



Report on Frauds & Forgeries in Nigerian Banks

Quarter 1, 2020

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Report on Frauds and Forgeries in the Nigerian Banking Industry

First Quarter, 2020

1. Overview

FITC received Seventy-Six (76) returns from Twenty-Seven (27) deposit money banks¹ on incidences of frauds and forgeries in the first quarter of 2020. An analysis of these returns revealed that Twenty-Seven (27) returns were received for the months of January and February 2020 respectively, while Twenty-Two (22) frauds returns were received in March 2020.

2. Volume and Value of Fraud

Cases

A total of Eighteen Thousand, Three Hundred and Twenty-Six (18,326) cases² of Frauds and Forgeries were reported in the first quarter of 2020, compared to Thirteen Thousand, Nine Hundred and Twenty-Two (13,922) reported cases in the fourth quarter of 2019, indicating an increase of 31.63 percent between the periods. The most prevalent fraud types during the periods included ATM Withdrawals, Mobile Banking fraud, Computer/Web fraud and Fraudulent Withdrawals. **Appendices I and II illustrate fraud activities that occurred during the period.**

The total amount³ reported to be involved in fraud cases during the periods increased by 102.35 per cent to N8.39 billion from the initial N4.15 billion while the amount lost to fraud incidences decreased to N719.4 million from N937.5 million reported in the fourth quarter of 2019 signifying a 23.26 percent fall. The decline in the amount lost to frauds could be attributed to the improved security measures on

electronic platforms of the deposit money banks.

A ranking of fraud types according to the magnitude indicated that ATM Withdrawals ranked first N4.6 billion (55.84 percent), Frauds through Forged Cheques with Forged Signature ranked second at N1.5 billion (17.98 percent), Fraudulent Withdrawals ranked third at N977.4 million (11.64 percent) while Mobile Fraud ranked fourth at N517.9 million (6.17 percent). The amount reported to be involved in Frauds and Forgeries during the period under review is presented in **Appendices II (A) and II (B).**

Fraudulent Withdrawals accounted for more than half of the amount lost to frauds at N416.03 million (57.82 percent), Mobile frauds ranked second with N172.3 million (23.95 percent) of the total amount lost to frauds, while Miscellaneous⁴ and other types of Fraud contributed N38.4 million (5.34 percent) of the total amount lost to frauds in the quarter under review. The percentage amount reportedly lost to Fraud and Forgeries activities is shown in **Appendix II (C)**, 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.

3. Channels, Instruments and Personalities Involved in Perpetrating Fraud

During the first quarter of 2020, fraudulent activities were perpetuated through different

channels such as the ATM, Web, Mobile Banking Platforms, Bank branches and PoS (Point of Sale) terminals. The instruments mostly used to carry out fraudulent activities include Cards, Cash and Cheques.

Analysis of banks' returns with regards to the payment channels, show that the amount involved in fraud incidents increased on four parameters (ATM, Bank branch, Mobile Banking and PoS) while it decreased on one parameter (Web).

Data in **Appendix III (B)**, revealed that frauds perpetrated through ATM and PoS channels in first quarter 2020 surged upward by 1,039.72 per cent and 1,384.43 per cent to N4.6 billion and N656.1 million from N409.2 million and N44.2 million reported in fourth quarter 2019. Fraudulent activities through bank branches and mobile banking also increased to N2.55 billion and N352.4 million from N2.09 billion and N195.3 million in fourth quarter 2019, thus representing 22 per cent and 80.43 percent rise respectively. Conversely, amount involved in frauds through web platforms decreased from N1.4 billion to N171.7 million in the first quarter of 2020, indicating an 87.81 per cent fall.

Analysis of the returns according to the payment channels, indicated that the amount lost to fraud incidents decreased on four parameters (Web, ATM, Bank branch and Mobile), while it increased on a parameter (PoS) in

Note 1: Commercial, merchant and non-interest banks; Note 2: Volume of fraud and forgery; Note 3: Value of fraud and forgery.

first quarter 2019. Total amount lost to frauds through web and ATM channels decreased by 83.09 percent and 60.14 percent to N18.8 million and N19.1 million from N111.6 million and N47.9 million reported in fourth quarter, 2019. In the same vein, amount lost to frauds through bank branches and mobile banking declined to N350.3 million and N71.6 million from N694.7 million and N74.8 million signifying a fall of 49.57 per cent and 4.39 per cent respectively. However, total amount lost to frauds through PoS channels increased astronomically by 3,045.91 per cent to N259.4 million from N8.2 million reported in the fourth quarter of 2019.

Appendix IV (B), indicated that the amount involved through three instruments of transaction (Cards, Cheques and Slips) increased, while the amount involved through cash decreased in the first quarter of 2020. Frauds through cheques and cards increased by 641.36 per cent and 153.61 per cent, to N1.5 billion and N5.21 billion from N203.6 million and N2.05 billion reported in the fourth quarter 2019, respectively. In contrast, Fraudulent activities through cash decreased by 16.54 per cent to N1.57 billion from N1.89 billion.

Actual amount lost to frauds through cash and cards, decreased by 21.94 per cent and 56.79 per cent to N535.7 million and N104.9 million from N686.2 million and N242.8 million respectively, in the fourth quarter 2019 while amount lost to frauds through cheques increased by 109.06 percent to N17.7 million from N8.4 million. A total sum of N94.9 million was involved in frauds through slips in

the first quarter of 2020, while N61.08 million was lost to frauds through slip in the same quarter. Additional details on the channels and instruments that were used to perpetrate fraud in the first quarter of 2020 are graphically illustrated in **Appendices III (C) and IV (C)**.

During the period under review, deposit money banks reported that the services of Forty-Six (46) employees were terminated due to involvement in fraud-related practices. This represents a decrease of 4.17 percent, compared to the preceding quarter when Forty-Eight (48) 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 2019 was Ninety (90), indicating a decrease of 48.89 percent.

4. Recommendations

Based on these findings, it is expedient for banks to further strengthen the security measures on their online platforms to reduce the incidence of electronic frauds⁵. Furthermore, operators and regulators should improve the internal control measures within bank branches to sustain the downward trend in the total amount lost to fraudulent activities. Finally, staff of Nigerian banks need to undergo formal training on ways of detecting and forestalling fraudulent activities in their branches and through other payment channels of their institutions.

The appendices below show summaries of the cases of Frauds and forgeries covered in this report. A comparison was done between the fourth quarter of 2019 and first quarter of 2020, as well

as between the first quarters of 2019 and 2020 on selected parameters.

5. Summary and Conclusion

An assessment of Fraud and Forgery incidences within the Nigerian banking industry in the first quarter of 2020, revealed an increase in the total number of fraud cases reported and total amount involved in fraudulent activities with a downward trend in the actual amount lost to fraud cases.

The number of fraud cases reported during the period increased by 31.63 percent from 13,922 to 18,326 while the total amount involved in frauds increased by 102.35 percent to N8.39 billion from the initial N4.1 billion. Actual amount lost to frauds decreased by 23.26 percent to N719.4 million from N937.5 million while the total number of employees' appointment terminated decreased to 46 from 48 depicting a 4.17 percent fall.

In conclusion, the analysis of the first quarter 2020 Frauds and Forgeries returns of banks revealed an increase in the number of fraud cases reported and the total amount involved in fraudulent activities. However, there was a decline in the total amount lost to frauds due to improved security measures on electronic platforms and physical branches of deposit money banks in Nigeria.

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.

Note 5: Consisting of Computer/Web fraud, PoS fraud, Mobile Payment fraud, and ATM fraud.

6. Appendices - Analysis of Fraud and Forgeries in the Nigerian Banking Industry

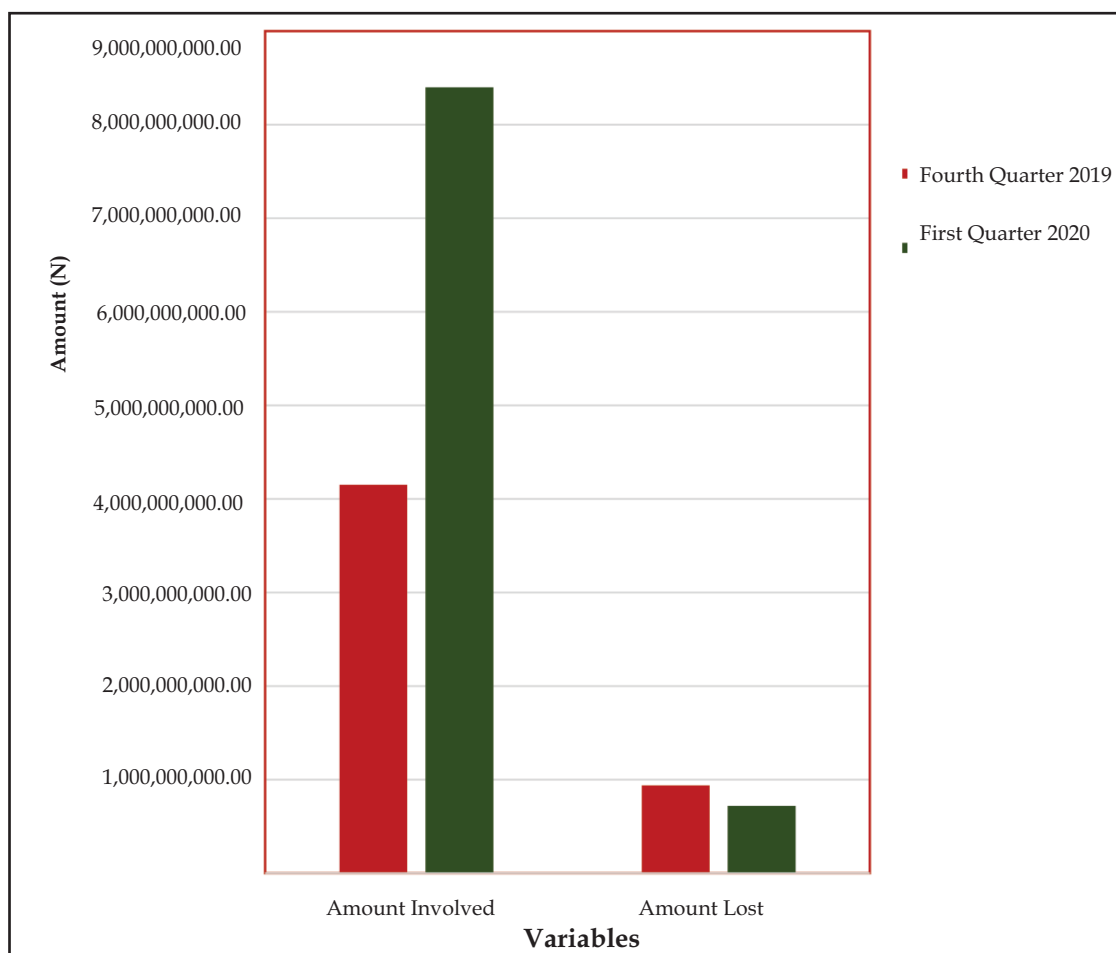
Appendix I (A)

A Comparison of Fraud Activities between Fourth Quarter 2019 and First Quarter 2020

S/N	Variables	Fourth Quarter, 2019	First Quarter, 20190	Percentage (%) Change
1.	Total Cases reported	13,922	18,326	31.63
2	Total Amount Involved	N4,151,101,606.60	N8,399,594,513.28	102.35
3	Total Amount Lost	N937,588,243.74	N719,481,364.71	(23.26)
4	Outsider Involvement	3,825	6,833	78.64
5	Insider (Staff) Involvement	105	122	16.19
6	Appointments Terminated	48	46	(4.17)

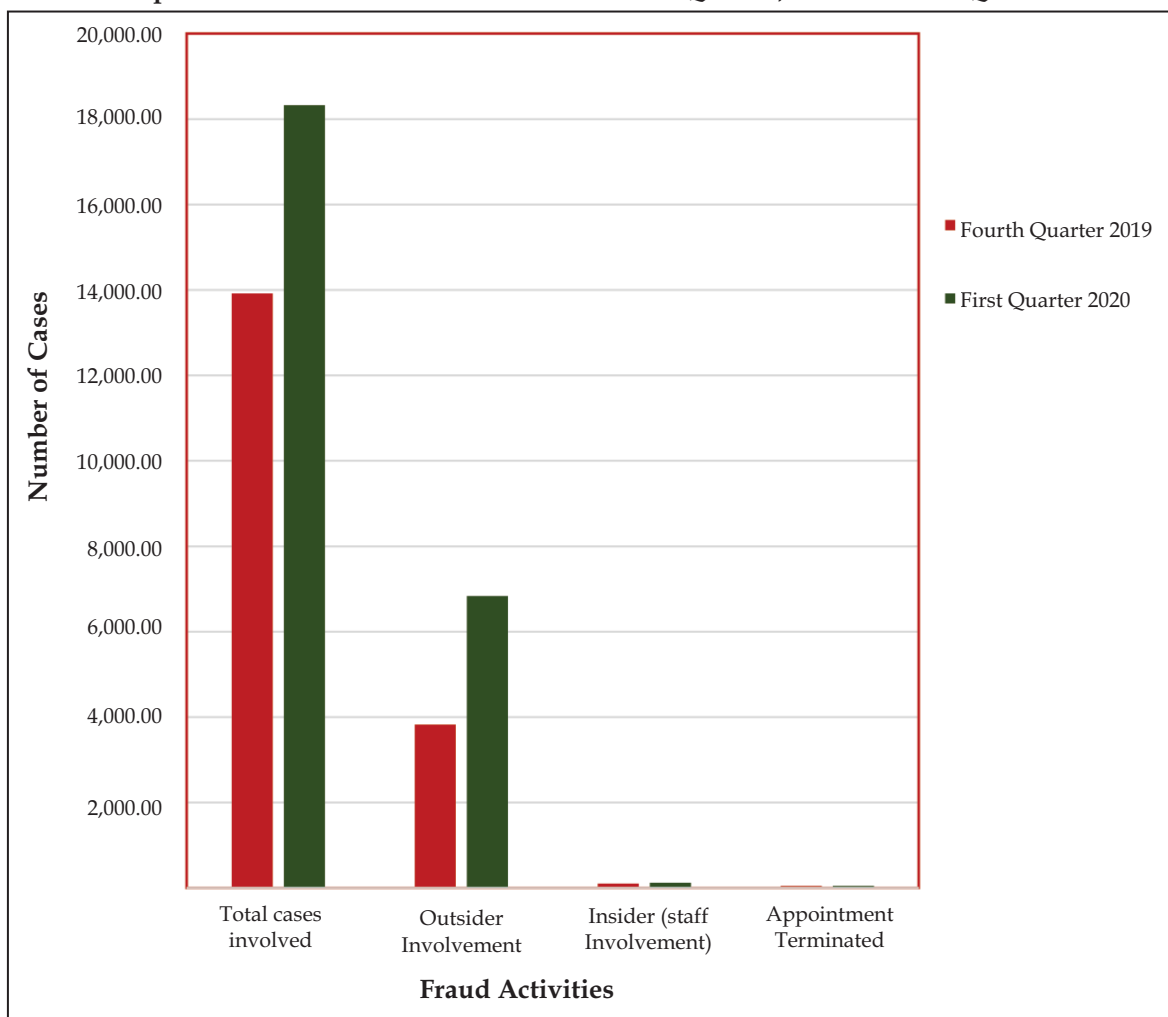
Appendix 1 (B)

A Comparison of Amount Involved and Amount Lost to Frauds between Fourth Quarter 2019 and First Quarter, 2020



Appendix I (C)

A Comparison of Fraud Activities between Fourth Quarter, 2019 and First Quarter 2020

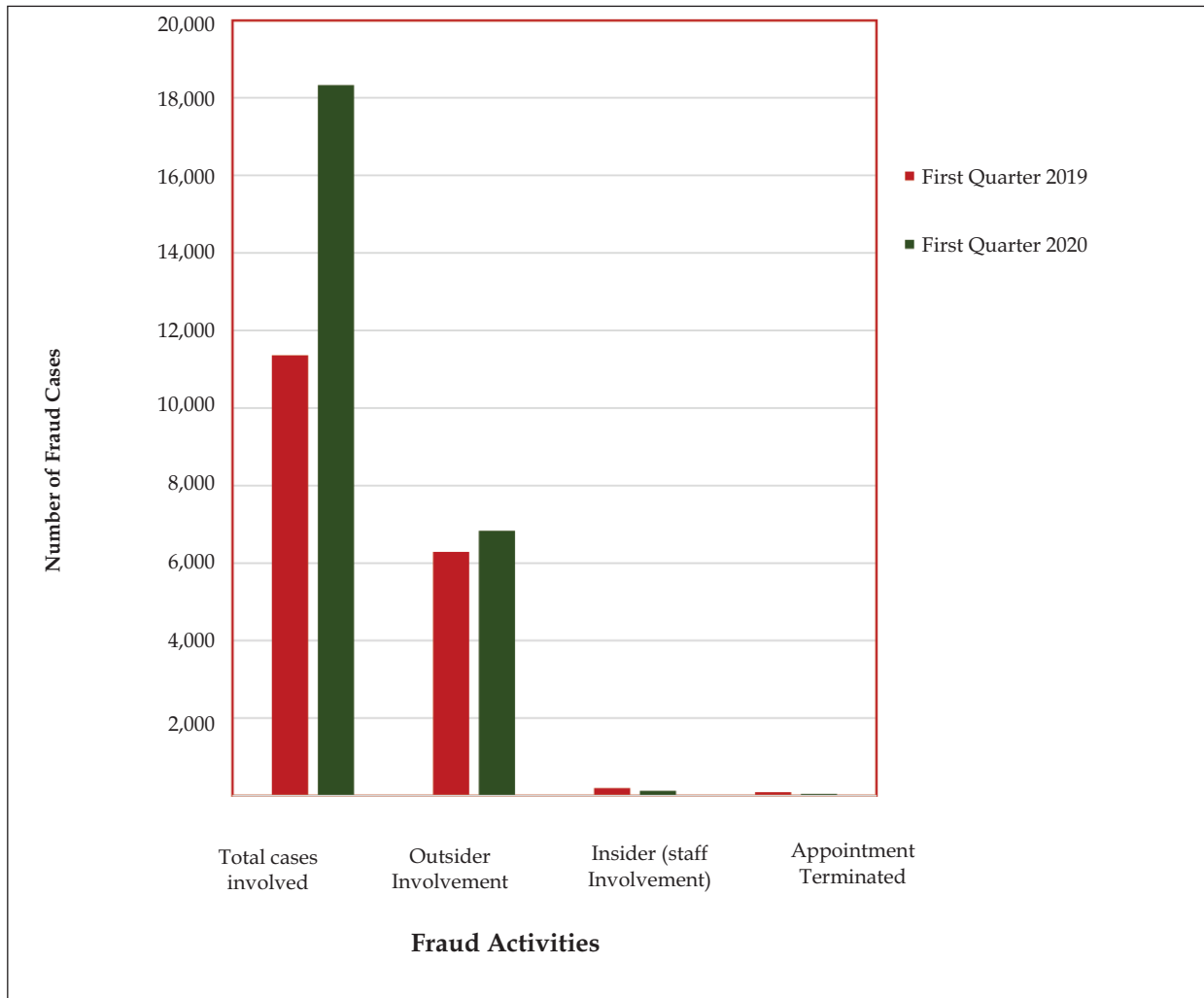


Appendix I (D)

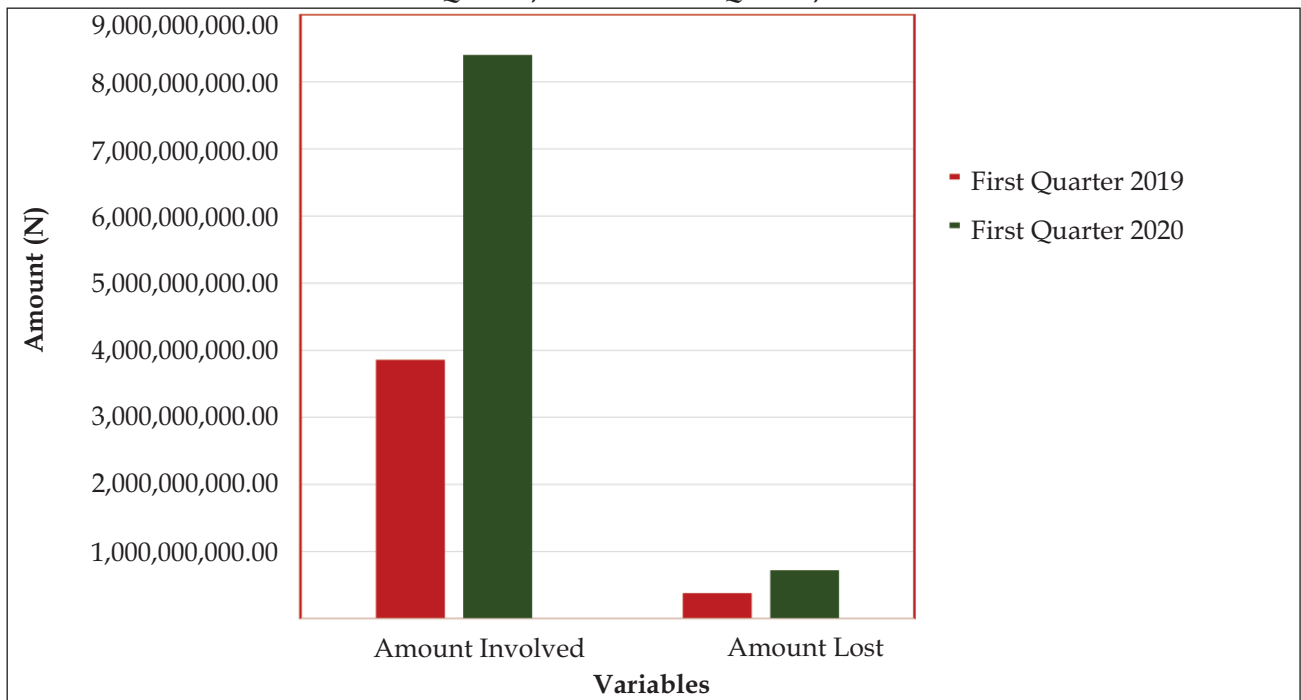
A Comparison of Frauds Activities between First Quarter, 2019 and First Quarter, 2020

S/N	Variables	First Quarter, 2019	First Quarter, 2020	Percentage (%) Change
1	Total Cases reported	11,356	18,326	61.38
2	Total Amount Involved	N3,856,950,614.87	N8,399,594,513.28	117.78
3	Total Amount Lost	N379,032,127.62	N719,481,364.71	89.82
4	Outsider Involvement	6,291	6,833	8.62
5	Insider (Staff) Involvement	196	122	(37.76)
6	Appointments Terminated	90	46	(48.89)

Appendix I (E)
A Comparison of Frauds Activities between First Quarter, 2019 and First Quarter, 2020



Appendix I (F)
A Comparison of Amount Involved and Amount Lost to Frauds between First Quarter, 2019 and First Quarter, 2020



Appendix II (A): Frauds and Forgeries Activities in the First Quarter, 2020

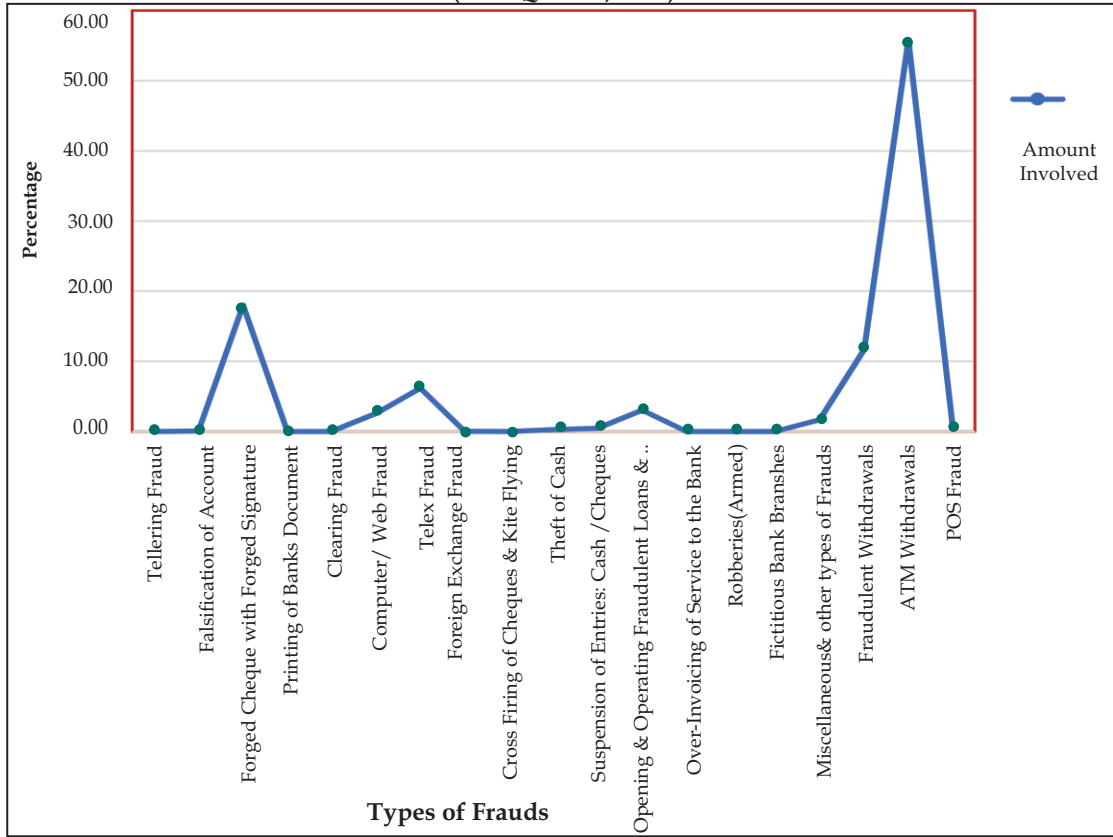
Types of Fraud	Total Number of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (N)	Actual / Expected Loss (N)	Expected Loss/ Amount Involved (%)
Teller Fraud	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Falsification of Accounts: Current/Cheque, Savings/ Deposits, Suspense Accounts	4 (0.2)	3 (2.46)	0 (0)	0 (0)	1 (0.01)	6,016,000.00 (0.07)	0 (0)	0
Forged Cheques with Forged Signature	30 (0.16)	3 (2.46)	10 (0.15)	0 (0)	17 (0.14)	1,509,935,430.67 (17.98)	17,740,000.00 (2.47)	1.2
Printing of Bank Document Illegally	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Clearing Fraud	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Computer/Web Fraud	2,752 (15.02)	0 (0)	885 (12.86)	0 (0)	1,851 (15.61)	215,099,934.98 (2.56)	18,912,337.27 (2.63)	8.8
Mobile Fraud	4,377 (23.88)	0 (0)	1,952 (28.36)	0 (0)	2,452 (20.45)	517,931,294.74 (6.17)	172,304,993.35 (23.95)	0
Foreign Exchange Fraud	1 (0.01)	1 (0.82)	0 (0)	0 (0)	0 (0)	2,825,795.24 (0.03)	2,825,795.24 (0.39)	100
Cross Firing of Cheques and Kite Flying	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00
Theft of Cash	16 (0.09)	12 (9.84)	2 (0.03)	0 (0)	2 (0.02)	23,260,000.00 (0.28)	4,750,500.00 (0.66)	20.4

Note: All figures in parenthesis () indicate percentages

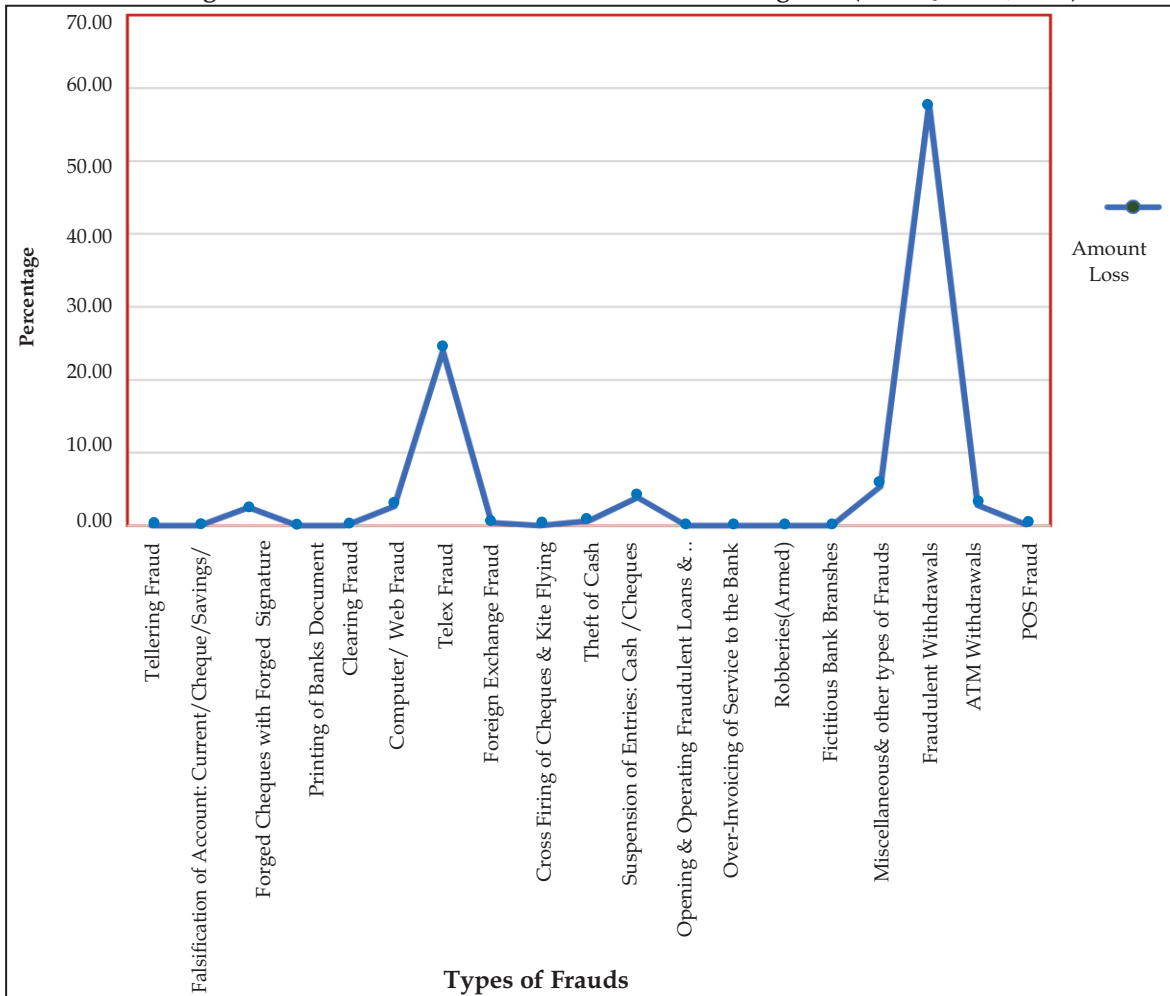
Types of Fraud	Total Number of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (N)	Actual / Expected Loss (N)	Expected Loss / Amount Involved (%)
Suppression of Entries: Cash/Cheques	67 (0.37)	60 (49.18)	0 (0)	2 (66.667)	5 (0.04)	37,084,445.43 (0.44)	27,554,330.43 (3.83)	74.3
Opening & Operating Fraudulent Loans & Accounts	105 (0.57)	3 (2.46)	101 (1.47)	0 (0)	1 (0.01)	253,706,375.48 (3.02)	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)	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)	0.00
Miscellaneous and Other Types of Fraud	65 (0.35)	13 (10.66)	8 (0.12)	1 (33.333)	40 (0.34)	137,798,911.37 (1.64)	38,408,300.00 (5.34)	27.9
Fraudulent Withdrawals	682 (3.72)	26 (21.31)	197 (2.86)	0 (0)	459 (3.87)	977,436,324.87 (11.64)	416,035,390.73 (57.82)	42.6
ATM Withdrawals	9,786 (53.40)	1 (0.82)	3,326 (48.32)	0 (0)	7,019 (59.19)	4,690,120,749.67 (55.84)	20,138,253.69 (2.80)	0.4
PoS Fraud	441 (2.41)	0 (0)	402 (5.84)	0 (0)	39 (0.33)	28,379,286.83 (0.92)	811,500.00 (0.88)	2.9
Total	18,326	122	6,833	3	11,859	8,399,594,513.28	719,481,364.71	278.5

Note: All figures in parenthesis () indicate percentages

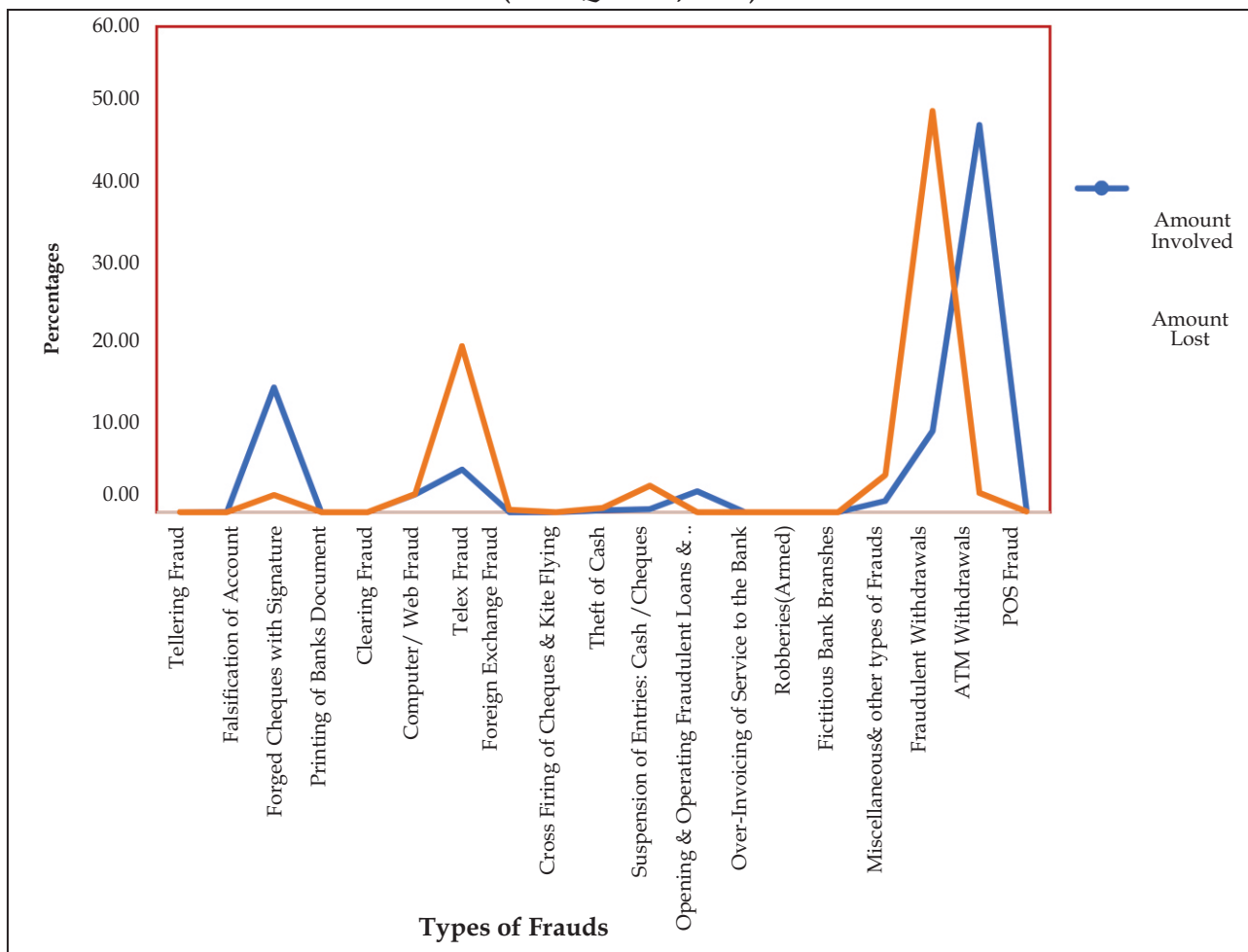
Appendix II (B)
Percentage Distribution of Amount Involved in Frauds and Forgeries
(First Quarter, 2020)



Appendix II (C)
Percentage Distribution of Amount Lost to Frauds and Forgeries (First Quarter, 2020)



Appendix II (D)
Percentage Distribution of Amount Involved in and Amount Lost to Frauds and Forgeries
(First Quarter, 2020)



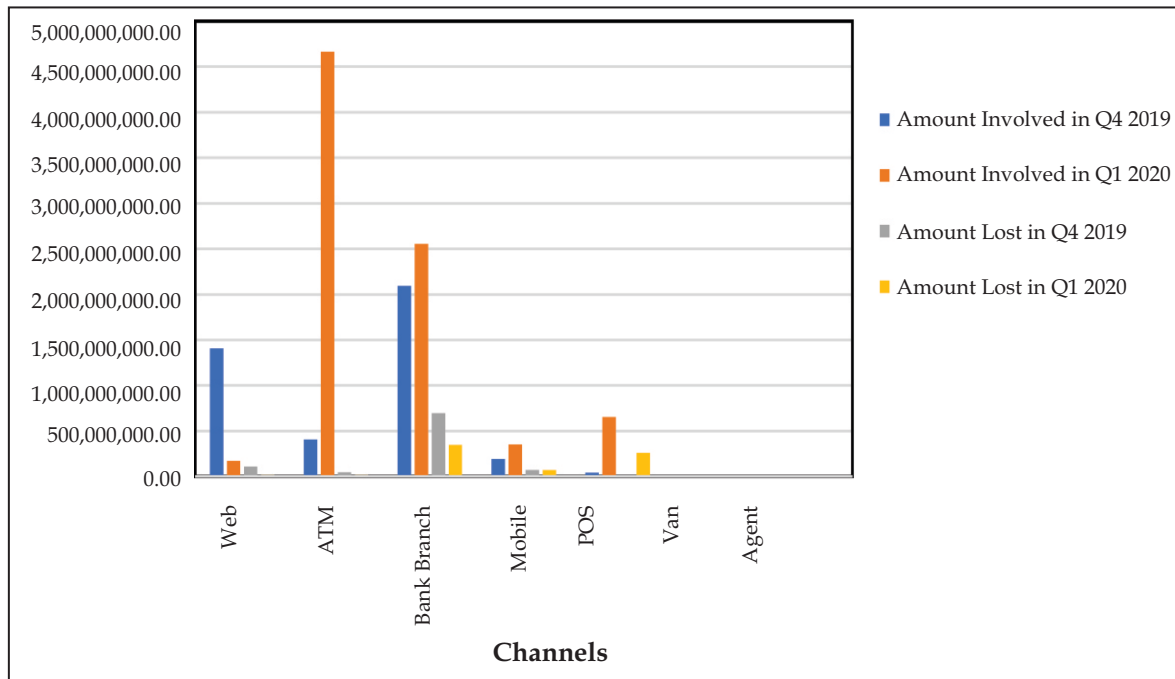
Appendix III (A)
Frauds and Forgeries through various Payment Channels:
A Comparison between Fourth Quarter, 2019 and First Quarter, 2020

S/N	Channels	Cases: Fourth Quarter, 2019	Cases: First Quarter, 2020	Percentage (%) Change
1	Web	2,573	2,751	6.92
2	ATM	7,026	9,785	39.27
3	Bank Branch	1,219	957	(21.49)
4	Mobile	2,701	4,371	61.83
5	POS	402	462	14.93
6	Van	0	0	-
7	Agent	1	0	100
	Total	13,922	18,326	31.63

Appendix III (B)
Amount Involved and Amount Lost to Fraud through various Payment Channels:
A Comparison between Fourth Quarter, 2019 and First Quarter, 2020

S/N	Channels	Amount Involved, Fourth Quarter, 2019 (N)	Amount Involved, First Quarter, 2020 (N)	Percentage (%) Change	Amount Lost, Fourth Quarter, 2019 (N)	Amount Lost, First Quarter, 2020 (N)	Percentage (%) Change
1	Web	1,408,273,717.65	171,729,383.17	(87.81)	111,694,441.00	18,887,737.27	(83.09)
2	ATM	409,264,685.42	4,664,479,091.18	1,039.72	47,970,197.94	19,123,012.81	(60.14)
3	Bank Branch	2,094,008,560.64	2,554,740,765.62	22.00	694,776,866.00	350,365,640.96	(49.57)
4	Mobile	195,350,810.06	352,471,608.16	80.43	74,898,397.05	71,619,925.42	(4.39)
5	POS	44,203,832.83	656,173,665.15	1,384.43	8,248,341.75	259,485,048.25	3,045.91
6	Van	-	-	-	-	-	-
7	Agent	-	-	-	-	-	-
	Total	4,151,101,606.60	8,399,594,513.28	102.35	937,588,243.74	719,481,364.71	(23.26)

Appendix III (C)
Amount Involved and Amount Lost to Fraud through various Payment Channels:
A Comparison between Third and Fourth Quarters, 2019



Appendix IV (A)
Frauds and Forgeries through various Instruments:
A Comparison between Fourth Quarter, 2019 and First Quarter, 2020

S/N	Instruments	Cases: Fourth Quarter, 2019	Cases: First Quarter, 2020	Percentage (%) change
1	Cash	1,175	946	(19.49)
2	Cheques	45	30	(33.33)
3	Cards	12,702	17,348	36.58
4	Slips		2	(100)
	Total	13,922	18,326	31.63

Appendix IV (B)
Amount Involved and Amount Lost to Fraud through various Instruments of Transaction:
A Comparison between Fourth Quarter, 2019 and First Quarter, 2020

S/N	Instruments	Amount Involved, Fourth Quarter, 2019 (N)	Amount Involved, First Quarter, 2020 (N)	Percentage (%) Change	Amount Lost, Fourth Quarter, 2019 (N)	Amount Lost, First Quarter, 2020 (N)	Percentage (%) Change
1	Cash	1,890,337,120.65	1,577,645,085.32	(16.54)	686,291,166.00	535,725,996.35	(21.94)
2	Cheques	203,671,440	1,509,935,431	641.36	8,485,700	17,740,000	109.06
3	Cards	2,057,093,046.00	5,217,059,369.34	153.61	242,811,378.00	104,925,440.40	(56.79)
4	Slips	0	94,954,627.48	-		61,089,927.48	-
	Total	4,151,101,606.60	8,399,594,512.81	102.35	937,588,243.74	719,481,364.23	(23.26)

Appendix IV (C)
Amount Involved and Amount Lost to Fraud through various Instruments of Transaction:
A Comparison between Fourth Quarter, 2019 and First Quarter, 2020

