

Report on Frauds & Forgeries in Banks



January - March, 2019

Report on Frauds & Forgeries in the Nigerian Banking Industry

First Quarter, 2019

Overview

FITC received a total of 68 returns from 25 deposit money banks¹ on incidences of frauds and forgeries during the first quarter of 2019. An analysis of these returns revealed that 24, 20 and 24 returns were received for the months of January, February and March 2019 respectively.

Volume and Value of Fraud Cases

A total of 11,356 cases² of frauds and forgeries were reported in the first quarter of 2019, compared to 11,318 reported cases in the fourth quarter of 2018, indicating that reported cases of fraud in the banking industry increased marginally by 0.34 percent between the periods. The most prevalent types of fraud during the period included 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, the total amount³ reported to be involved in fraud cases significantly decreased to N3.85 billion from the initial N9.79 billion, thus indicating a 60.64 percent fall, while the amount lost to fraud incidences also plummeted by 55.38 percent to N379 million from N849.4 million reported in the fourth quarter of 2018. The reduction in expected loss could be attributed to the combined efforts of banks and relevant law enforcement agencies. A ranking of fraud types according to the amount involved (**Appendix II (A)**), indicated that illegal printing of bank documents ranked first at N2.2 billion (57.34 percent), Theft of cash fraud ranked second at N429.9 million (11.15 percent), ATM Withdrawals Fraud ranked third at N300.7 million (7.8 percent) while Computer/Web Fraud ranked fourth

at N239.9 million (6.22 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 revealed that Computer/Web Fraud and Mobile Frauds accounted for N81.1 million (21.4 percent) and N73.9 million (19.51 percent) respectively, of the total amount that was actually lost to fraud incidences during the review period while fraudulent withdrawals contributed N71.1 million (18.78 percent) to the total amount that was lost to fraud incidences in the quarter under review. The amount reportedly lost to fraud and forgery activities is shown in **Appendix II (C)**, while **Appendix II (D)**, show 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 first quarter of 2019, 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 decreased on four parameters (web, ATM, mobile banking and agent banking) while it increased on two parameters namely- bank branch and POS.

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

perpetrated through web and ATM decreased by 96.84 percent and 4.87 percent to N239.9 million and N305.4 million from N7.58 billion and N321.08 million respectively in the previous quarter. Though the amount involved in mobile banking fraud decreased by 4.18 percent to N199.2 million from the initial N207.8 million, the amount involved in fraudulent activities through bank branches surged upward by 165.77 percent to N3.09 billion from N1.16 billion reported in the previous quarter. The amount involved in frauds perpetrated through POS terminals increased to N21.01 million from N9.9 million, thus representing a leap of 111.57 percent, while the amount involved in frauds through agent banking declined by 99.94 percent to N282,068.00 from N509.9 million.

Further analysis of the returns according to the payment channels, indicated that the amount lost to fraud incidents decreased on two parameters (web and bank branch), while it increased on three parameters (ATM, mobile banking and POS). Total amount lost to frauds through web and bank branches declined by 81.8 percent and 46.55 percent to N81.1 million and N160.9 million from N445.5 million and N301.03 million respectively. Conversely, total amount lost to frauds through ATM and mobile banking increased by 15.67 percent and 37.39 percent to N56.7 million and N73.9 million from N49.05 million and N53.8 million respectively. The sum of N6.3 million was lost to frauds through POS while no amount was lost to frauds through Agent banking in the review quarter. Per **Appendix IV (B)**, the amount involved through three instruments of transaction (cash, cheques and slips), increased in the first quarter

of 2019, while the amount involved through cards decreased in the same quarter. Frauds through cash and cheques increased by 90.14 percent and 11.3 percent, to N2.9 billion and N130.7 million, from N1.5 billion and N117.5 million reported in the preceding quarter, respectively. The amount involved in frauds through cards, declined to N765.5 million from N8.1 billion in the previous quarter, thus signifying 90.58 percent fall, while the sum of N3.01 million was involved in frauds through slips. Similarly, actual amount lost to frauds through cash and cards, declined by 52.05 percent and 60.23 percent, to N144.1 million and N218.1 million, from the initial N300.6 million and N548.4 million, in the previous quarter. In contrast, actual amount lost to frauds through cheques increased by 3,416.03 percent to N14.8 million, from N421,043.00, while the sum of N1.9 million was lost to frauds, through slips. Additional details on the channels and instruments that were used to perpetrate fraud in the first quarter of 2019 are graphically illustrated in **Appendices III and IV**.

During the period under review, deposit money banks reported that the services of ninety (90) employees were terminated for involvement in fraud-related practices. This signifies a marginal increase of 3.45 percent, compared to the preceding quarter when eighty-seven (87) 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 2018 was thirty (30), indicating an increase of 200 percent.

Conclusion

The assessment of fraud and forgery incidences within the Nigerian banking industry in the first quarter of 2019, indicated varied results of the

parameters measured. The number of fraud cases reported during the period increased marginally by 0.34 percent, from 11,318 to 11,356. However, the total amount involved in frauds decreased by 60.64 percent to N3.8 billion in the review quarter from N9.79 billion reported in the preceding quarter. Similarly, the total amount lost to fraudulent activities dropped by 55.38 percent to N379.03 million from N849.4 million in the previous quarter, while the total number of employees' appointment terminated increased from 87 to 90 indicating a 3.45 percent leap.

The analysis further indicated a marginal decrease of 0.13 percent in the number of electronic fraud⁵ incidents from 10,979 to 10,965, in the review quarter. Similarly, the amount involved in electronic fraud significantly decreased by 90.64 percent to N760.9 million from N8.1 billion, while amount lost to electronic fraud also decreased by 60.23 percent to N218.1 million from N548.4 million reported in the fourth quarter of 2018. Furthermore, electronic fraud contributed 19.72 percent and 57.55 percent, to the total amount that was involved in and actually lost to frauds, while printing of bank document illegally and theft of cash, accounted for 57.34 percent and 11.15 percent respectively, of the total amount that was involved in fraudulent activities in the review period.

Conclusively, the analysis of the first quarter frauds and forgeries returns of banks reveal a marginal increase in the number of fraud cases reported, with an observed massive reduction in the total amount involved and amount lost to fraudulent activities. Total amount involved in and actual amount lost to frauds through electronic banking declined in the review quarter, due to improved security measures deployed on banks' electronic banking platforms.

Despite this improvement, the amount involved in and amount lost to fraudulent activities through the printing of bank documents illegally and theft of cash, surged upward in the first quarter, compared to the fourth quarter of 2018.

Recommendations

Based on these findings, there is an urgent need for operators and regulators to further strengthen the internal control measures within bank branches, to reduce the incidences of frauds and its attendant losses. More so, the need for bank staff to undergo formal training on ways of detecting and forestalling fraudulent activities in their institutions, is more expedient. In addition, banks need to continue educating their customers on the need to keep their banking details safe from fraudulent persons.

(Please see the appendices below for summaries of the cases of fraud and forgery covered in this report. Comparison between the fourth quarter of 2018 and First quarter of 2019, as well as comparison between the first quarters of 2018 and 2019 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.

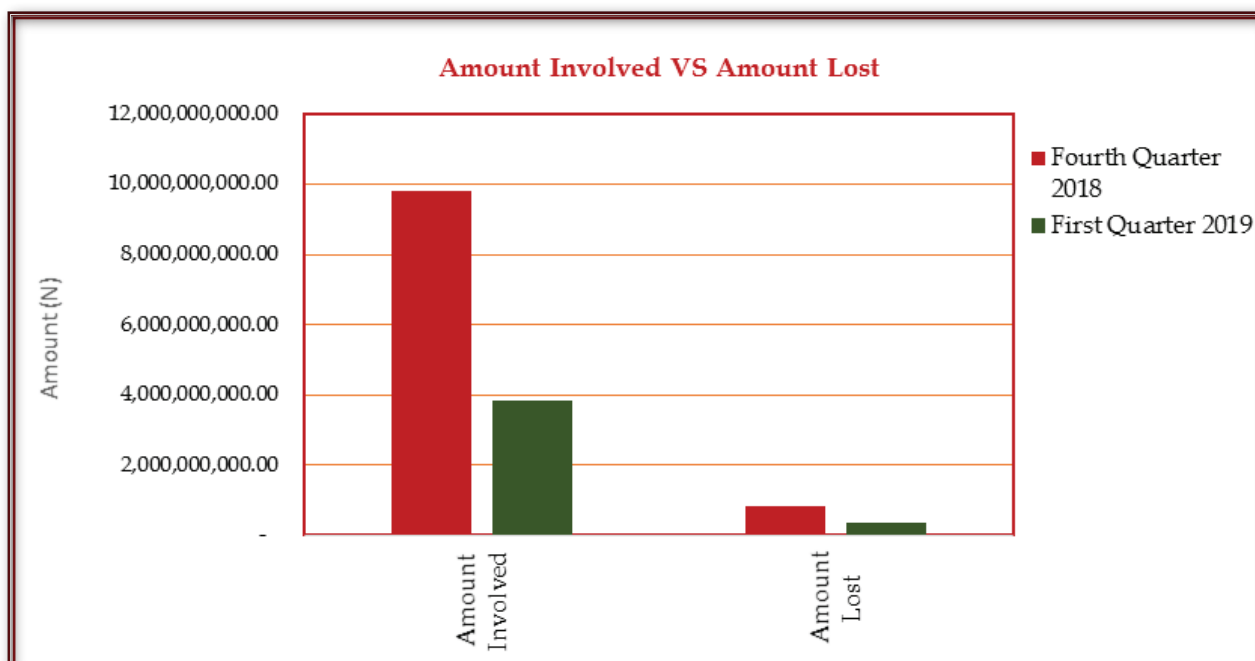
Appendix I (A)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter, 2018 and First Quarter, 2019

S/N	Variables	Fourth Quarter, 2018	First Quarter, 2019	Percentage (%) Change
1	Total Cases Reported	11,318	11,356	0.34
2	Total Amount Involved	N9,799,817,216.49	N3,856,950,614.87	(60.64)
3	Total Amount Lost	N849,476,463.41	N379,032,127.62	(55.38)
4	Outsider Involvement	6,454	6,291	(2.53)
5	Insider (Staff) Involvement	176	196	11.36
6	Appointments Terminated	87	90	3.45

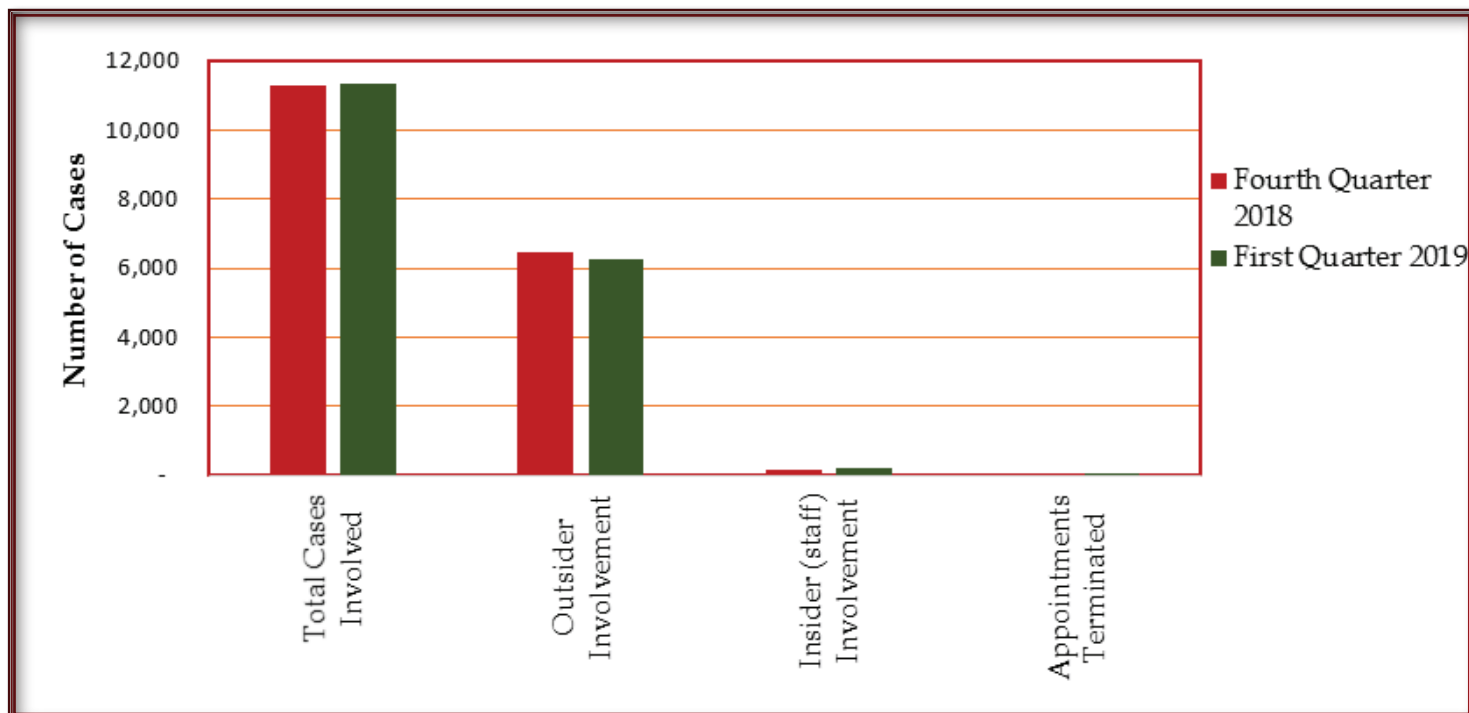
Appendix I (B)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter, 2018 and First Quarter, 2019



Appendix I (C)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter, 2018 and First Quarter, 2019



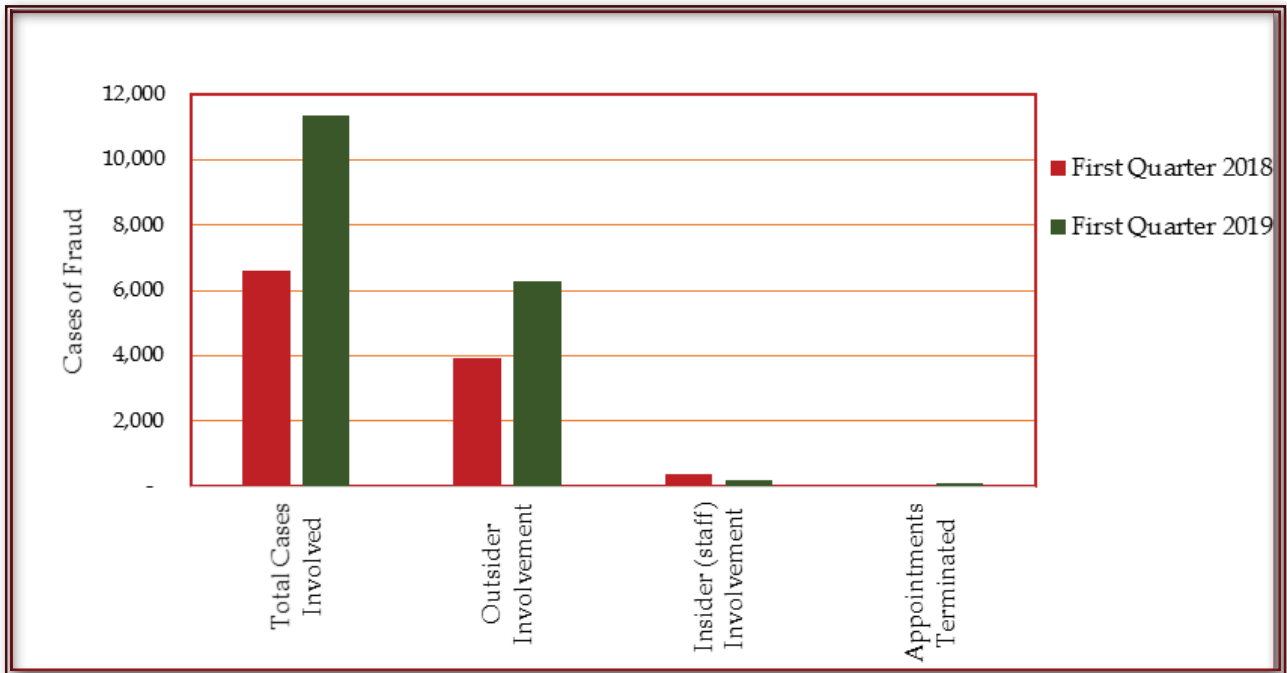
Appendix I (D)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter, 2018 and First Quarter, 2019

S/N	Variables	Fourth Quarter, 2018	First Quarter, 2019	Percentage (%) Change
1	Total Cases Reported	6,607	11,356	71.88
2	Total Amount Involved	N3,422,099,795.52	N3,856,950,614.87	12.71
3	Total Amount Lost	N1,206,807,240.37	N379,032,127.62	(68.59)
4	Outsider Involvement	3,923	6,291	60.36
5	Insider (Staff) Involvement	376	196	(47.87)
6	Appointments Terminated	30	90	200

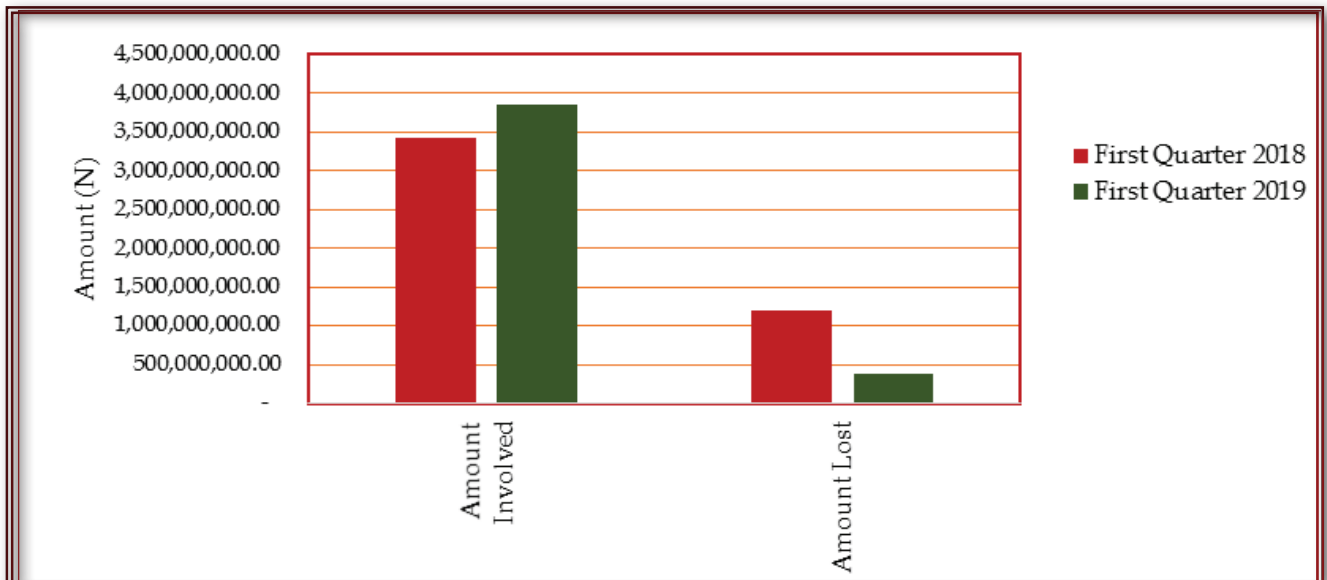
Appendix I (E)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter, 2018 and First Quarter, 2019



Appendix I (F)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison between Fourth Quarter, 2018 and First Quarter, 2019



Appendix II (A) Frauds and Forgeries in the Nigerian Banking Industry First Quarter, 2019)

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	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	20 (0.18)	7 (3.57)	12 (0.19)	0 (0)	1 (0.02)	131,769,000.00 (3.42)	14,804,000.00 (3.91)	11.2
Printing of Bank Document Illegally	3 (0.03)	2 (1.02)	0 (0)	0 (0)	1 (0.02)	2,211,600,000.00 (57.34)	0 (0)	0
Clearing Fraud	7 (0.06)	0 (0)	5 (0.08)	0 (0)	2 (0.04)	7,096,540.00 (0.18)	0 (0)	0
Computer/Web Fraud	3,233 (28.38)	4 (2.04)	1,357 (21.57)	0 (0)	1,862 (38.27)	239,927,793.96 (6.22)	81,101,053.50 (21.40)	33.8
Mobile Fraud	2,174 (19.14)	6 (3.06)	1,061 (16.87)	0 (0)	1,107 (22.75)	199,200,278.48 (5.16)	73,949,059.43 (19.51)	0.00
Foreign Exchange Fraud	1 (0.01)	0 (2.27)	0 (0)	0 (0)	1 (0.02)	282,068.00 (0.01)	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

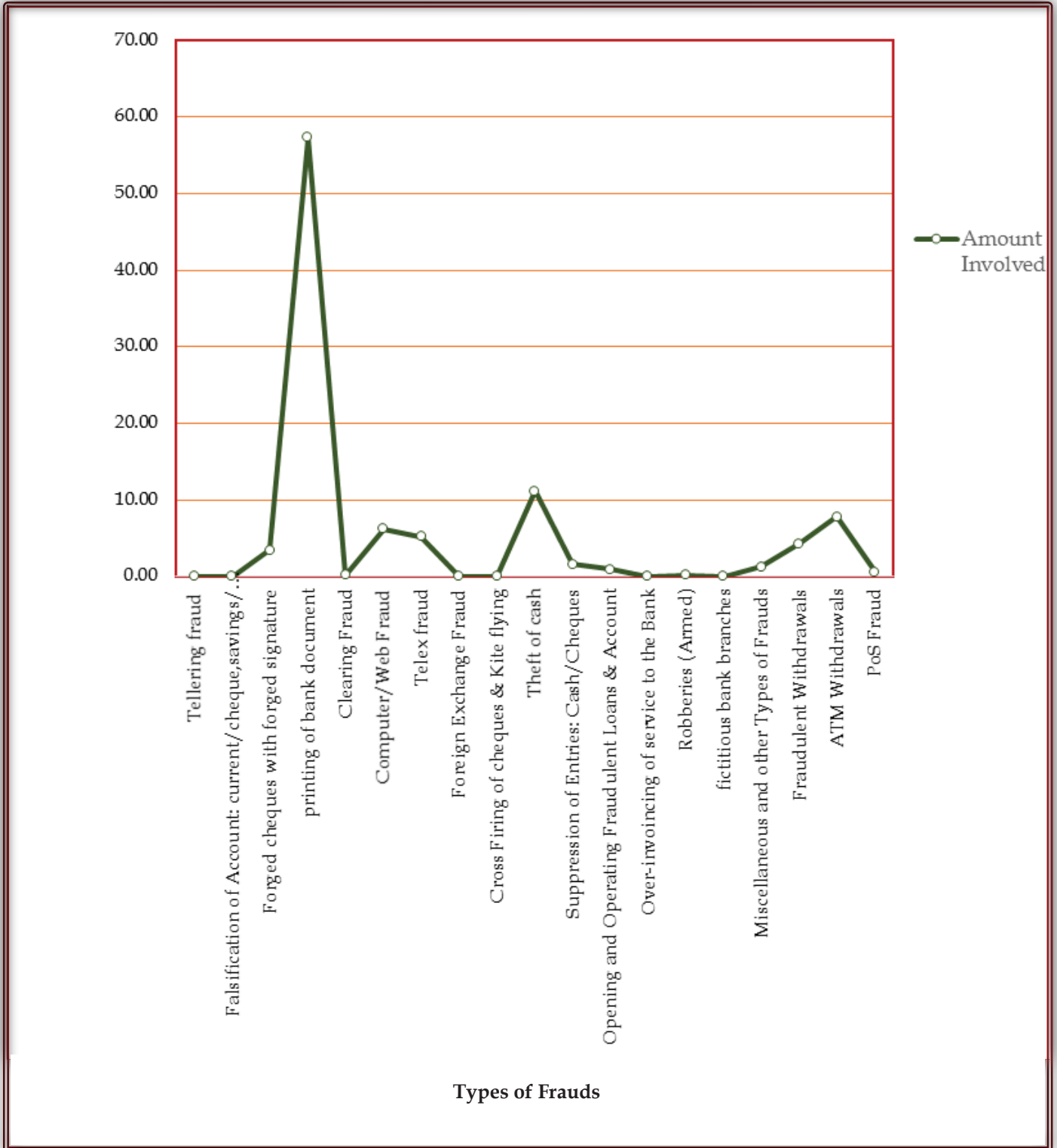
Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry First Quarter, 2019)

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	27 (0.24)	24 (12.24)	2 (0.03)	0 (0)	1 (0.02)	429,928,383.00 (11.15)	8,279,805.00 (2.18)	1.9
Suppression of Entries: Cash/ Cheques	102 (0.90)	101 (51.53)	0 (0)	1 (50)	0 (0)	60,602,015.78 (1.57)	37,530,156.78 (9.90)	61.9
Opening & Operating Fraudulent Loans & Accounts	101 (0.89)	1 (0.51)	100 (1.59)	0 (0)	0 (0)	34,908,322.33 (0.91)	200,000 (0.05)	0.6
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)	0 (0)	0 (0)	1 (0.02)	7,349,000.00 (0.19)	7,349,000.00 (1.94)	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	48 (0.42)	24 (12.24)	18 (0.29)	0 (0)	5 (0.10)	47,067,327.55 (1.22)	21,579,138.55 (5.69)	45.8
Fraudulent Withdrawals	91 (0.80)	21 (10.71)	23 (0.37)	1 (50)	46 (0.95)	165,440,124.96 (4.29)	71,164,734.24 (18.78)	43.0
ATM Withdrawals	5,370 (47.29)	6 (3.06)	3,537 (56.22)	0 (0)	1,827 (37.55)	300,769,135.91 (7.80)	56,744,023.87 (14.97)	18.9
PoS Fraud	188 (1.66)	0 (0)	176 (2.80)	0 (0)	12 (0.25)	21,010,624.90 (0.54)	6,331,156.25 (1.67)	30.1
Total	11,356	196	6,291	2	4,865	3,856,950,614.87	379,032,127.62	347.2

Note: All figures in parenthesis () indicate percentages

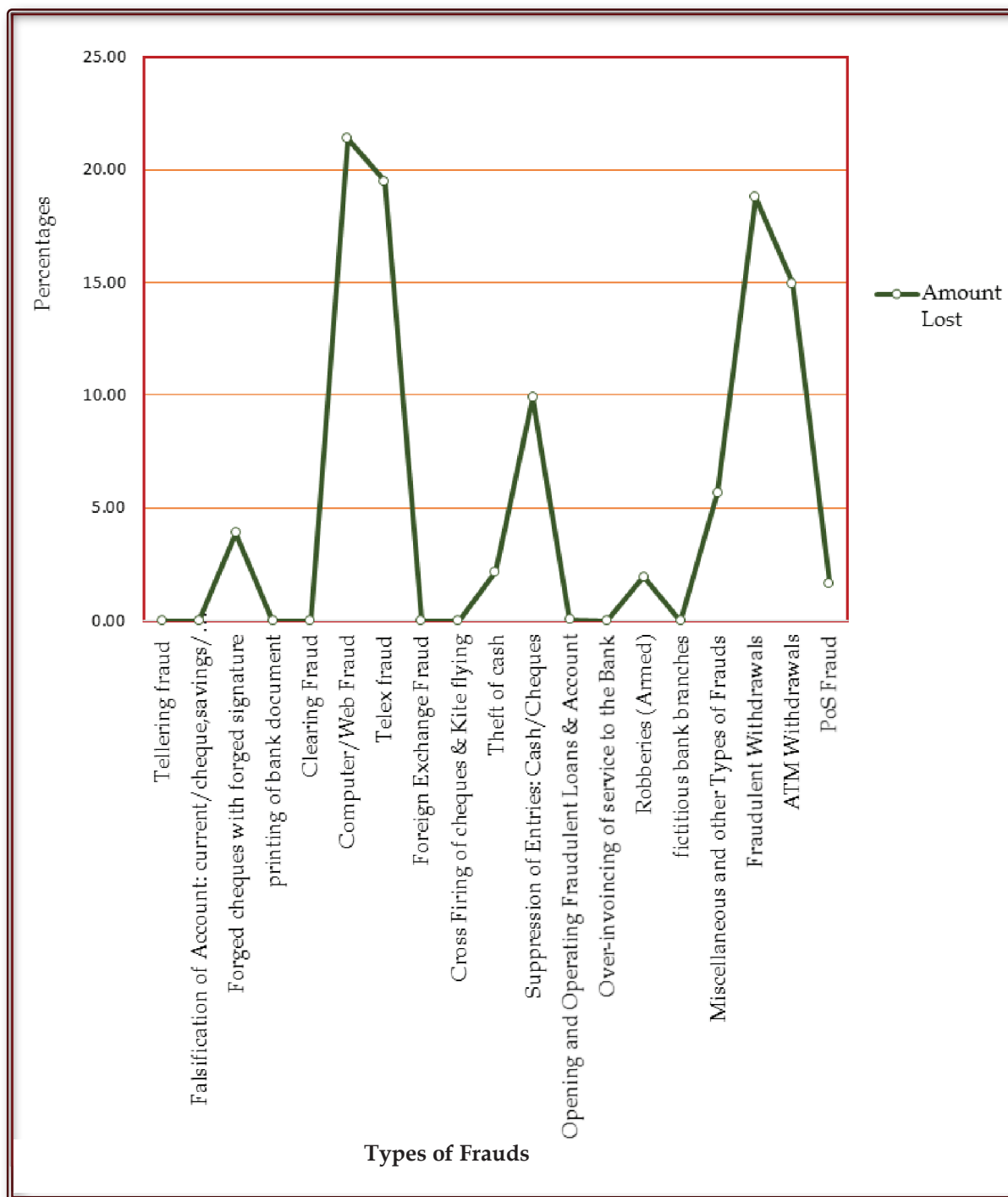
Appendix II (B)

Percentage Distribution of Amount Involved in Frauds and Forgeries (First Quarter, 2019)



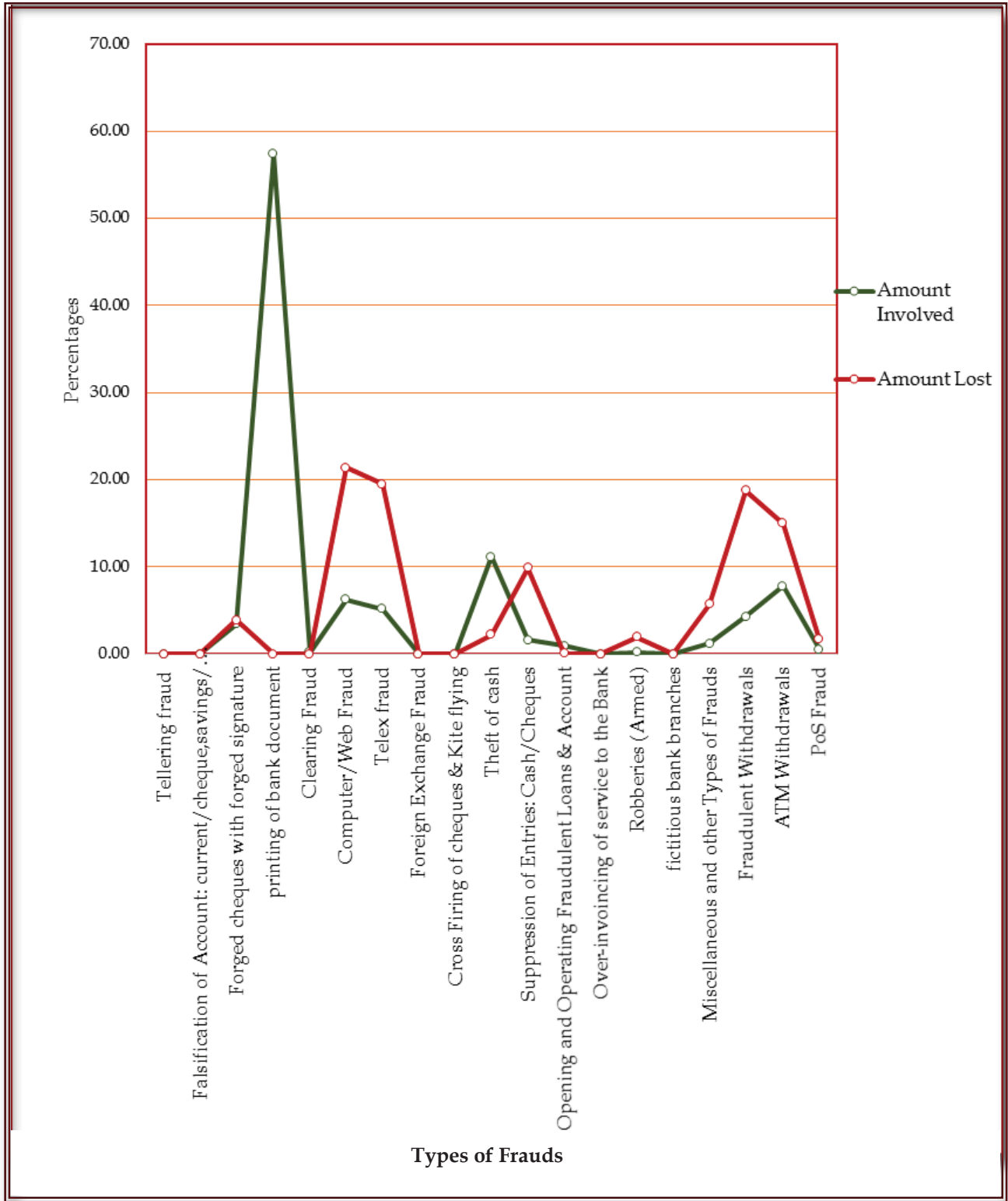
Appendix II (C)

Percentage Distribution of Amount Involved in Frauds and Forgeries (First Quarter, 2019)



Appendix II (D)

Percentage Distribution of Amount Involved in and the Amount Lost to Frauds and Forgeries (First Quarter, 2019)



Appendix III (A)

Frauds and Forgeries through various Payment Channels: A Comparison between Fourth Quarter, 2018 and First Quarter, 2019

S/N	Channels	Cases: Fourth Quarter, 2018	Cases: First Quarter, 2019	Percentage (%) Change
1	Web	3,340	3,223	(3.5)
2	ATM	5,219	5,370	2.89
3	Bank Branch	337	400	18.69
4	Mobile	2,240	2,174	(2.95)
5	POS	180	188	4.44
6	Van	0	0	-
7	Agent	2	1	(50)
	Total	11,318	11,356	0.34

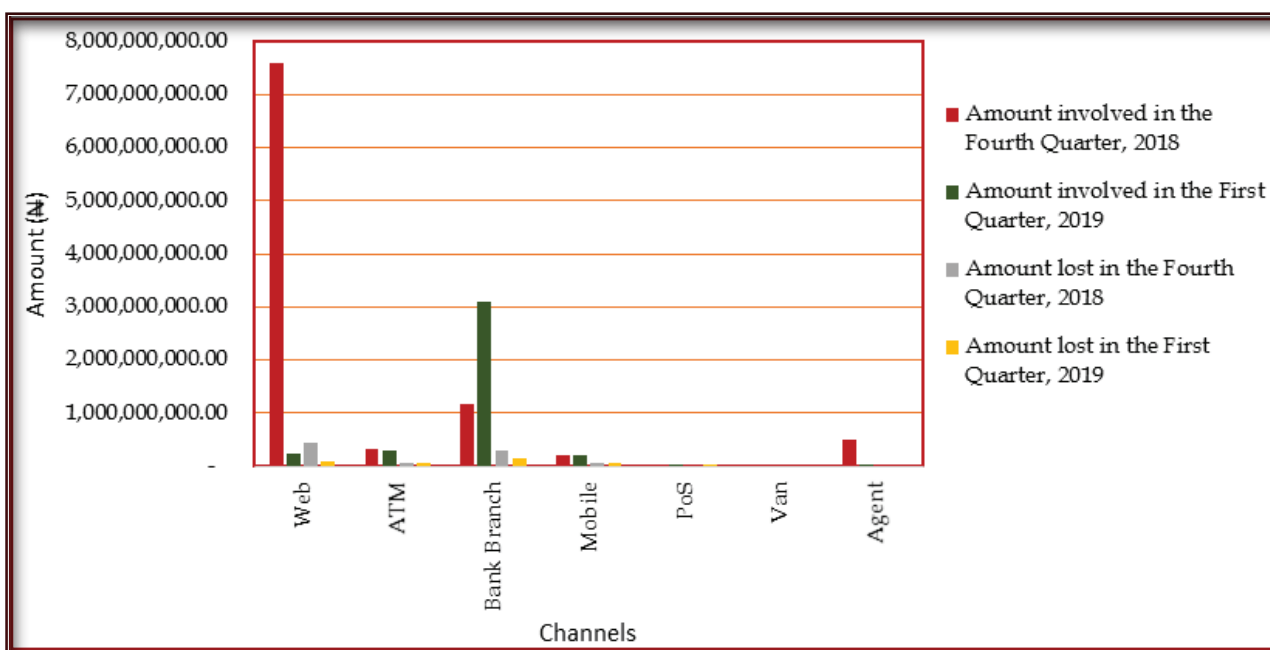
Appendix III (B)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison between Fourth Quarter, 2018 and First Quarter, 2019

S/N	Channels	Amount Involved, Fourth Quarter, 2018 (N)	Amount Involved, First Quarter, 2019 (N)	Percentage (%) Change	Amount Lost, Fourth Quarter, 2018 (N)	Amount Lost, First Quarter, 2019 (N)	Percentage (%) Change
1	Web	7,587,942,921.67	239,927,793.96	(96.84)	445,558,500.92	81,101,053.50	(81.8)
2	ATM	321,083,799.54	305,446,335.91	(4.87)	49,058,349.50	56,744,023.87	15.67
3	Bank Branch	1,163,070,851.40	3,091,083,513.62	165.77	301,036,345.17	160,906,834.57	(46.55)
4	Mobile	207,888,613.51	199,200,278.48	(4.18)	53,823,267.82	73,949,059.43	37.39
5	POS	9,931,030.37	21,010,624.90	111.57	-	6,331,156.25	NA
6	Van	-	-	-	-	-	-
7	Agent	509,900,000.00	282,068.00	(99.94)	-	-	-
	Total	9,799,817,216.49	3,856,950,614.87	(60.64)	849,476,463.41	379,032,127.62	(55.38)

Appendix III (C)

**Amount Involved and Amount Lost to Fraud through various Payment Channels:
A Comparison between Fourth Quarter, 2018 and First Quarter, 2019**



Appendix IV (A)

Frauds and Forgeries through various Instruments: A Comparison between Fourth Quarter, 2018 and First Quarter, 2019

S/N	Instruments	Cases: Fourth Quarter, 2018	Cases: First Quarter, 2019	Percentage (%) Change
1	Cash	324	384	18.52
2	Cheques	10,979	10,955	(0.22)
3	Cards	15	15	0
4	Slips	0	2	-
	Total	11,318	11,356	0.34

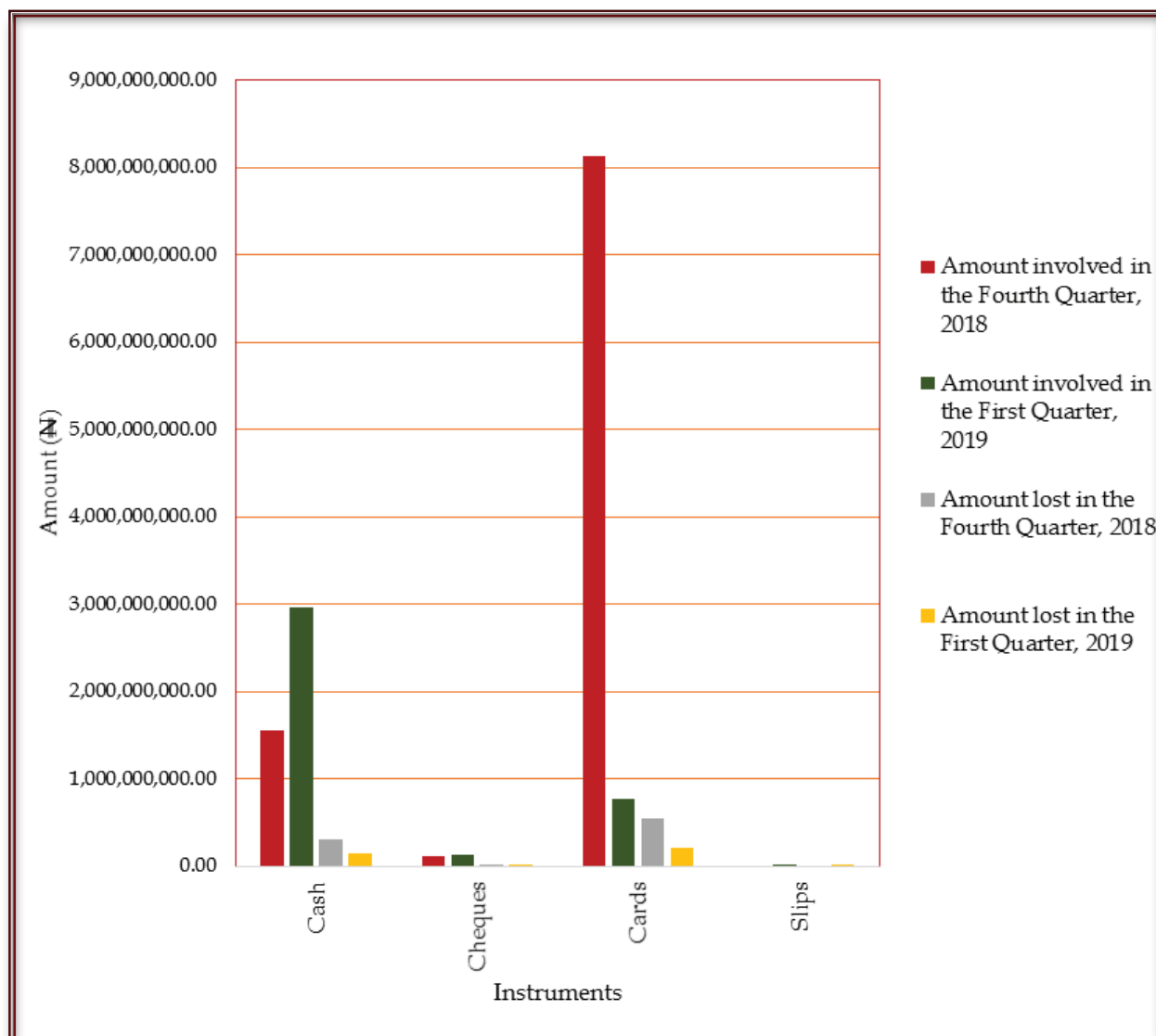
Appendix IV (B)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison between Fourth Quarter, 2018 and First Quarter, 2019

S/N	Instruments	Amount Involved, Fourth Quarter, 2018 (N)	Amount Involved, First Quarter, 2019 (N)	Percentage (%) Change	Amount Lost, Fourth Quarter, 2018 (N)	Amount Lost, First Quarter, 2019 (N)	Percentage (%) Change
1	Cash	1,555,461,209.00	2,957,554,451.62	90.14	300,615,302.00	144,139,704.57	(52.05)
2	Cheques	117,509,643.00	130,794,000.00	11.3	421,043.00	14,804,000.00	3,416.03
3	Cards	8,126,846,365.00	765,585,033.25	(90.58)	548,440,118.00	218,125,293.05	(60.23)
4	Slips	0	3,017,130.00	-	0	1,963,130.00	-
	Total	9,799,817,216.49	3,856,950,614.87	(60.64)	849,476,463.00	379,032,127.62	(55.38)

Appendix IV (C)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison between Fourth Quarter, 2018 and First Quarter, 2019



Appendix II (B)

Percentage Distribution of Amount Involved in Frauds and Forgeries (First Quarter, 2019)

