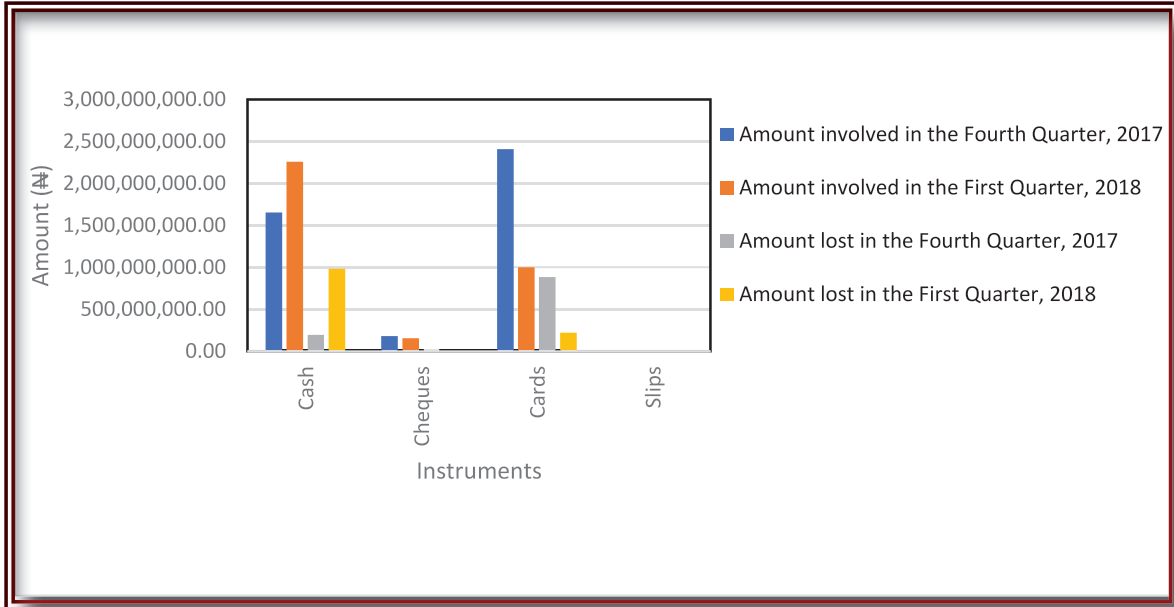
Appendix IV (B)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison between Fourth Quarter, 2017 and First Quarter, 2018

S/N	Instruments	Amount Involved, Fourth Quarter, 2017 (₦)	Amount Involved, First Quarter, 2018 (₦)	Amount Lost, Fourth Quarter, 2017 (₦)	Amount Lost, First Quarter, 2018 (₦)
1	Cash	1,652,362,053.56	2,259,589,604.72	194,608,494.93	982,942,110.14
2	Cheques	180,363,080.63	154,344,150.00	21,241,630.00	300,000.00
3	Cards	2,408,120,770.40	1,002,571,540.80	885,789,295.05	220,140,630.23
4	Slips	0	5,594,500.00	0	3,424,500.00
	Total	4,240,845,904.59	3,422,099,795.52	1,101,639,419.98	1,206,807,240.37

Appendix IV (C)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison between Fourth Quarter, 2017 and First Quarter, 2018



Quarter

2

Report on Frauds & Forgeries in the Nigerian Banking Industry

Second Quarter, 2018

Overview

FITC received a total of 69 returns from 24 deposit money banks¹ on incidences of fraud and forgery that occurred in their organisations during the second quarter of 2018. Twenty three (23) returns were received for the month of April, twenty-two (22) for May and twenty-four (24) for June, 2018.

Volume and Value of Fraud Cases

A total of 9,870 cases² of fraud and forgery were reported in the second quarter of 2018, compared to 6,607 reported cases in the first quarter of 2018, indicating that reported cases of fraud in the banking industry increased by 49.39 percent between the periods. The most prevalent types of fraud include fraudulent ATM Withdrawals, Mobile Banking fraud, Computer/Web fraud and Opening and Operating Fraudulent loans and account. Please see **Appendices I and II** for the illustration of frauds that occurred during the period.

During the period under review, total amount³ reported to be involved in fraud cases decreased to N2.21 billion from N3.42 billion reported in the preceding quarter, thus indicating 35.38 percent reduction. The difference of N1.21 billion was recovered through the collective efforts of banks' internal control

procedures and support 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 Miscellaneous⁴ and Other Types of Fraud ranked first at N795.49 million (35.99 per cent), Computer/Web fraud ranked second at N379.94 million (17.19 per cent), Mobile fraud ranked third at N309.42 million (14.00 per cent) and ATM Withdrawals fraud ranked fourth at N233.90 million (10.58 per cent). A graphical illustration of the amount reported to be involved in fraud and forgery during the period under review is detailed in **Appendix II (B)**.

Further analysis of the data shows that Miscellaneous and Other Types of fraud accounted for N321.10 million (43.86 per cent) of the total amount that was actually lost to fraud incidences during the review period. Mobile fraud accounted for N157.34 million (21.49 per cent) and Computer/Web fraud accounted for N140.41 million (19.18 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 review period.

The Channels, Instruments and Personalities Involved in Perpetrating Fraud

During the second quarter, fraudsters used different channels to perpetuate fraud. These channels include the ATM, web, mobile banking platforms, bank branches, PoS (Point of Sale) and agent banking channels. On the other hand, the instruments mostly used to carry out fraudulent activities include cards, cash, cheques and slips.

Analysis of banks' returns with regard to the payment channels shows that the amount involved in fraud incidents decreased on five parameters (web, bank branch, mobile banking, POS, and agent banking) while it increased on only one parameter - ATM. **Appendix III (B)**, shows that fraud perpetuated by agent reduced significantly by 87.07 per cent during the review quarter to N45.62 million from N352.70 million, in the previous quarter. Similarly, fraud through web and PoS declined by 13.53 per cent and 27.98 per cent in the review period to N379.94 million and N8.63 million, from N439.37 million and N11.98 million respectively. Also, fraud through bank branch and mobile banking declined by 40.34 per cent and 9.62 per cent during

the review quarter to N1.23 billion and N309.42 million from N2.07 billion and N342.35 million, in the previous quarter. Conversely, fraud incidences through the ATM increased considerably from N208.88 million in the preceding quarter, to N233.90 million, representing a leap of 11.98 per cent.

The analysis of the returns according to the payment channels shows that the amount lost to fraud incidents decreased on three parameters (bank branch, PoS and agent banking), while it increased on three other parameters (web, ATM and mobile banking). Further analysis shows that the amount lost to fraud through bank branch and agent banking decreased significantly by 40.18 per cent and 97.93 per cent in the review period to N405.69 million and N6.38 million, from N678.18 million and N308.48 million respectively. It is worthy to note that no amount was lost to PoS in the review quarter. However, actual amount lost through web and ATM increased to N140.41 million and N22.36 million, from N106.21 million and N21.63 million reported in the preceding quarter, appreciating by 32.20 per cent and 3.41 per cent respectively. Similarly, fraud occurrence through mobile banking increased significantly by 70.54 per cent from N92.26 million in the preceding quarter, to N157.34 million in the review quarter.

Appendix IV (B) shows that the amount involved through various instruments of transaction (cash, cards, cheques

and slips), declined in the second quarter of 2018. For instance, fraud through cash and slips decreased significantly by 47.75 per cent and 98.03 per cent, to N1.18 billion and N110,000 from N2.26 billion and N5.59 million reported in the preceding quarter respectively. Similarly, fraud attempts through the use of cards and cheques fell by 7.05 per cent and 36.55 per cent, to N931.88 million and N97.94 million from N1.00 billion and N154.34 million respectively, in the preceding period. Additional details on the channels and instruments that were used to perpetrate fraud in the second quarter of 2018 are graphically illustrated in **Appendices III and IV**.

During the reviewed quarter, deposit money banks reported that the services of fifty-three (54) employees were terminated for involvement in fraud-related practices. This indicates a considerable 80.00 per cent increase, when compared to the preceding quarter where thirty (30) banks' staff were retrenched for similar offences. On the other hand, the number of employees whose appointments were terminated on the grounds of fraud related offences in the corresponding period of 2017 was fifty-five (55), indicating a marginal decrease of 1.82 per cent.

Conclusion and Recommendations

The assessment of fraud and forgery incidences in the Nigerian banking industry in the second quarter of 2018 shows diversified result of the parameters gauged.

For instance, the number of fraud cases reported during the period increased from 6,607 to 9,870, signifying a 49.39 per cent rise. However, the total amount lost to fraud decreased by 39.33 per cent to N732.18 million in the review quarter from N1.21 billion reported in the preceding quarter. Similarly, the total amount that was reported to be involved in fraud decreased by 35.41 per cent from N3.42 billion to N2.21 billion in the review quarter, while the total number of employees' appointment terminated increased from 30 to 53.

The analysis further reveals an increase in the number of electronic fraud⁵ incidents by 37.38 per cent, from 6,115 in the preceding quarter to 8,401 in the review quarter. However, amount involved in electronic fraud decreased by 7.05 per cent to N931.88 million from N1.00 billion reported in the first quarter of 2018, while amount lost to electronic fraud increased by 45.41 per cent to N320.11 million from N220.14 million reported in the first quarter of 2018. This analysis also revealed that electronic fraud contributed 42.15 per cent and 43.72 per cent to the total amount that was involved in and actually lost to fraud in the review period, respectively.

On the whole, the analysis of the second quarter 2018 fraud and forgery returns of banks showed some considerable improvements in some of the analysed parameters when compared with report of the preceding quarter. However, it

is imperative to note that like Computer/Web fraud, Mobile banking fraud is gradually becoming one of the high ranked fraud types, by the number of reported cases, amount involved and the actual amount lost to fraud, since quarter one 2018. To prevent fraud practices through this high-risk banking platform from becoming a trend, the combined efforts of regulators and operators (within and outside the banking industry) is required. The deployment of more advanced security mechanisms that will deter fraudsters from engaging

in fraudulent practices on a sustainable basis is crucial. Bank staff should also undergo formal training to detect and prevent fraudsters in their institutions.

(Please see the appendices below for summaries of the cases of fraud and forgery covered in this report. Comparison between the first and second quarters of 2018, as well as comparison between the second quarters of 2017 and 2018 on selected concerns.)

Notes:

Note¹: Commercial, merchant and non-interest banks.

Note²: Volume of fraud and forgery.
Note³: Value of fraud and forgery.

Note⁴: 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.

Note⁵: Consisting of computer/web fraud, PoS fraud, mobile payment fraud, and ATM fraud.

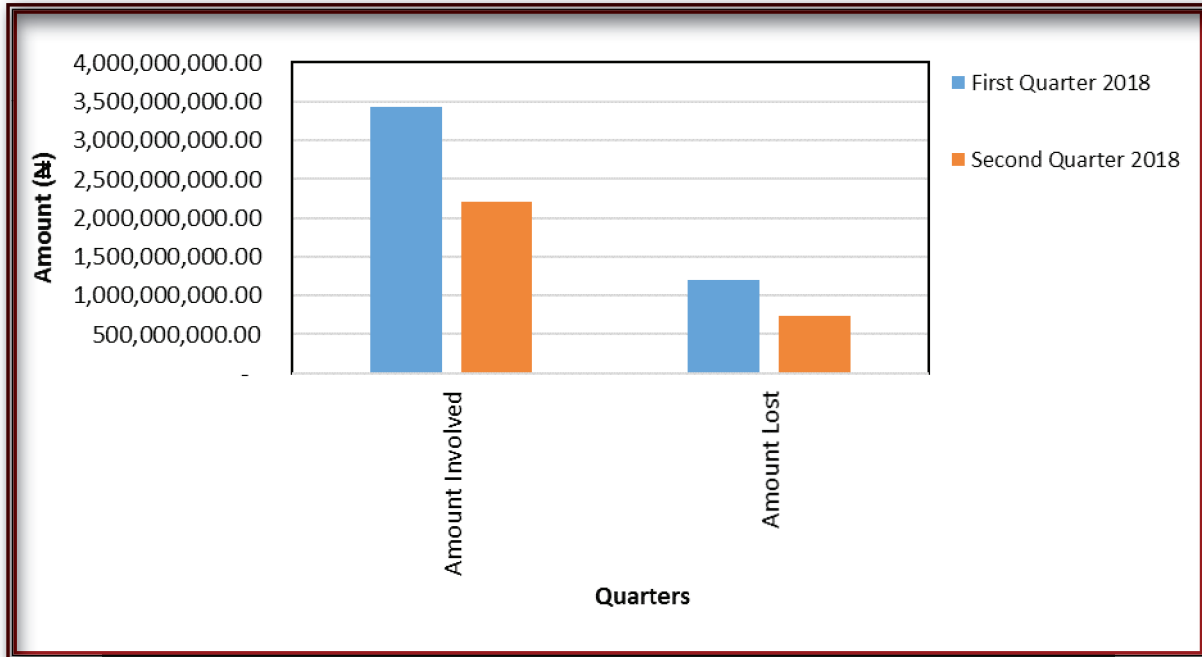
Appendix I (A)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between First and Second Quarters, 2018

S/N	Variables	First Quarter, 2018	Second Quarter, 2018
1	Total Cases reported	6,607	9,870
2	Total Amount Involved	₦3,422,099,795.52	₦2,210,497,121.63
3	Total Amount Lost	₦1,206,807,240.37	₦732,178,047.11
4	Outsider Involvement	3,923	6,299
5	Insider (Staff) Involvement	376	382
6	Appointments Terminated	30	54

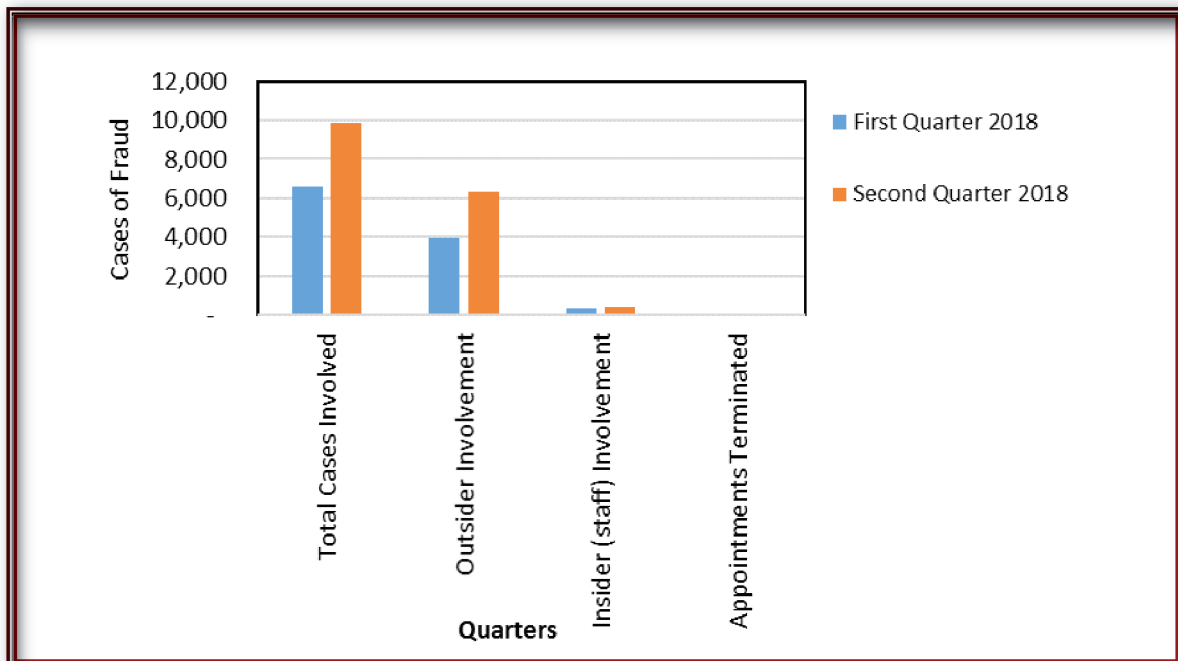
Appendix I (B)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between First and Second Quarters, 2018



Appendix I (C)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between First and Second Quarters, 2018



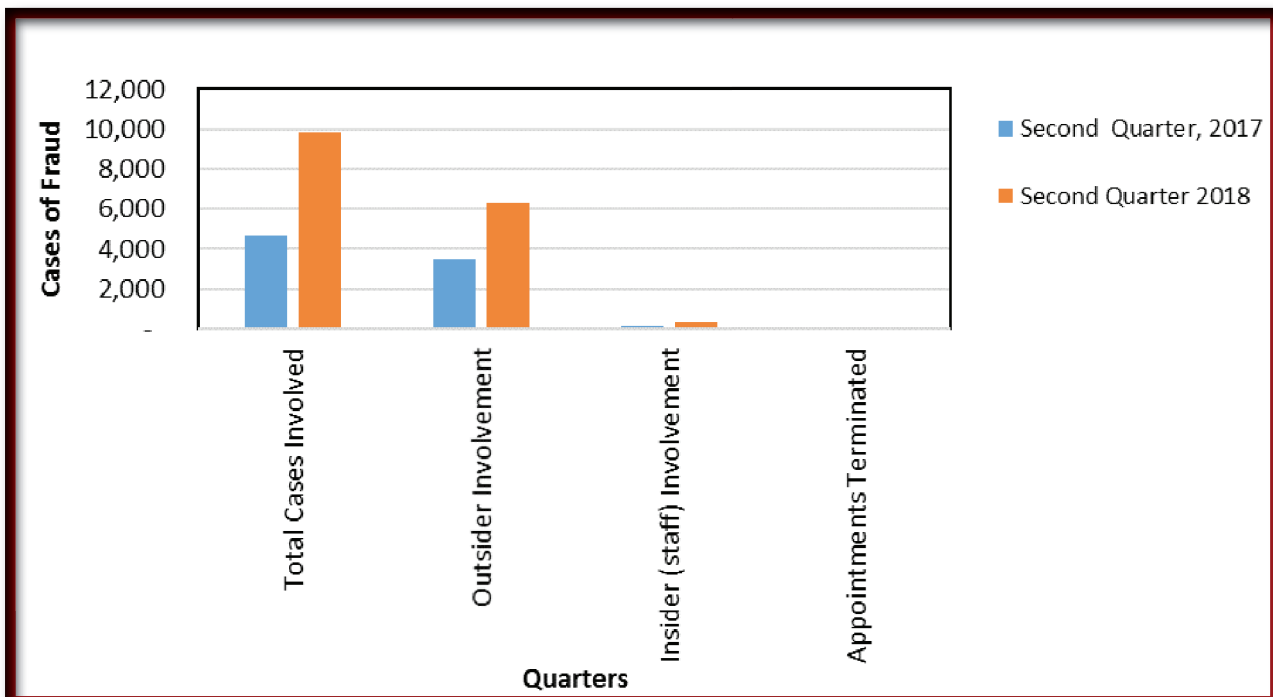
Appendix I (D)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second Quarter, 2017 and Second Quarter, 2018

S/N	Variables	Second Quarter, 2017	Second Quarter, 2018
1	Total Cases Involved	4,707	9,870
2	Total Amount Involved	₦2,203,700,760.35	₦2,210,497,121.63
3	Total Amount Lost	₦384,728,332.75	₦732,178,047.11
4	Outsider Involvement	3,499	6,299
5	Insider (Staff) Involvement	158	382
6	Appointments Terminated	55	54

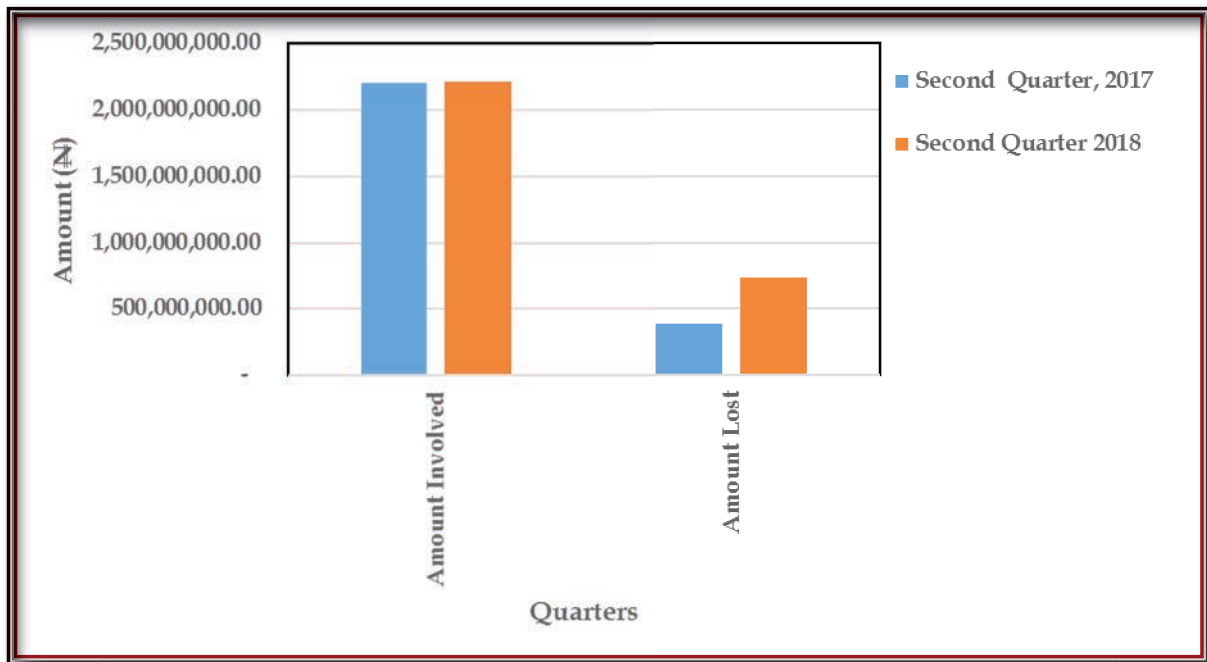
Appendix I (E)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second Quarter, 2017 and Second Quarter, 2018



Appendix I (F)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second Quarter, 2017 and Second Quarter, 2018



Appendix II (A): Frauds and Forgeries in the Nigerian Banking Industry (Second Quarter, 2018)

Types of Fraud	Total Number of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (N)	Actual/Expected Loss (N)	Expected Loss/ Amount Involved (%)
Teller Fraud	11 (0.11)	11 (2.88)	0 (0)	0 (0)	0 (0)	10,587,294.05 (0.48)	600,000.00 (0.08)	5.7
Falsification of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00
Forged Cheques with Forged Signature	23 (0.23)	0 (0)	12 (0.19)	0 (0)	11 (0.35)	76,240,585.80 (3.45)	295,000.00 (0.04)	0.4
Printing of Bank Document Illegally	9 (0.09)	0 (0)	9 (0.14)	0 (0)	0 (0)	65,632,328.52 (2.97)	0 (0)	0.00
Clearing Fraud	6 (0.06)	0 (0)	3 (0.05)	0 (0)	3 (0.09)	21,695,333.77 (0.98)	5,861,200.00 (0.80)	27.0
Computer/Web Fraud	1,679 (17.01)	91 (23.82)	292 (4.64)	0 (0)	1,296 (40.68)	379,935,569.14 (17.19)	140,408,057.01 (19.18)	37.0
Mobile Fraud	2,653 (26.88)	74 (19.37)	1,437 (22.81)	0 (0)	1,142 (35.84)	309,415,497.82 (14.00)	157,339,121.22 (21.49)	0.00
Foreign Exchange Fraud	45 (0.46)	2 (0.52)	35 (0.56)	0 (0)	8 (0.25)	23,922,400.65 (1.08)	517,531.55 (0.07)	2.16
Cross Firing of Cheques and Kite Flying	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00

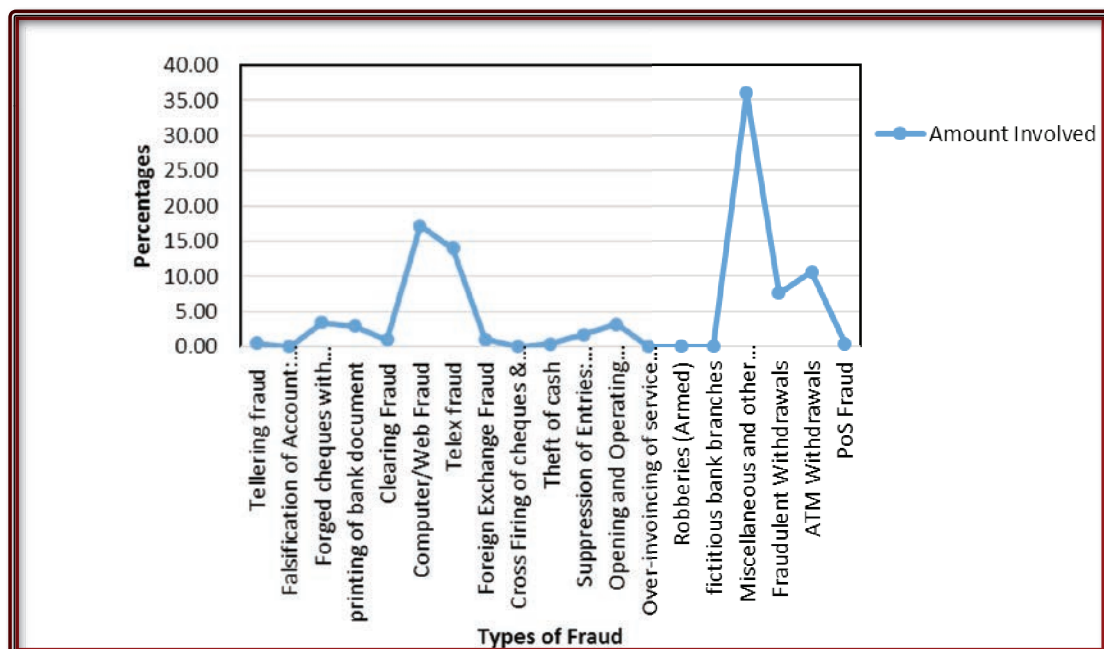
Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry (Second Quarter, 2018)

Types of Fraud	Total Number of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (N)	Actual/Expected Loss (N)	Expected Loss/ Amount Involved (%)
Theft of Cash	15 (0.15)	11 (2.88)	1 (0.02)	0 (0)	3 (0.09)	8,588,950.00 (0.39)	0 (0)	0.00
Suppression of Entries: Cash/Cheques	77 (0.78)	77 (20.16)	0 (0)	0 (0)	0 (0)	38,302,130.00 (1.73)	13,551,731.89 (1.85)	35.4
Opening and Operating Fraudulent Loans and Accounts	1,147 (11.62)	2 (0.52)	1,138 (18.07)	2 (66.67)	5 (0.16)	71,527,607.56 (3.24)	6,105,500.00 (0.83)	8.5
Over-Invoicing of Service to the Bank	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00
Robberies (Armed)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00
Fictitious Bank Branches	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00
Miscellaneous and Other Types of Fraud	71 (0.72)	30 (7.85)	22 (0.35)	0 (0)	19 (0.60)	795,494,079.22 (35.99)	321,101,417.47 (43.86)	40.4
Fraudulent Withdrawals	65 (0.66)	15 (3.93)	16 (0.25)	1 (33.33)	33 (1.04)	166,626,146.49 (7.54)	64,034,477.09 (8.75)	38.4
ATM Withdrawals	3,944 (39.96)	61 (15.97)	3,246 (51.53)	0 (0)	637 (19.99)	233,899,675.72 (10.58)	22,364,010.89 (3.05)	9.6
PoS Fraud	125 (1.27)	8 (2.09)	88 (1.40)	0 (0)	29 (0.91)	8,629,522.89 (0.39)	0 (0)	0.00
Total	9,870	382	6,299	3	3,186	2,210,497,121.63	732,178,047.11	204.46

Note: All figures in parenthesis () indicate percentages

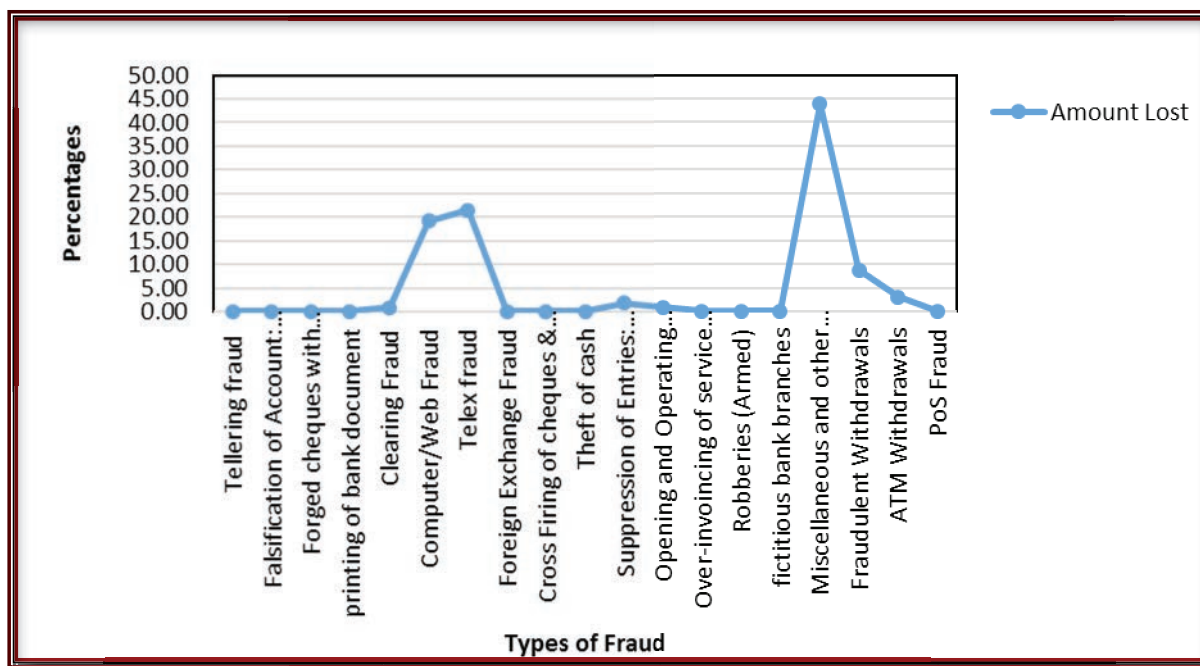
Appendix II (B)

Percentage Distribution of Amount Involved in Frauds and Forgeries (Second Quarter, 2018)



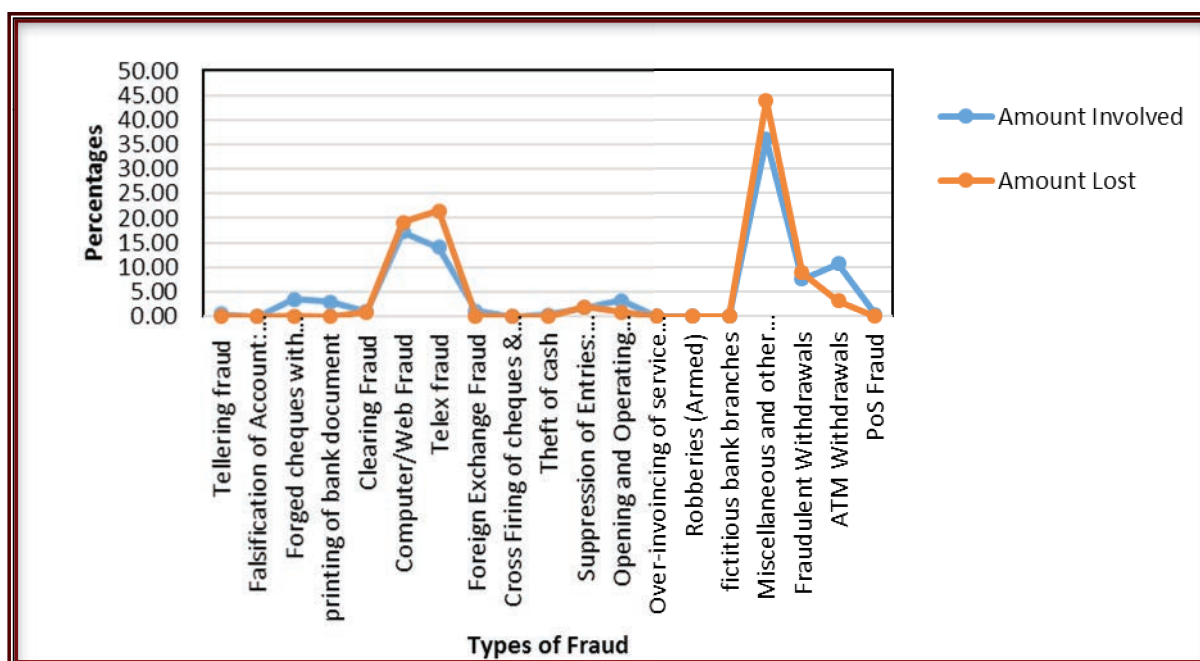
Appendix II (C)

Percentage Distribution of Amount Lost to Frauds and Forgeries (Second Quarter, 2018)



Appendix II (D)

Percentage Distribution of Amount Involved in and the Amount Lost to Frauds and Forgeries (Second Quarter, 2018)



Appendix III (A)

Frauds and Forgeries through various Payment Channels: A Comparison between First and Second Quarters, 2018)

S/N	Channels	Cases: First Quarter, 2018	Cases: Second Quarter, 2018
1	Web	1,276	1,679
2	ATM	2,897	3,944
3	Bank Branch	391	1,418
4	Mobile	1,827	2,653
5	POS	115	125
6	Van	0	0
7	Agent	101	51
	Total	6,607	9,870

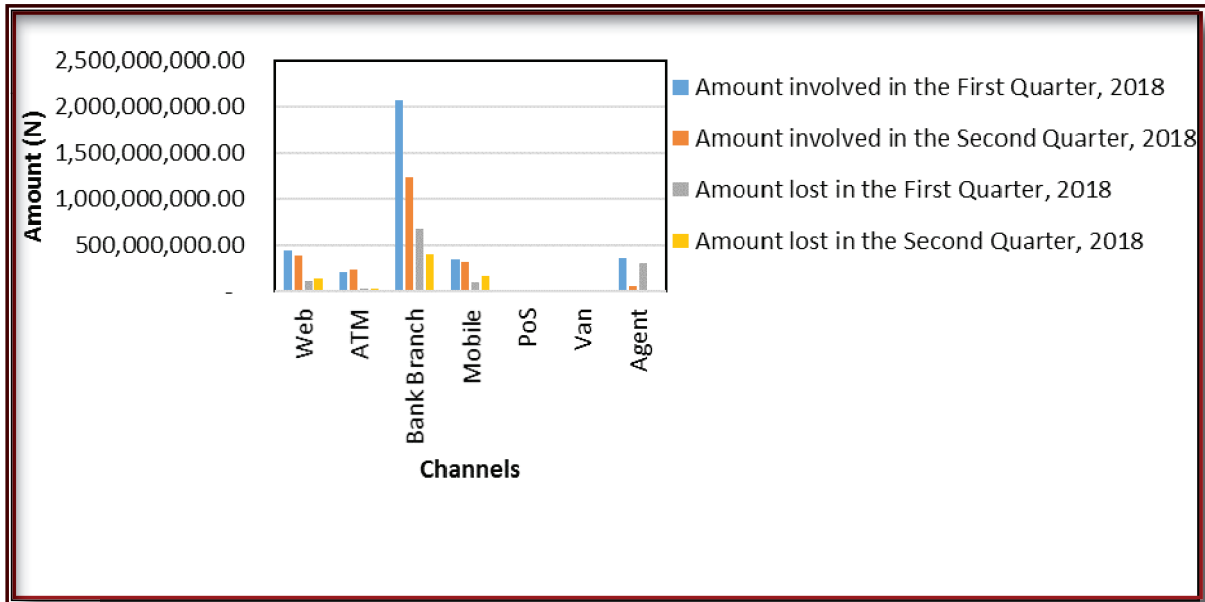
Appendix III (B)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison between First and Second Quarters, 2018

S/N	Channel	Amount Involved, First Quarter, 2018 (N)	Amount Involved, Second Quarter, 2018 (N)	Amount Lost, First Quarter, 2018 (N)	Amount Lost, Second Quarter, 2018 (N)
1	Web	439,366,034.77	379,935,569.14	106,208,850.12	140,408,057.01
2	ATM	208,876,584.56	233,899,675.72	21,627,379.17	22,364,010.89
3	Bank Branch	2,066,829,606.95	1,232,999,121.64	678,184,133.00	405,688,126.45
4	Mobile	342,346,624.57	309,415,497.82	92,261,400.94	157,339,121.22
5	POS	11,982,296.91	8,629,522.89	43,000.00	-
6	Van	-	-	-	-
7	Agent	352,698,647.77	45,617,734.42	308,482,477.1	6,378,731.55
	Total	3,422,099,795.52	2,210,497,121.63	1,206,807,240.37	732,178,047.11

Appendix III (C)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison between First and Second Quarters, 2018



Appendix IV (A)

Frauds and Forgeries through various Instruments: A Comparison between First and Second Quarters, 2018

S/N	Instruments	Cases: First Quarter, 2018	Cases: Second Quarter, 2018
1	Cash	452	1,438
2	Cheques	32	29
3	Cards	6,115	8,401
4	Slips	8	2
	Total	6,607	9,870

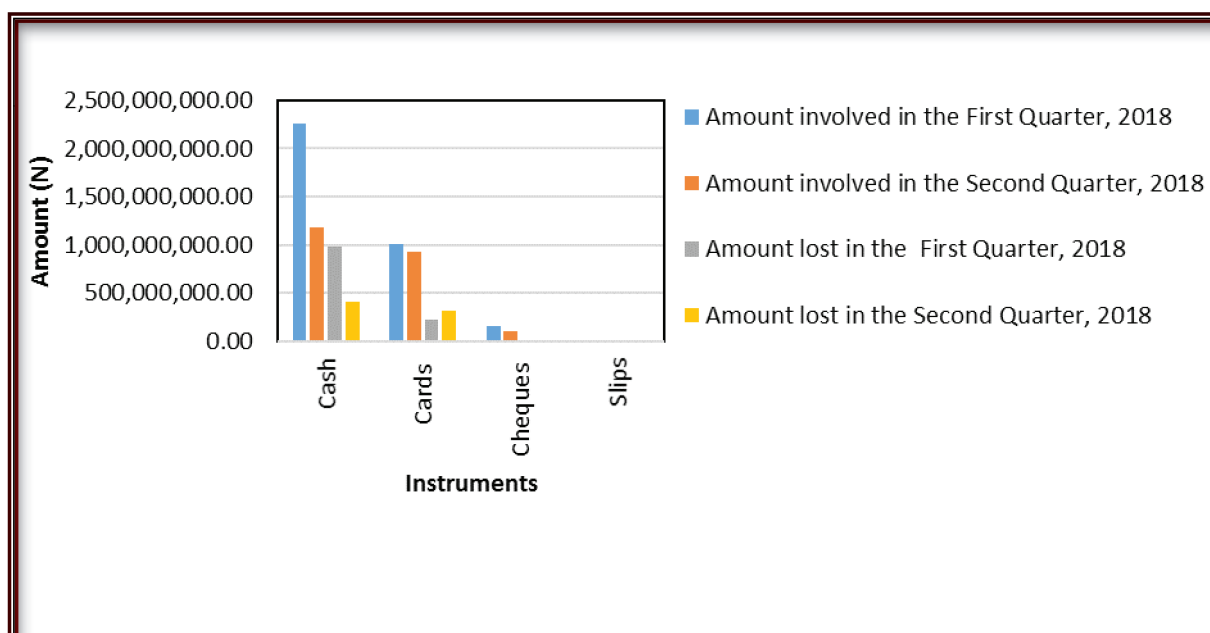
Appendix IV (B)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison between First and Second Quarters, 2018

S/N	Instruments	Amount Involved, First Quarter, 2018 (N)	Amount Involved, Second Quarter, 2018 (N)	Amount Lost, First Quarter, 2018 (N)	Amount Lost, Second Quarter, 2018 (N)
1	Cash	2,259,589,604.72	1,180,570,936.49	982,942,110.14	405,810,658.00
2	Cheques	154,344,150.00	97,935,919.57	300,000.00	6,156,200.00
3	Cards	1,002,571,540.80	931,880,265.57	220,140,63.23	320,111,189.11
4	Slips	5,594,500.00	110,000.00	3,424,500.00	100,000.00
	Total	3,422,099,795.52	2,210,497,121.63	1,206,807,240.37	732,178,047.11

Appendix IV (C)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison between First and Second Quarters, 2018



Quarter

3

Report on Frauds & Forgeries in the Nigerian Banking Industry

Third Quarter, 2018

Overview

FITC received 69 returns from 24 deposit money banks¹ on incidences of fraud and forgery in their organisations during the third quarter of 2018. An analysis of these returns indicated that 23, 24 and 22 were received for the months of July, August and September, 2018 respectively.

Volume and Value of Fraud Cases

A total of 8463 cases² of fraud and forgery were reported in the third quarter of 2018, compared to 9870 reported cases in the second quarter of 2018, indicating that reported cases of fraud in the banking industry decreased by 14.26 percent between the periods. The most prevalent types of fraud include fraudulent Computer/Web fraud, ATM Withdrawals and Mobile Banking fraud. Please see **Appendices I and II** for the illustration of frauds that occurred during the period.

During the period under review, total amount³ reported to be involved in fraud cases increased from N2.21 billion to N10.1 billion, thus indicating 358.64 percent increase between the second and the third quarters.

A ranking of the fraud types according to the amount involved (**Appendix II (A)**), shows that Miscellaneous⁴ and Other Types of Fraud ranked first at N3.76 billion (37.09 percent), Opening and Operating Fraudulent Loans and Accounts ranked second at N3.25 billion (32.01 percent), forged cheques with forged signature fraud ranked third at N1.77 billion (17.41 percent) while Fraudulent Withdrawals fraud ranked fourth at N397.23 million (3.92 percent). A graphical illustration of the amount reported to be involved in fraud and forgery during the period under review is detailed in **Appendix II (B)**.

Further analysis of the data shows

that Miscellaneous and Other Types of fraud accounted for N1.04 billion (69.92 percent) of the total amount that was actually lost to fraud incidences during the review period. Fraudulent withdrawals fraud accounted for N144.47 million (9.71 percent) while Mobile fraud accounted for N100.12 million (6.73 percent). **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 review period.

Channels, Instruments and Personalities Involved in Perpetrating Fraud

During the third quarter, fraudsters adopted different channels to perpetuate fraud. These channels include the ATM, web, mobile banking platforms, bank branches, PoS (Point of Sale) and agent banking channels. On the other hand, the instruments mostly used to carry out fraudulent activities include cards, cash and cheques.

Analysis of banks' returns with regard to the payment channels shows that the amount involved in fraud incidents decreased on four parameters (web, mobile banking, POS, and agent banking) while it increased on two parameter namely- ATM and bank branch.

Appendix III (B), shows that fraud perpetrated by agent reduced significantly by 86.62 percent during the review quarter to N6.1 million from N45.61 million, in the previous quarter. Similarly, fraudulent activities through web and POS declined by 9.16 percent and 6.59 percent in the review period to N345.11 million and N8.06 million, from N379.93 million and N8.62 million respectively. Also, fraud through mobile banking declined by

33.06 percent to N207.11 million from N309.41 million. Conversely, fraud incidences through the ATM increased marginally by 1.7 percent from N233.89 million to N237.89 million while fraud through bank branches increased from N1.232 billion in the preceding quarter, to N9.334 billion, representing a leap of 657 percent.

The analysis of the returns according to the payment channels shows that the amount lost to fraud incidents decreased on three parameters (web, mobile banking and agent banking) while it increased on two parameters (ATM and bank branch). Further analysis shows that the amount lost to fraud through web and mobile banking decreased by 39.92 percent and 36.36 percent in the review period to N84.35 million and N100.12 million, from N140.4 million and N157.33 million respectively. The amount lost to fraud through agent banking also decreased by 90.32 percent from N6.37 million to N617,287.68. It is imperative to note that no amount was lost to fraud through POS in the review quarter. However, actual amount lost through ATM and bank branches increased to N30.93 million and N1.271 billion, from N22.36 million and N405.68 million reported in the preceding quarter, appreciating by 38.34 percent and 213.36 percent respectively.

Appendix IV (B) shows that the amount involved through various instruments of transaction (cards, cheques and slips), declined in the third quarter of 2018 while the amount involved through cash increased in the same quarter. For instance, fraud through cheques and cards decreased by 34.92 percent and 14.34 percent, to N63.72 million and N798.18 million from N97.93 million and N931.88 million reported in the preceding quarter respectively. Similarly, amount involved through slips fell by 100 percent as no fraud was

perpetrated through this instrument. However, the amount involved through cash increased by 685 percent to N9.27 billion from N1.18 billion in the second quarter. Additional details on the channels and instruments that were used to perpetrate fraud in the third quarter of 2018 are graphically illustrated in **Appendices III and IV**.

During the reviewed quarter, deposit money banks reported that the services of sixty-two (62) employees were terminated for involvement in fraud-related practices. This signifies an increase of 14.81 percent, compared to the preceding quarter when fifty four (54) banks’ staff were retrenched for similar offences. On the other hand, the number of employees whose appointments were terminated on the grounds of fraud-related offences in the corresponding period of 2017 was fifty-nine (59), indicating an increase of 5.08 percent.

Conclusion and Recommendations

The assessment of fraud and forgery incidences in the Nigerian banking industry in the third quarter of 2018 shows varied results of the parameters measured. For instance, the number of fraud cases reported during the period decreased from 9,870 to 8,463 signifying a 14.26 percent fall. However, the total amount lost to fraud increased by 103.1 percent to N1.48 billion in the review quarter from N732.17 million reported in the preceding quarter. Similarly,

the total amount that was reported to be involved in fraud increased astronomically by 358.64 percent from N2.21 billion to N10.13 billion in the review quarter, while the total number of employees’ appointment terminated increased from 54 to 62.

The analysis further revealed a reduction in the number of electronic fraud⁵ incidents by 3.82 percent, from 8,401 in the preceding quarter to 8,080 in the review quarter. Similarly, the amount involved in electronic fraud decreased by 14.34 percent to N798.18 million from N931.88 million reported in the second quarter of 2018, while amount lost to electronic fraud decreased by 32.7 percent to N215.41 million from N320.11 million reported in the second quarter of 2018. The analysis also revealed that electronic fraud contributed 7.87 percent and 14.48 percent to the total amount that was involved in and actually lost to fraud in the review period, respectively. Operating of Fraudulent Loans and Accounts contributed 32.01 percent and 0.07 percent to total amount that was involved in and actually lost to fraud in the review period.

Conclusively, the analysis of the third quarter fraud and forgery returns of banks reveals a reduction in number of fraud cases reported with an upward surge in the total amount involved and lost in fraudulent activities. It is pertinent to note that Miscellaneous and other Types of Fraud as well as

Operating of Fraudulent Loans and Accounts contributed mostly to the amount that was involved and actually lost in the reviewed quarter. To avert these types of fraud, concerted efforts should be made by the operators and regulators (within and outside the banking industry) to strengthen banking operations in different branches. More so, bank staff should undergo formal training to forestall fraudulent activities in their institutions.

(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 2018, as well as comparison between the third quarters of 2017 and 2018 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.

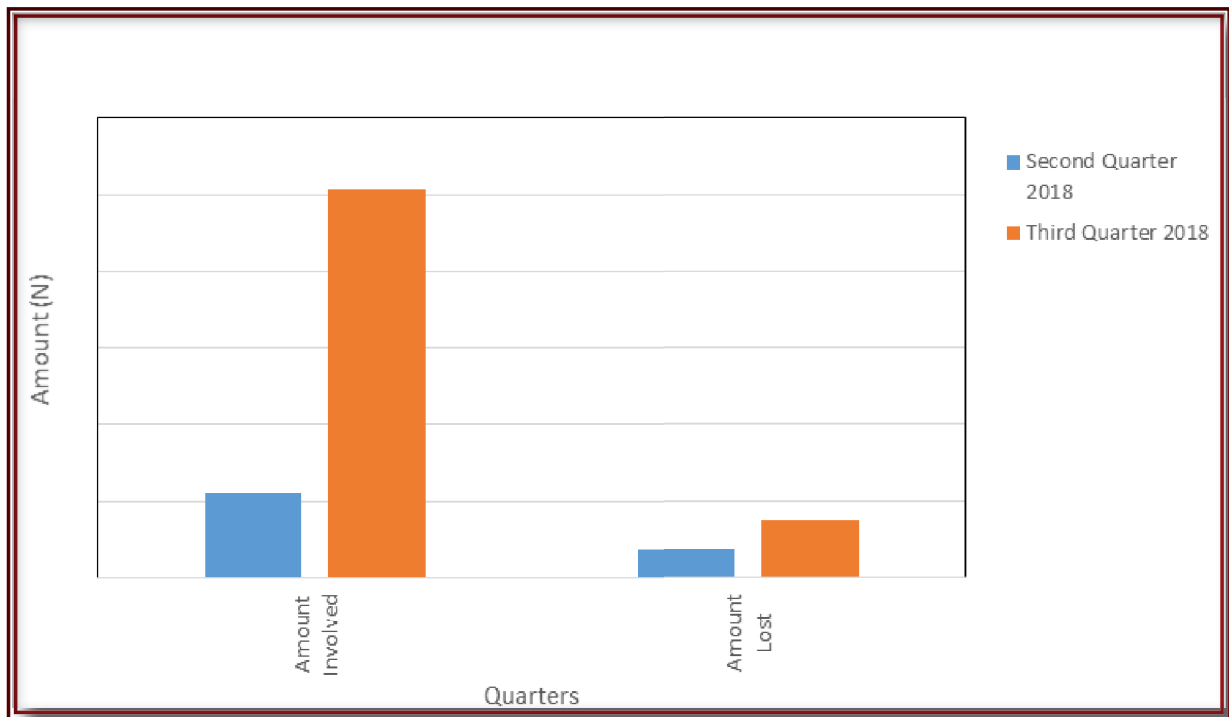
Appendix I (A)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second and Third Quarters, 2018

S/N	Variables	Second Quarter, 2018	Third Quarter, 2018
1	Total Cases reported	9,870	8,463
2	Total Amount Involved	₦2,210,497,121.63	₦10,138,310,753.35
3	Total Amount Lost	₦732,178,047.11	₦1,487,333,439.60
4	Outsider Involvement	6,229	4,929
5	Insider (Staff) Involvement	382	152
6	Appointments Terminated	54	62

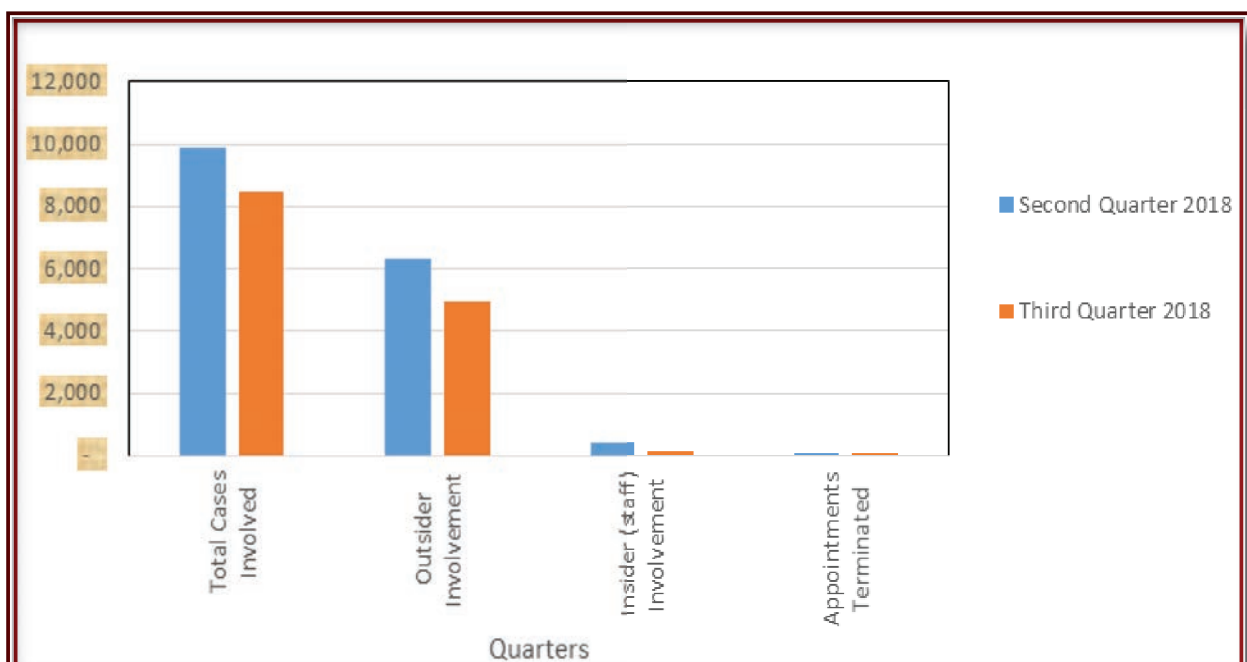
Appendix I (B)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second and Third Quarters, 2018



Appendix I (C)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Second and Third Quarters, 2018



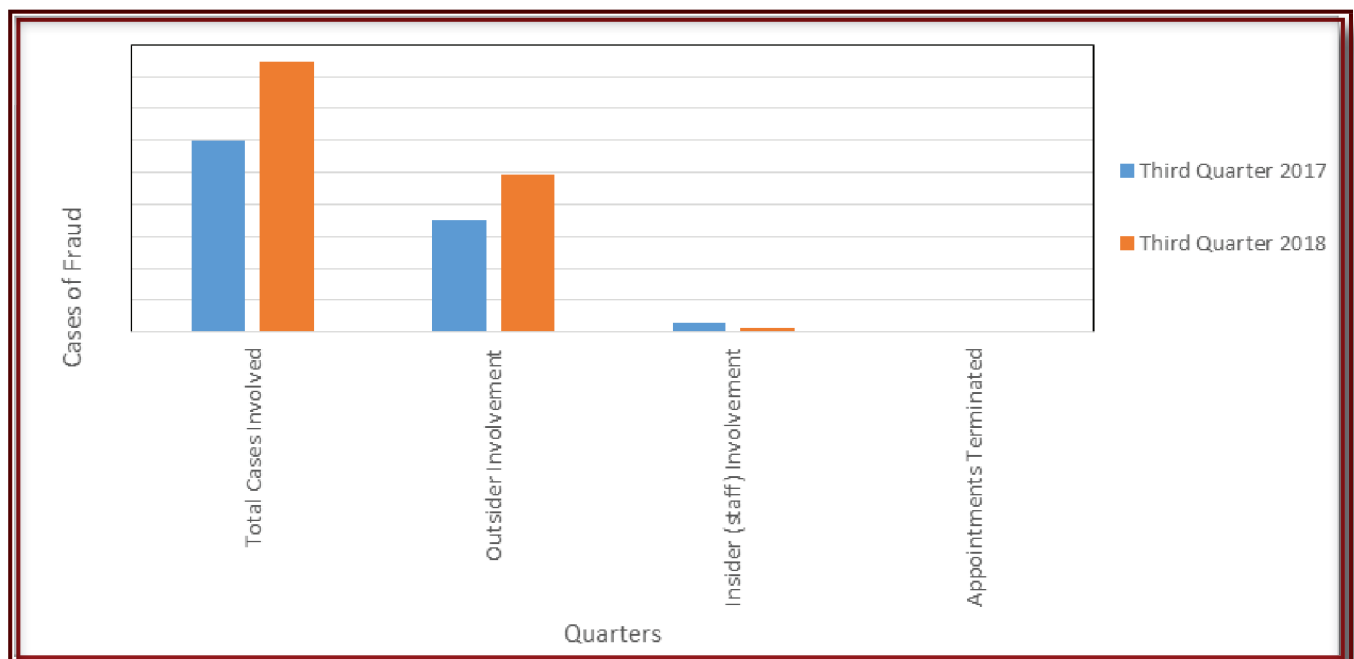
Appendix I (D)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Third Quarter, 2017 and Third Quarter, 2018

S/N	Variables	Third Quarter, 2017	Third Quarter, 2018
1	Total Cases reported	5,981	8,463
2	Total Amount Involved	₦3,706,833,261.69	₦10,138,310,753.35
3	Total Amount Lost	₦1,629,083,234.56	₦1,487,333,439.60
4	Outsider Involvement	3452	4,929
5	Insider (Staff) Involvement	304	152
6	Appointments Terminated	59	62

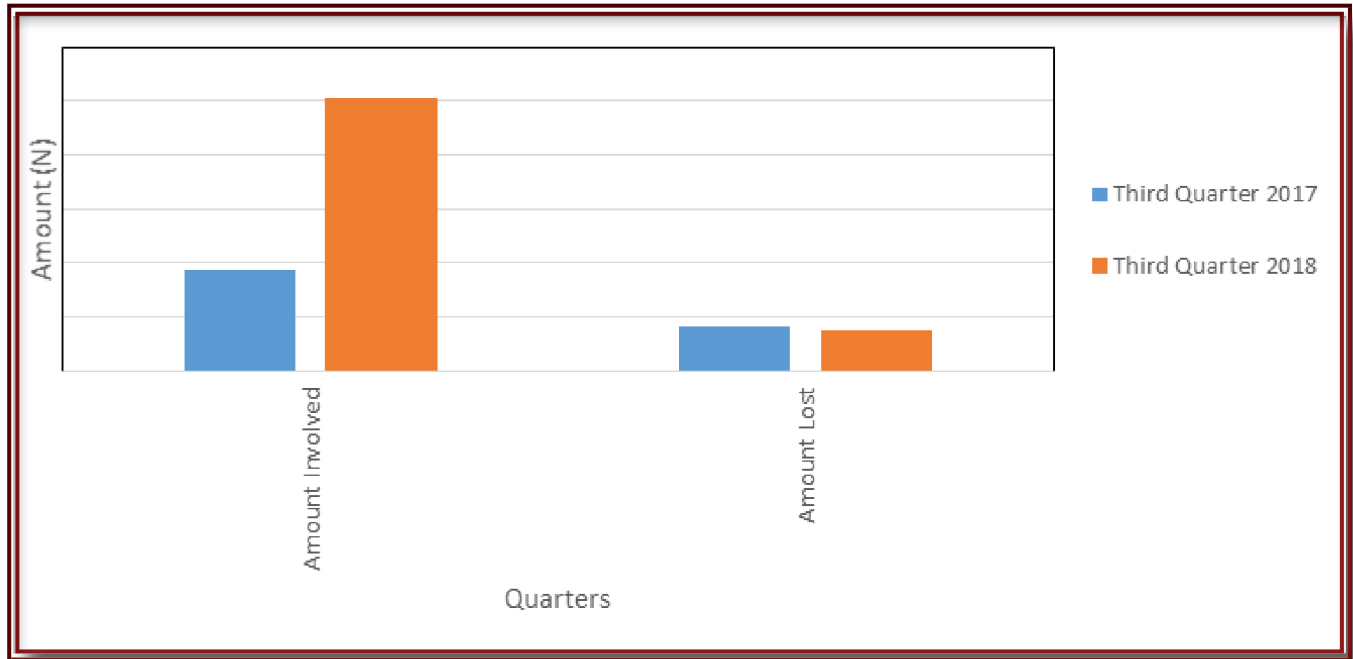
Appendix I (E)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Third Quarter, 2017 and Third Quarter, 2018



Appendix I (F)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Third Quarter, 2017 and Third Quarter, 2018



Appendix II (A): Frauds and Forgeries in the Nigerian Banking Industry (Third Quarter, 2018)

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	2 (0.02)	0 (0)	1 (0.02)	0 (0)	1 (0.03)	2,492,920.00 (0.02)	0 (0)	0
Falsification of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts	8 (0.09)	1 (0.66)	7 (0.14)	0 (0)	0 (0)	26,171,457.41 (0.26)	0 (0)	0
Forged Cheques with Forged Signature	31 (0.37)	8 (5.26)	21 (0.43)	0 (0)	2 (0.06)	1,765,569,180.00 (17.41)	7,994,650.00 (0.54)	0.5
Printing of Bank Document Illegally	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Clearing Fraud	2 (0.02)	0 (0)	2 (0.04)	0 (0)	1 (0.03)	6,137,000.00 (0.06)	0 (0)	0
Computer/Web Fraud	3,312 (39.14)	1 (0.66)	1268 (25.73)	0 (0)	2,043 (60.46)	345,112,131.80 (3.40)	84,351,969.37 (5.67)	24.4
Mobile Fraud	1,494 (17.65)	0 (0)	883 (17.91)	0 (0)	611 (18.08)	207,112,337.74 (2.04)	100,124,746.72 (6.73)	0.00
Foreign Exchange Fraud	47 (0.56)	5 (3.29)	41 (0.83)	0 (0)	1 (0.03)	16,388,753.66 (0.16)	7,942,943.07 (0.53)	48.47
Cross Firing of Cheques and Kite Flying	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00

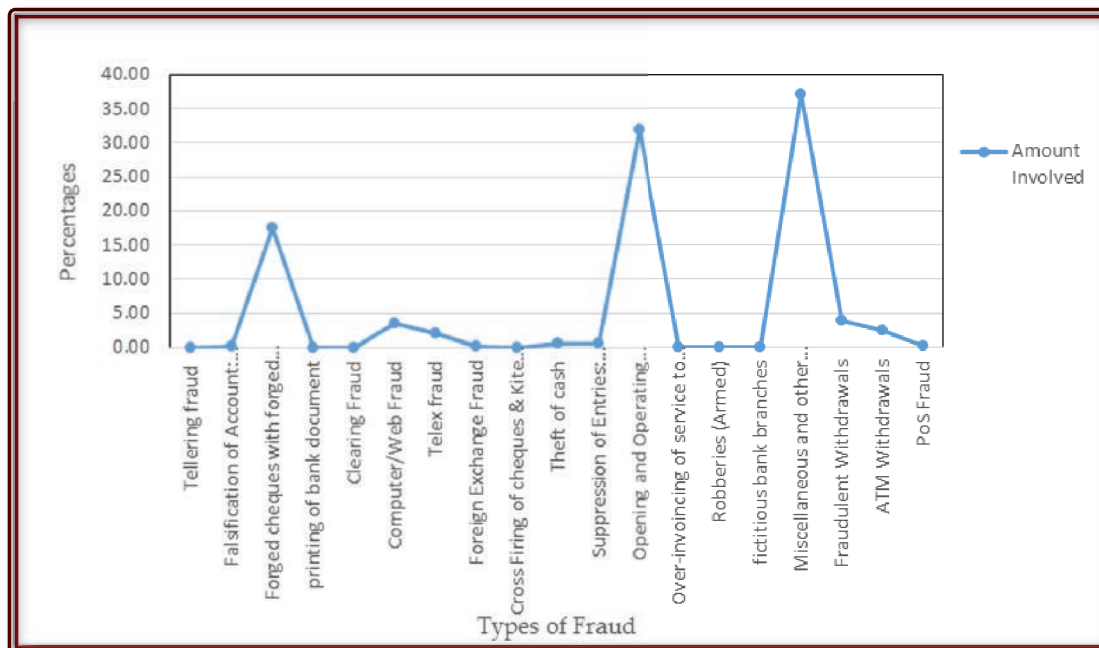
Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry Third Quarter, 2018)

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	37 (0.44)	28 (18.42)	7 (0.14)	0 (0)	2 (0.06)	51,109,020.55 (0.50)	31,853,500.00 (2.14)	62.3
Suppression of Entries: Cash/Cheques	73 (0.86)	72 (47.37)	0 (0)	1 (16.66667)	0 (0)	65,824,133.11 (0.65)	34,765,791.53 (2.34)	52.8
Opening and Operating Fraudulent Loans and Accounts	71 (0.84)	5 (3.29)	65 (1.32)	1 (16.66667)	0 (0)	3,244,782,578.52 (32.01)	996,300.00 (0.07)	0.00
Over-Invoicing of Service to the Bank	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00
Robberies (Armed)	1 (0.01)	0 (0)	1 (0.02)	0 (0)	0 (0)	3,878,000 (0.04)	3,878,000 (0.26)	100
Fictitious Bank Branches	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00
Miscellaneous and Other Types of Fraud	44 (0.52)	15 (9.87)	15 (0.30)	4 (66.66667)	10 (0.30)	3,760,541,326.14 (37.09)	1,040,017,697.11 (69.92)	27.7
Fraudulent Withdrawals	67 (0.79)	15 (9.87)	32 (0.65)	0 (0)	22 (0.65)	397,234,686.18 (3.92)	144,468,468.38 (9.71)	36.4
ATM Withdrawals	3,131 (37.0)	2 (1.32)	2453 (49.77)	0 (0)	676 (20.01)	237,896,759.54 (2.35)	30,939,373.42 (2.08)	13.0
PoS Fraud	143 (1.69)	0 (0)	133 (2.70)	0 (0)	10 (0.30)	8,060,468.70 (0.08)	0 (0)	0
Total	8,463	152	4,929	6	3,3379	10,138,310,753.35	1,487,333,439.60	365.57

Note: All figures in parenthesis () indicate percentages

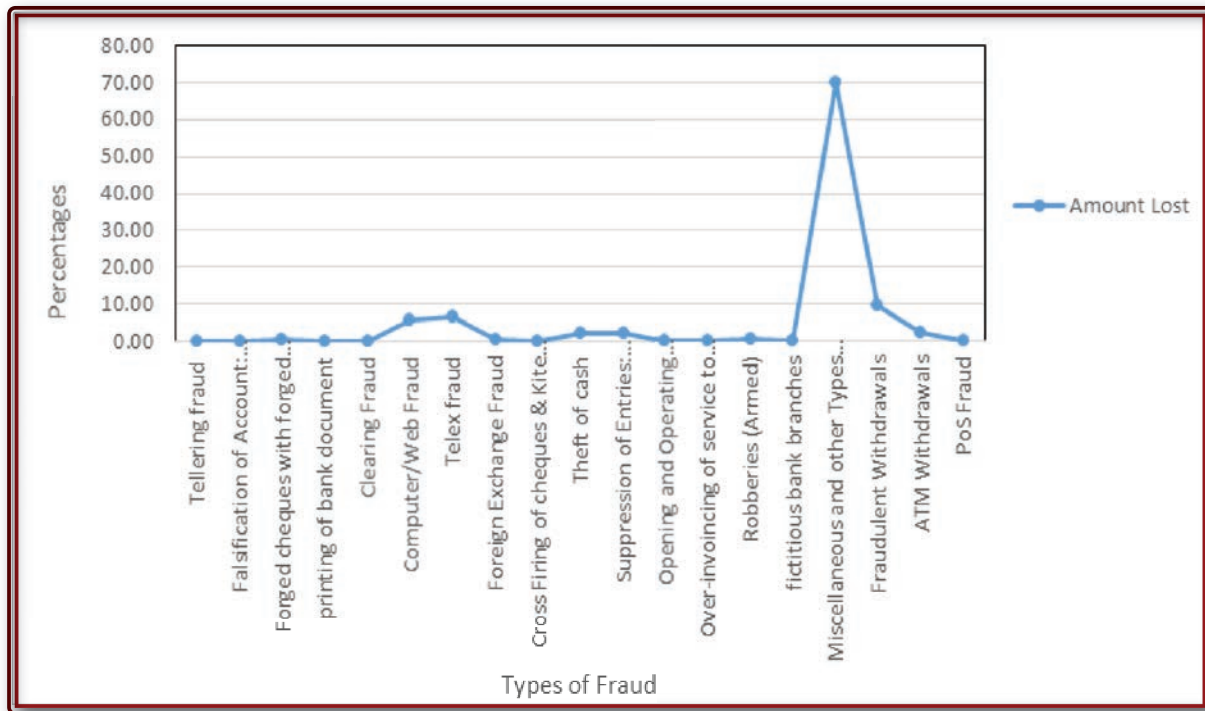
Appendix II (B)

Percentage Distribution of Amount Involved in Frauds and Forgeries (Third Quarter, 2018)



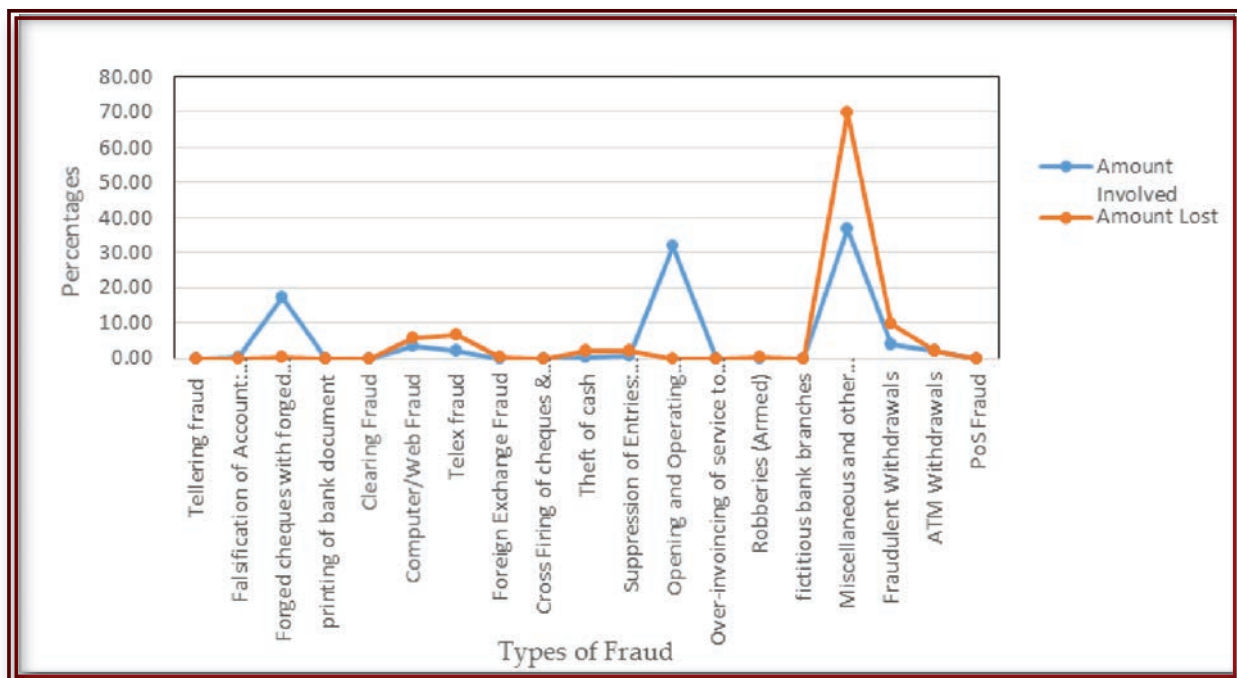
Appendix II (C)

Percentage Distribution of Amount Lost to Frauds and Forgeries (Third Quarter, 2018)



Appendix II (D)

Percentage Distribution of Amount Involved in and the Amount Lost to Frauds and Forgeries (Third Quarter, 2018)



Appendix III (A)

Frauds and Forgeries through various Payment Channels: A Comparison between Second and Third Quarters, 2018

S/N	Channels	Cases: Second Quarter, 2018	Cases: Third Quarter, 2018
1	Web	1,679	3,312
2	ATM	3,944	3,131
3	Bank Branch	1,418	341
4	Mobile	2,653	1,494
5	POS	125	143
6	Van	0	0
7	Agent	51	42
	Total	9,870	8,463

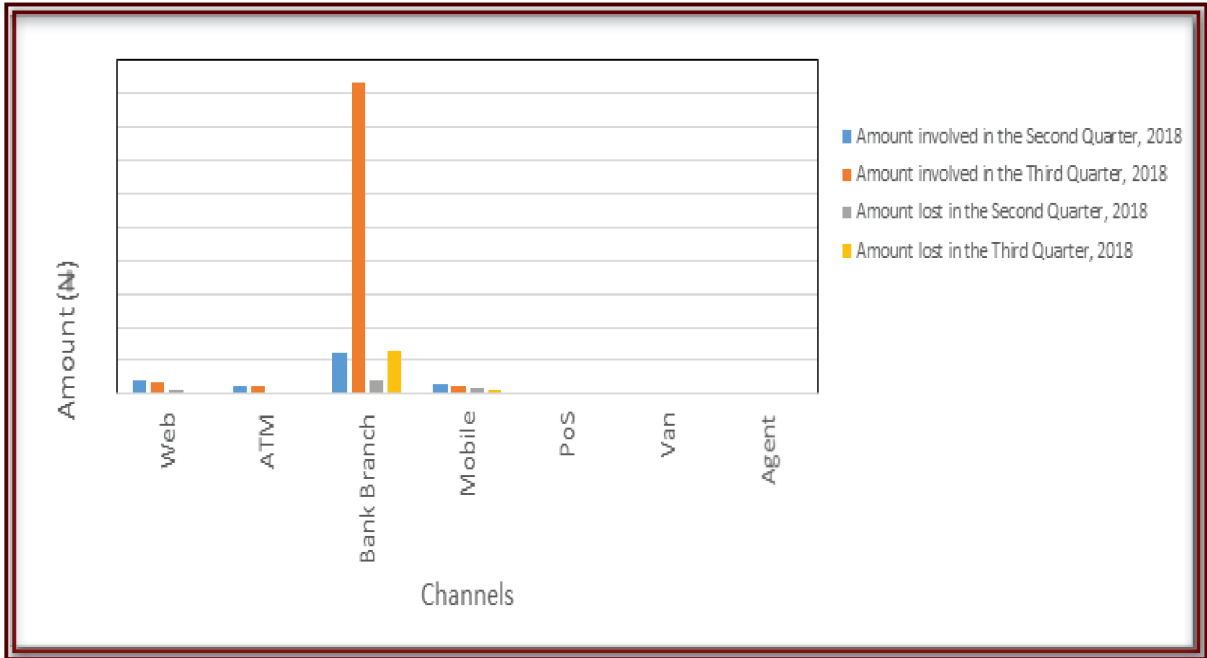
Appendix III (B)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison between Second and Third Quarters, 2018

S/N	Channel	Amount Involved, Second Quarter, 2018 (₦)	Amount Involved, Third Quarter, 2018 (₦)	Amount Lost, Second Quarter, 2018 (₦)	Amount Lost, Third Quarter, 2018 (₦)
1	Web	379,935,569.14	345,112,131.80	140,408,057.01	84,351,969.37
2	ATM	233,899,675.72	237,896,759.54	22,364,010.89	30,939,373.42
3	Bank Branch	1,232,999,121.64	9,334,028,163.71	405,688,126.45	1,271,300,062.41
4	Mobile	309,415,497.82	207,112,337.74	157,339,121.22	100,124,746.72
5	POS	8,629,522.89	8,060,468.70	-	-
6	Van	-	-	-	-
7	Agent	45,617,734.42	6,100,891.86	6,378,731.55	617,287.68
	Total	2,210,497,121.63	10,138,310,753.35	732,178,047.11	1,487,333,439.60

Appendix III (C)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison between Second and Third Quarters, 2018



Appendix IV (A)

Frauds and Forgeries through various Instruments: A Comparison between Second and Third Quarters, 2018

S/N	Instruments	Cases: Second Quarter, 2018	Cases: Third Quarter, 2018
1	Cash	1,438	355
2	Cheques	29	28
3	Cards	8,401	8,080
4	Slips	2	0
	Total	9,870	8463

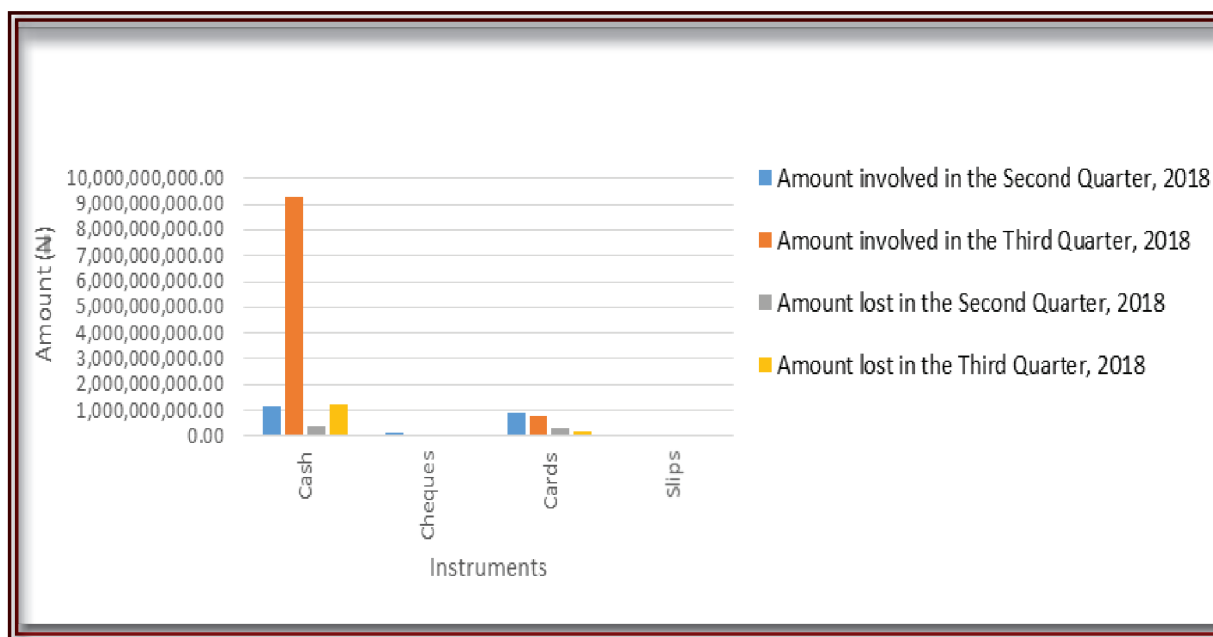
Appendix IV (B)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison between Second and Third Quarters, 2018

S/N	Instruments	Amount Involved, Second Quarter, 2018 (₦)	Amount Involved, Third Quarter, 2018 (₦)	Amount Lost, Second Quarter, 2018 (₦)	Amount Lost, Third Quarter, 2018 (₦)
1	Cash	1,180,570,936.49	9,276,400,476.00	405,810,658.00	1,265,763,300.00
2	Cheques	97,935,919.57	63,728,580.00	6,156,200.00	6,154,050.00
3	Cards	931,880,265.57	798,181,698.00	320,111,189.11	215,416,089.51
4	Slips	110,000.00	0	100,000.00	0
	Total	2,210,497,121.63	10,138,310,754.00	732,178,047.11	1,487,333,439.60

Appendix IV (C)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison between Second and Third Quarters, 2018



Quarter

4

Report on Frauds & Forgeries in the Nigerian Banking Industry

Fourth Quarter, 2018

Overview

FITC received a total of 67 returns from 24 deposit money banks¹ on incidences of frauds and forgeries during the fourth quarter of 2018. An analysis of these returns revealed that 23, 23 and 21 returns were received for the months of October, November and December, 2018 respectively.

Volume and Value of Fraud Cases

A total of 11,318 cases² of frauds and forgeries were reported in the fourth quarter of 2018, compared to 8,463 reported cases in the third quarter of 2018, indicating that reported cases of fraud in the banking industry increased by 33.74 percent between the periods. The most prevalent types of frauds during this period include ATM Withdrawals, Computer/Web fraud, and Mobile Banking fraud. Please see **Appendices I and II** for the illustration of frauds that occurred during the period.

During the period under review, total amount³ reported to be involved in fraud cases slightly decreased to N9.79 billion from the initial N10.1 billion, thus indicating a 3.34 percent decrease while the amount lost to fraud incidences also fell by 42.89 percent to N849.4 million from N1.4 billion reported in the third quarter.

A ranking of the fraud types according to the amount involved (**Appendix II (A)**), show that Computer/Web Fraud ranked first at N7.59 billion (77.43 percent), Fraudulent Withdrawals fraud ranked second at N670.9 million (6.85 percent), ATM Withdrawals Fraud ranked third at N321.08 million (3.28 percent) while Mobile Fraud ranked fourth at N207.8 million (2.12 percent). A graphical illustration of

the amount reported to be involved in frauds and forgeries during the period under review is detailed as **Appendix II (B)**.

Further analysis show that Computer/Web Fraud and Fraudulent Withdrawals accounted for N445.5 million (52.45 percent) and N139.06 million (16.37 percent) respectively, of the total amount that was actually lost to fraud incidences during the review period. Miscellaneous and other Types of fraud also contributed N73.4 million (8.65 percent) to the total amount that was lost to fraud incidences in the quarter under review. **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 frauds and the actual amount that was lost to frauds during the review period.

Channels, Instruments and Personalities Involved in Perpetrating Fraud

During the fourth quarter, fraudulent activities were perpetuated through different channels such as the ATM, web, mobile banking platforms, bank branches, PoS (Point of Sale) terminals, and agent banking channels. In the same vein, the instruments mostly used to carry out fraudulent activities include cards, cash and cheques. Analysis of banks' returns with regard to the payment channels show that the amount involved in fraud incidents increased on five parameters (web, ATM, mobile banking, POS, and agent banking) while it only decreased on one parameter namely-bank branch.

Data in **Appendix III (B)**, reveal that the amount involved in frauds

perpetrated through web and agent banking increased astronomically by 2,098.69 percent and 8,257.79 percent to N7.58 billion and N509 million from N345.1 million and N6.1 million respectively in the previous quarter. Similarly, fraudulent activities through ATM and PoS increased to N321 million and N9.9 million from the initial N237.8 million and N8.06 million, thus representing a leap of 34.97 percent and 23.21 percent respectively. Though the amount involved in mobile banking fraud increased marginally by 0.37 percent from N207.1 million to N207.8 million, frauds perpetrated through bank branches decreased significantly by 87.54 percent during the review quarter to N1.16 billion from N9.33 billion, in the previous quarter.

Further analysis of the returns according to the payment channels show that the amount lost to fraud incidents increased on two parameters (web and ATM) while it decreased on three parameters (bank branch, mobile banking and agent banking). The amount lost to fraud through web surged upward by 428.21 percent to N445.5 million from the initial N84.35 million while the actual amount lost to ATM frauds increased by 58.56 percent to N49.05 million from N30.9 million in the previous quarter. Conversely, the actual amount lost to frauds through bank branches and mobile banking decreased by 76.32 percent and 46.24 percent in the review period to N301.03 million and N53.8 million, from N1.27 billion and N100.1 million respectively. It is pertinent to note that no amount was lost to frauds through PoS and Agent banking in the review quarter.

Appendix IV (B) show that the amount involved through two

instruments of transaction (cheques and cards), increased in the fourth quarter of 2018 while the amount involved through cash decreased in the same quarter. Frauds through cheques and cards increased by 84.39 percent and 918.17 percent, to N117.5 million and N8.13 billion from N63.7 million and N798.1 million reported in the preceding quarter respectively. However, amount involved through cash declined to N1.55 billion from N9.27 billion in the previous quarter thus signifying 83.23 percent decrease.

Similarly, actual amount lost to frauds through cash and cheques declined by 76.25 percent and 93.16 percent to N300.6 million and N421,043.00 from the initial N1.26 billion and N6.1 million in the third quarter. In contrast, actual amount lost to frauds through cards increased by 154.6 percent to N548.4 million from N215.4 million in the previous quarter. Additional details on the channels and instruments that were used to perpetrate fraud in the fourth quarter of 2018 are graphically illustrated in **Appendices III and IV**.

During the reviewed quarter, deposit money banks reported that the services of eighty-seven (87) employees were terminated for involvement in fraud-related practices. This signifies an increase of 40.32 percent, compared to the preceding quarter when sixty-two (62) banks' staff were retrenched for similar offences. On the other hand, the number of employees whose appointments were terminated on the grounds of fraud-related offences in the corresponding period of 2017 was forty (40), indicating an increase of 117.5 percent.

Conclusion and Recommendations

The assessment of fraud and forgery incidences within the Nigerian banking industry in the fourth quarter

of 2018, reveals varied results of the parameters measured. The number of fraud cases reported during the period increased from 8,463 to 11,318 depicting a 33.74 percent rise. However, the total amount involved in frauds slightly decreased by 3.34 percent to N9.7 billion in the review quarter from N10.1 billion reported in the preceding quarter. Similarly, the total amount lost to fraudulent activities decreased by 42.89 percent to N849.4 million from N1.4 billion in the previous quarter, while the total number of employees' appointment terminated increased from 62 to 87 indicating a 40.32 percent leap.

The analysis further reveal an increase in the number of electronic fraud⁵ incidents by 35.88 percent, from 8,080 in the preceding quarter to 10,979 in the review quarter. Similarly, the amount involved in electronic fraud increased astronomically by 918.17 percent to N8.12 billion from N798.18 million reported in the third quarter of 2018, while amount lost to electronic fraud also increased by 154.6 percent to N548.4 million from N215.4 million reported in the third quarter of 2018. Furthermore, electronic fraud contributed a massive 82.93 percent and 64.57 percent to the total amount that was involved in and actually lost to frauds while fraudulent withdrawals accounted for 6.85 percent and 16.37 percent of the total amount that was involved in and actually lost to frauds in the review period.

Conclusively, the analysis of the fourth quarter frauds and forgeries returns of banks reveal an increase in the number of fraud cases reported with a reduction in the total amount involved and amount lost to fraudulent activities. Total amount involved in and actual amount lost to frauds through bank branches declined in the review

quarter due to improved internal control measures in bank branches. Despite this improvement, the amount involved in and amount lost to fraudulent activities through web and agent banking surged upward in the fourth quarter compared to the third quarter of 2018. To curtail the rising cases of electronic fraud and its attendant losses, concerted efforts should be made by deposit money banks, payment service providers and regulators in the financial services sector to further strengthen the security measures of their existing electronic platforms. More so, deposit money banks should continuously enlighten their customers on the need to safeguard their banking details in order to forestall possible onslaught by fraudsters.

(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 2018, as well as comparison between the fourth quarters of 2017 and 2018 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 debt 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.

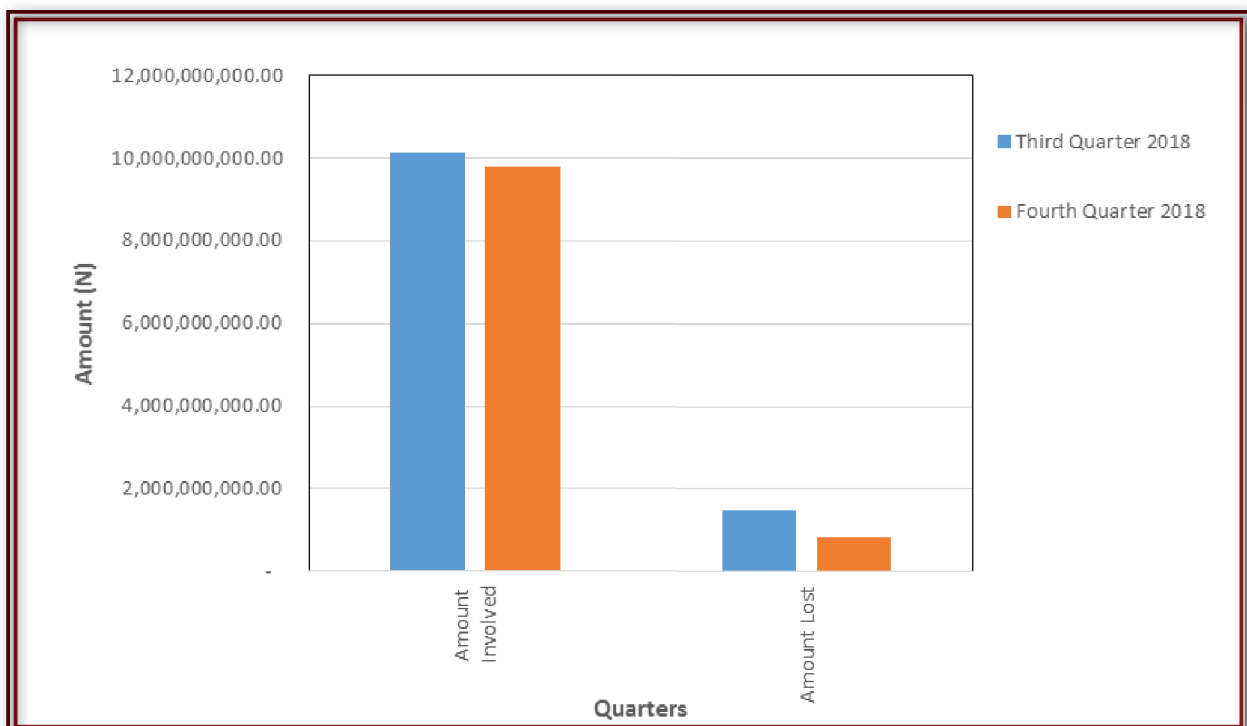
Appendix I (A)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Third and Fourth Quarters, 2018

S/N	Variables	Third Quarter, 2018	Fourth Quarter, 2018	Percentage (%) change
1	Total Cases reported	8,463	11,318	33.74
2	Total Amount Involved	₦10,138,310,753.35	₦9,799,817,216.49	(3.34)
3	Total Amount Lost	₦1,487,333,439.60	₦849,476,463.41	(42.89)
4	Outsider Involvement	4,929	6,454	30.94
5	Insider (Staff) Involvement	152	176	15.79
6	Appointments Terminated	62	87	40.32

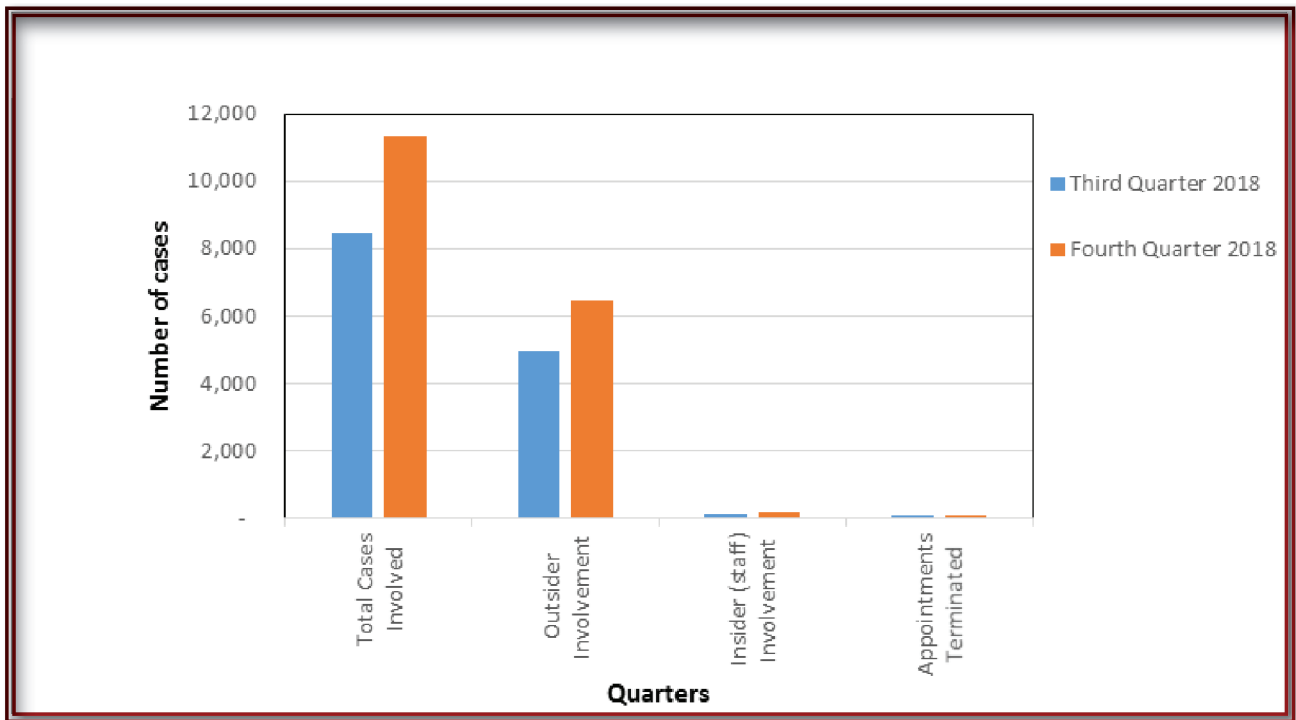
Appendix I (B)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Third and Fourth Quarters, 2018



Appendix I (C)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Third and Fourth Quarters, 2018



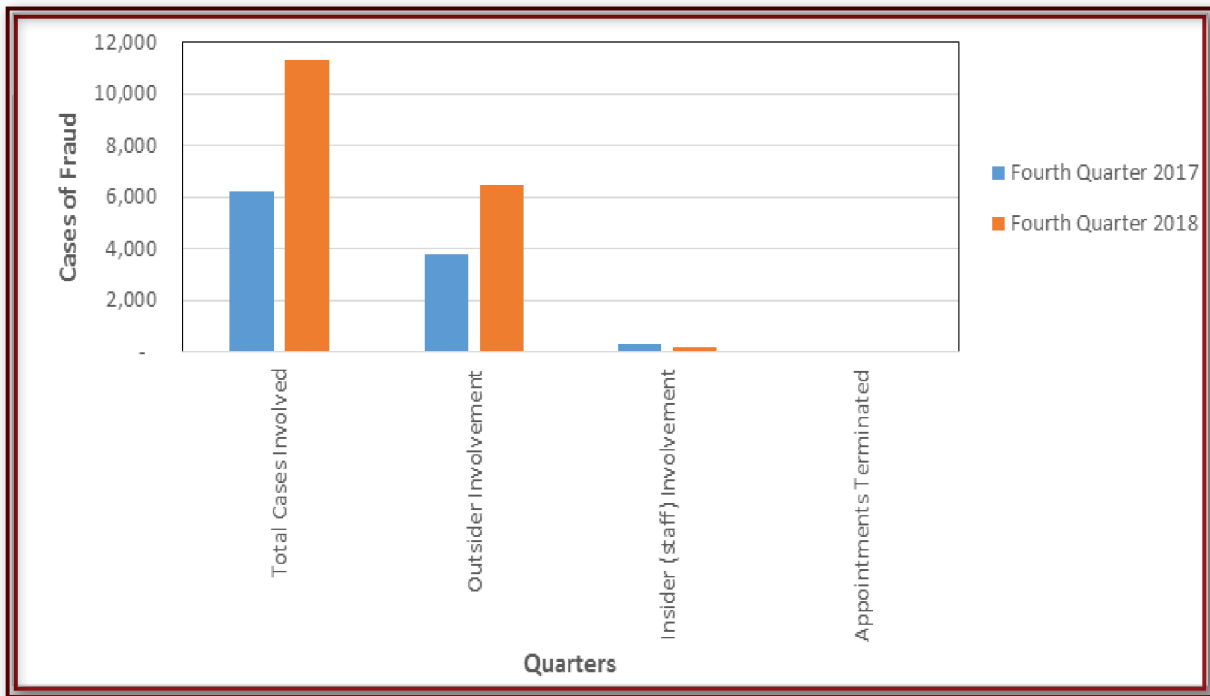
Appendix I (D)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter, 2017 and Fourth Quarter, 2018

S/N	Variables	Fourth Quarter, 2017	Fourth Quarter, 2018	Percentage (%) change
1	Total Cases reported	6,233	11,318	81.58
2	Total Amount Involved	₦4,240,845,904.59	₦9,799,817,216.49	131.08
3	Total Amount Lost	₦1,101,639,419.98	₦849,476,463.41	(22.89)
4	Outsider Involvement	3813	6,454	69.26
5	Insider (Staff) Involvement	324	176	(45.68)
6	Appointments Terminated	40	87	117.5

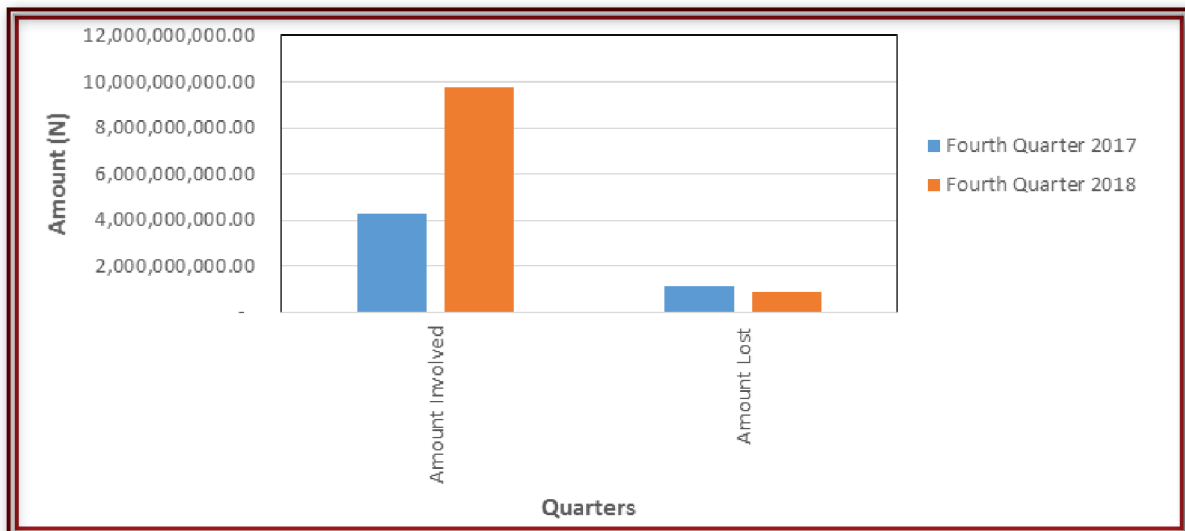
Appendix I (E)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter, 2017 and Fourth Quarter, 2018



Appendix I (F)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter, 2017 and Fourth Quarter, 2018



Appendix II (A) Frauds and Forgeries in the Nigerian Banking Industry Fourth Quarter, 2018)

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	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0) -	0
Falsification of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts	1 (0.01)	0 (0)	1 (0.02)	0 (0)	0 (0)	679,933.77 (0.01)	0 (0)	0
Forged Cheques with Forged Signature	18 (0.16)	5 (2.84)	10 (0.15)	0 (0)	3 (0.07)	121,275,142.81 (1.24)	421,042.81 (0.05)	0.3
Printing of Bank Document Illegally	1 (0.01)	1 (0.57)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Clearing Fraud	5 (0.04)	0 (0)	5 (0.08)	0 (0)	0 (0)	18,187,000.00 (0.19)	0 (0)	0
Computer/Web Fraud	3,340 (29.51)	2 (1.14)	1,184 (18.35)	0 (0)	2,165 (49.91)	7,587,942,921.67 (77.43)	445,558,500.92 (52.45)	5.9
Mobile Fraud	2,240 (19.79)	6 (3.41)	917 (14.21)	0 (0)	955 (22.01)	207,888,613.51 (2.12)	53,823,267.82 (6.34)	0.00
Foreign Exchange Fraud	5 (0.04)	4 (2.27)	0 (0)	0 (0)	1 (0.02)	510,058,663.70 (5.20)	0.00 (0)	0
Cross Firing of Cheques and Kite Flying	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00

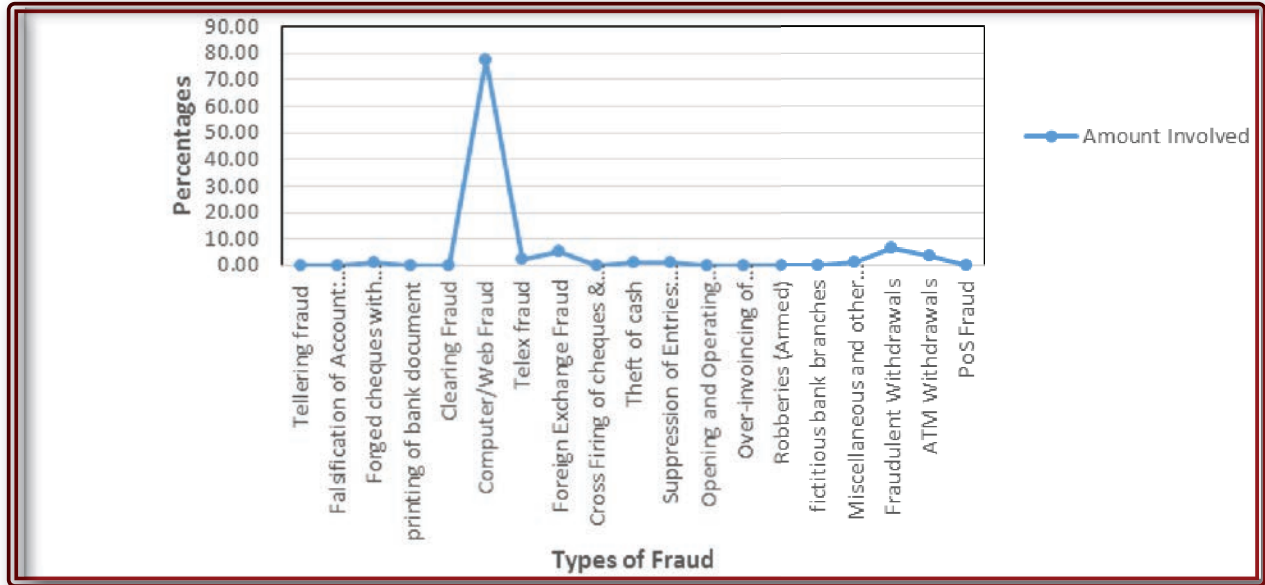
Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry Fourth Quarter, 2018

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	32 (0.28)	27 (15.34)	4 (0.06)	0 (0)	1 (0.02)	127,603,651.56 (1.30)	46,776,022.98 (5.51)	36.7
Suppression of Entries: Cash/Cheques	79 (0.70)	78 (44.32)	0 (0)	0 (0)	1 (0.02)	95,870,378.68 (0.98)	22,800,499.90 (2.68)	23.8
Opening and Operating Fraudulent Loans and Accounts	44 (0.39)	0 (0)	43 (0.67)	0 (0)	1 (0.02)	7,906,950.00 (0.08)	0 (0)	0.00
Over-Invoicing of Service to the Bank	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00
Robberies (Armed)	3 (0.03)	0 (0)	0 (0)	0 (0)	3 (0.07)	18,518,000.00 (0.19)	18,518,000.00 (2.18)	100
Fictitious Bank Branches	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00
Miscellaneous and Other Types of Fraud	55 (0.49)	28 (15.91)	21 (0.33)	0 (0)	6 (0.14)	101,959,699.79 (1.04)	73,457,302.12 (8.65)	72.0
Fraudulent Withdrawals	96 (0.85)	25 (14.20)	28 (0.43)	3 (100)	44 (1.01)	670,911,411.09 (6.85)	139,063,477.36 (16.37)	20.7
ATM Withdrawals	5,219 (46.11)	0 (0)	4,075 (63.14)	0 (0)	1144 (26.37)	321,083,799.54 (3.28)	49,058,349.50 (5.78)	15.3
PoS Fraud	180 (1.59)	0 (0)	166 (2.57)	0 (0)	14 (0.32)	9,931,030.37 (0.10)	0 (0)	0
Total	11,318	176	6,454	3	4,338	9,799,817,216.49	849,476,643.41	274.7

Note: All figures in parenthesis () indicate percentages

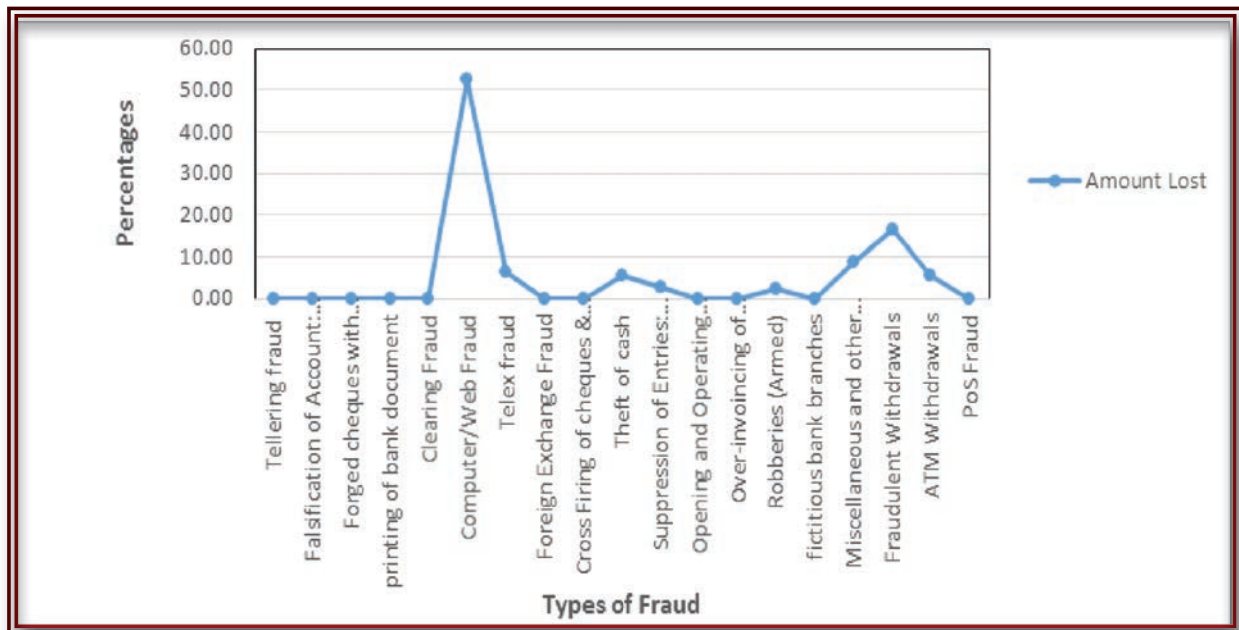
Appendix II (B)

Percentage Distribution of Amount Involved in Frauds and Forgeries (Fourth Quarter, 2018)



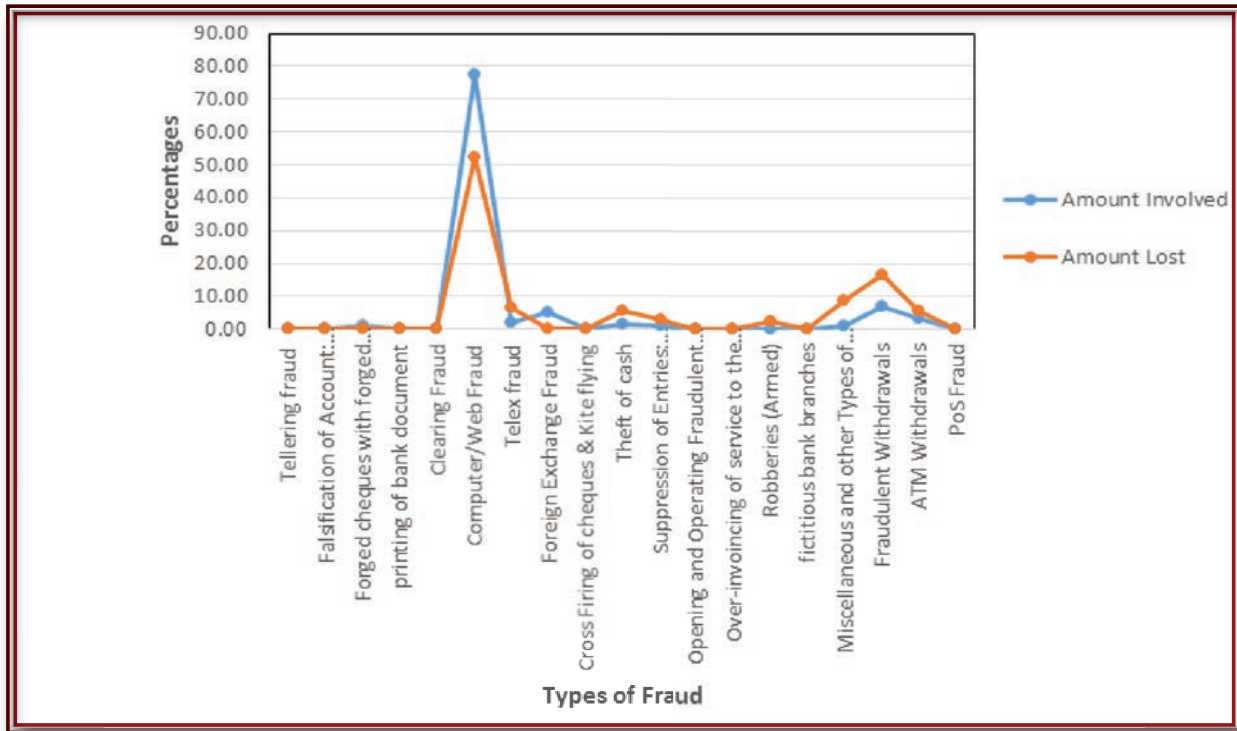
Appendix II (C)

Percentage Distribution of Amount Lost to Frauds and Forgeries (Fourth Quarter, 2018)



Appendix II (D)

Percentage Distribution of Amount Involved in and the Amount Lost to Frauds and Forgeries (Fourth Quarter, 2018)



Appendix III (A)

Frauds and Forgeries through various Payment Channels: A Comparison between Third and Fourth Quarters, 2018

S/N	Channels	Cases: Third Quarter, 2018	Cases: Fourth Quarter, 2018	Percentage (%) Change
1	Web	3,312	3,340	0.85
2	ATM	3,131	5,219	66.69
3	Bank Branch	341	337	(1.17)
4	Mobile	1,494	2,240	49.93
5	POS	143	180	25.87
6	Van	0	0	-
7	Agent	42	2	(95.24)
Total		8,463	11,318	

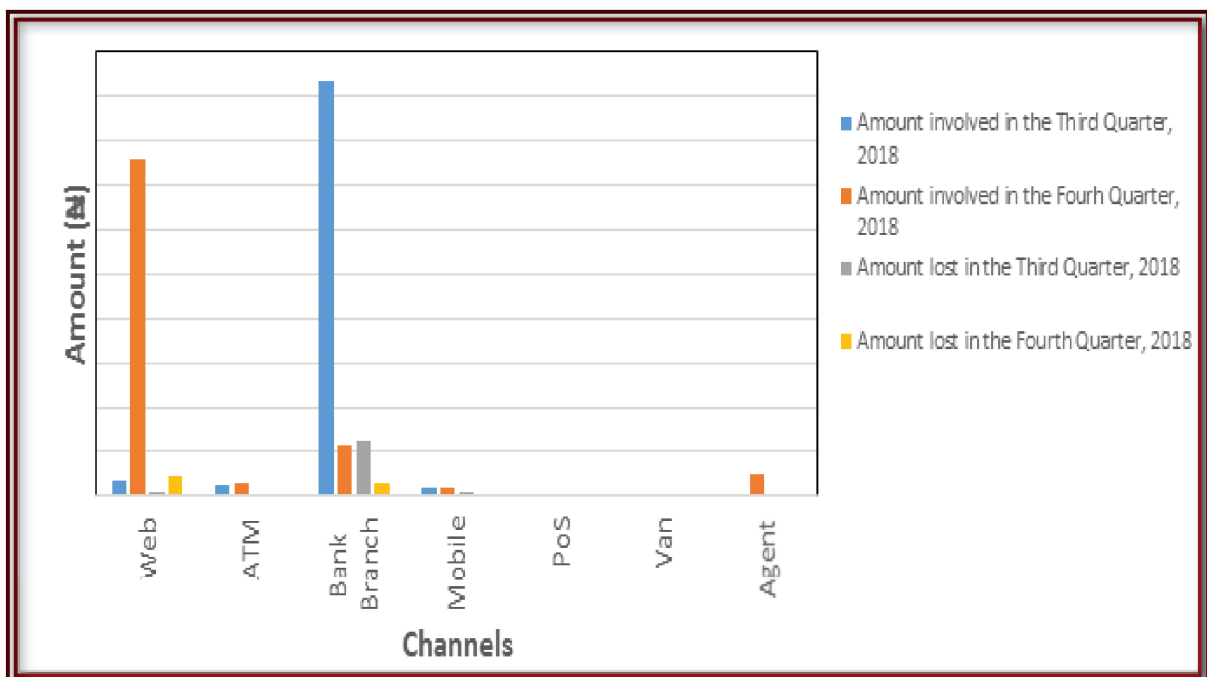
Appendix III (B)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison between Third and Fourth Quarters, 2018

S/N	Channels	Amount Involved, Third Quarter, 2018 (₦)	Amount Involved, Fourth Quarter, 2018 (₦)	% Change	Amount Lost, Third Quarter, 2018 (N)	Amount Lost, Fourth Quarter, 2018 (₦)	% Change
1	Web	345,112,131.80	7,587,942,921.67	2,089.69	84,351,969.37	445,558,500.92	428.21
2	ATM	237,896,759.54	321,083,799.54	34.97	30,939,373.42	49,058,349.50	58.56
3	Bank Branch	9,334,028,163.71	1,163,070,851.40	(87.54)	1,271,300,062.41	301,036,345.17	(76.32)
4	Mobile	207,112,337.74	207,888,613.51	0.37	100,124,746.72	53,823,267.82	(46.24)
5	POS	8,060,468.70	9,931,030.37	23.21	-	-	
6	Van	-	-	-	-	-	-
7	Agent	6,100,891.86	509,900,000.00	8257.79	617,287.68		(100)
	Total	10,138,310,753.35	9,799,817,216.49		1,487,333,439.60	849,476,463.41	

Appendix III (C)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison between Third and Fourth Quarters, 2018



Appendix IV (A)

Frauds and Forgeries through various Instruments: A Comparison between Third and Fourth Quarters, 2018

S/N	Instruments	Cases: Third Quarter, 2018	Cases: Fourth Quarter, 2018	Percentage (%) Change
1	Cash	355	324	(8.73)
2	Cheques	28	10,979	39110.71
3	Cards	8,080	15	99.81
4	Slips	0	0	
	Total	8463	11,318	

Appendix IV (B)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison between Third and Fourth Quarters, 2018

S/N	Instruments	Amount Involved, Third Quarter, 2018 (₦)	Amount Involved, Fourth Quarter, 2018 (₦)	% change	Amount Lost, Third Quarter, 2018 (₦)	Amount Lost, Fourth Quarter, 2018 (₦)	% Change
1	Cash	9,276,400,476.00	1,555,461,209.00	(83.23)	1,265,763,300.00	300,615,302.00	(76.25)
2	Cheques	63,728,580.00	117,509,643.00	84.39	6,154,050.00	421,043.00	(93.16)
3	Cards	798,181,698.00	8,126,846,365.00	918.17	215,416,089.51	548,440,118.00	154.6
4	Slips	0	0	N/A	0	0	N/A
	Total	10,138,310,754.00	9,799,817,216.49		1,487,333,439.60	849,476,463.00	

Appendix IV (C)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison between Third and Fourth Quarters, 2018

