



Report on Frauds & Forgeries in Nigerian Banks

Quarter 2, 2020

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Report on Frauds and Forgeries in the Nigerian Banking Industry

Second 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 second quarter of 2020. An analysis of these returns revealed that Twenty-Five (25) returns were received for the months of April and June 2020 respectively, while Twenty-Six (26) frauds returns were received in May 2020.

2. Volume and Value of Fraud Cases

A total of Nineteen Thousand and Seven (19,007) cases² of Frauds and Forgeries were reported in the second quarter of 2020, compared to Eighteen Thousand, Three Hundred and Twenty-Six (18,326) reported cases in the first quarter of 2020, indicating an increase of 3.72 percent between the periods. The most prevalent fraud types during the periods included ATM Withdrawals, Computer/Web fraud, Mobile Banking 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 decreased by 31.32 per cent to N5.76 billion from the initial N8.39 billion while the amount lost to fraud incidences also decreased to N511.3 million from N719.4 million reported in the first quarter of 2020 signifying a 28.93 per cent fall. The decline in amount involved in and actual amount lost to frauds could be attributed to the improved

security measures on electronic platforms of the deposit money banks in the quarter under review. A ranking of fraud types according to the magnitude indicated that Printing of Bank Document illegally ranked first N3.35 billion (58.07 per cent), ATM Withdrawals ranked second at N809.4 million (14.03 per cent), Computer Frauds ranked third at N525.1 million (9.10 per cent) while Fraudulent Withdrawals Fraud ranked fourth at N411.7 million (7.14 per cent). 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 contributed N226.7 million (44.34 per cent) to the amount lost to frauds, Theft of Cash Fraud ranked second with N84.6 million (16.56 per cent) of the total amount lost to frauds, Mobile Frauds accounted for N72.2 million (14.14 per cent) while Computer/Web Fraud contributed N60.6 million (11.86 per cent) 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), show 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 second quarter of 2020, fraudulent activities were perpetuated through different channels such as the ATMs, Webs, 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 two parameters (Bank branch and Mobile Banking) while it decreased on three parameters (ATM, Web, PoS).

Data in Appendix III (B), reveal that frauds perpetrated through bank branches and mobile frauds in second quarter 2020 surged upward by 58.55 per cent and 120.35 per cent to N4.05 billion and N776.6 million from N2.55 billion and N352.4 million reported in first quarter 2020, while frauds through web platforms increased marginally by 1.70 from N171.7 million to N174.6 million. Conversely, fraudulent activities through ATM and PoS decreased to N745.9 million and N20.6 million from N4.6 billion and N656.1 million in first quarter 2020, thus representing 84.01 per cent and 96.85 percent fall respectively.

Analysis of the returns according to the payment channels, indicated that the amount lost to fraud incidents increased on three parameters (Web, ATM and Mobile), while it decreased on two

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

parameters (Bank branch and PoS) in the second quarter 2020. Total amount lost to frauds through web and ATM channels increased by 191.80 percent and 30.13 percent to N55.1 million and N24.8 million from N18.8 million and N19.1 million while amount lost to frauds through mobile platforms increased by 77.22 per cent to N126.9 million from N71.6 million. However, total amount lost to frauds through bank branches and PoS channels decreased by 13.25 per cent and 99.84 per cent to N303.9 million and N427,083.19 from N350.3 million and N259.4 million in the reviewed quarter.

Appendix IV (B), indicated that the amount involved through three instruments of transaction (Cards, Cheques and Slips) decreased, while the amount involved through cash increased in the second quarter of 2020. Frauds through cheques and cards decreased by 89.01 per cent and 67.07 per cent, to N165.9 million and N1.7 billion from N1.5 billion and N5.21 billion reported in the first quarter 2020, respectively. In contrast, fraudulent activities through cash surged upward by 146.23 per cent to N3.88 billion from N1.57 billion.

Actual amount lost to frauds through cheques and cards, increased by 23.79 per cent and 97.62 per cent to N21.9 million and N207.3 million from N17.7 million and N104.9 million respectively, in the first quarter of 2020 while amount lost to frauds through cash declined by 47.36 percent to N281.9 million and N535.7 million. No amount was lost to frauds through slip in the second quarter. Additional details on the channels and instruments that were used to perpetrate fraud in the second

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 Fourteen (14) employees were terminated due to involvement in fraud-related practices. This represents a decrease of 69.57 percent, compared to the preceding quarter when Forty-Six (46) 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 Forty-Seven (47), indicating a decrease of 70.21 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 frauds⁴. Furthermore, operators and regulators in the Nigerian banking industry should improve the internal control measures within bank branches to sustain the downward trend in the total amount involved in and 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 first quarter of 2020 and second quarter of 2020, as well as between the second 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 second quarter of 2020, revealed an increase in the total number of fraud cases reported with a downward trend in the total amount involved in and actual amount lost to fraud cases.

The number of fraud cases reported during the period increased by 3.72 percent from 18,326 to 19,007 while the total amount involved in and actual amount lost to fraudulent activities decreased by 31.32 per cent and 28.93 percent to N5.7 billion and N511.3 million from N8.39 billion and N719.4 respectively. In conclusion, the analysis of the second quarter 2020 Frauds and Forgeries returns of banks revealed an increase in the number of fraud cases reported. However, there was a decline in the total amount involved in fraudulent activities and actual amount lost to frauds due to improved security measures on electronic platforms and physical branches of deposit money banks in Nigeria.

Notes:

Note¹: Commercial, merchant and non-interest banks.

Note²: Volume of fraud and forgery.

Note³: Value of fraud and forgery.

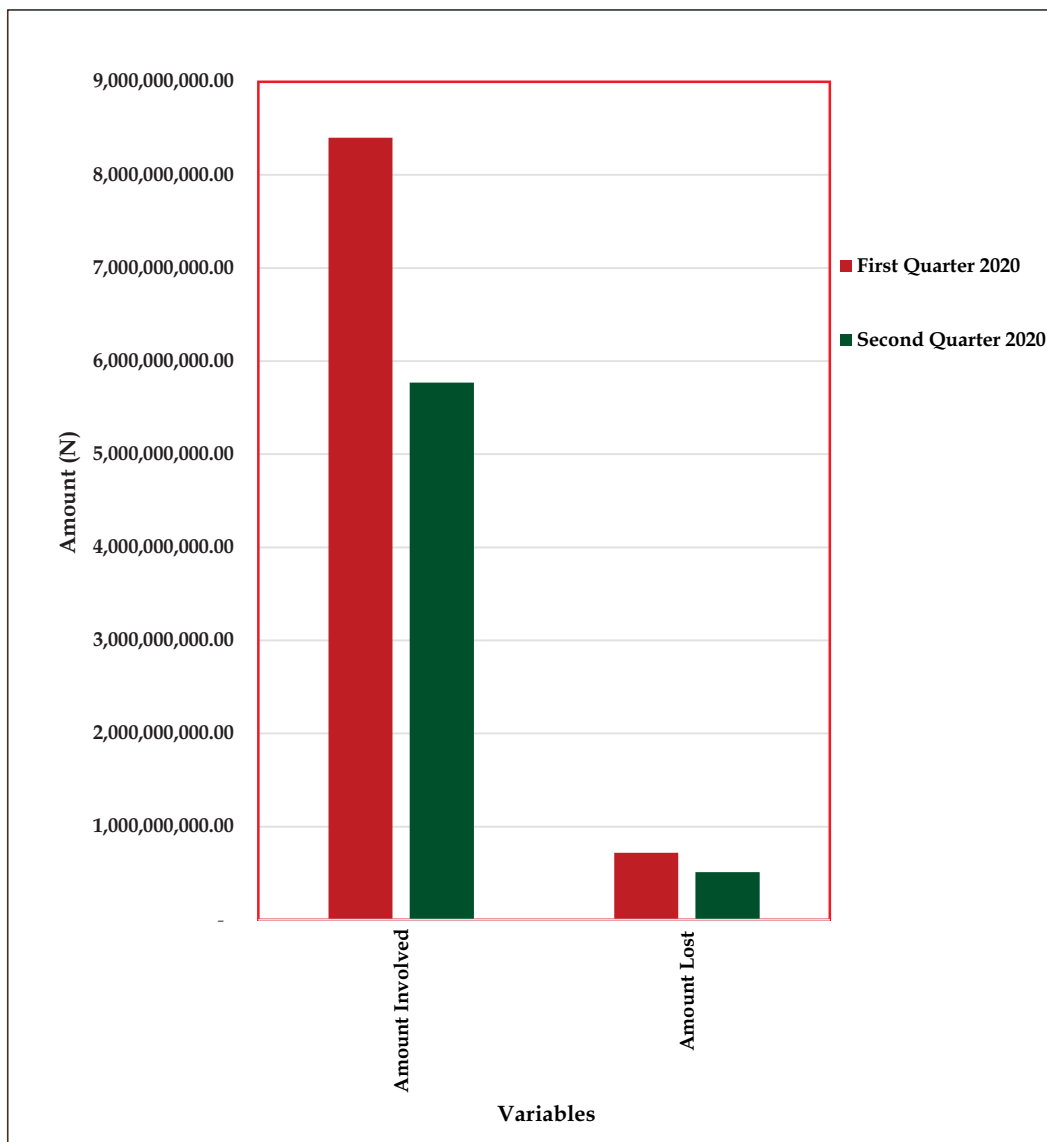
Note⁴: Consisting of Computer/Web fraud, PoS fraud, Mobile Payment fraud, and ATM fraud.

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

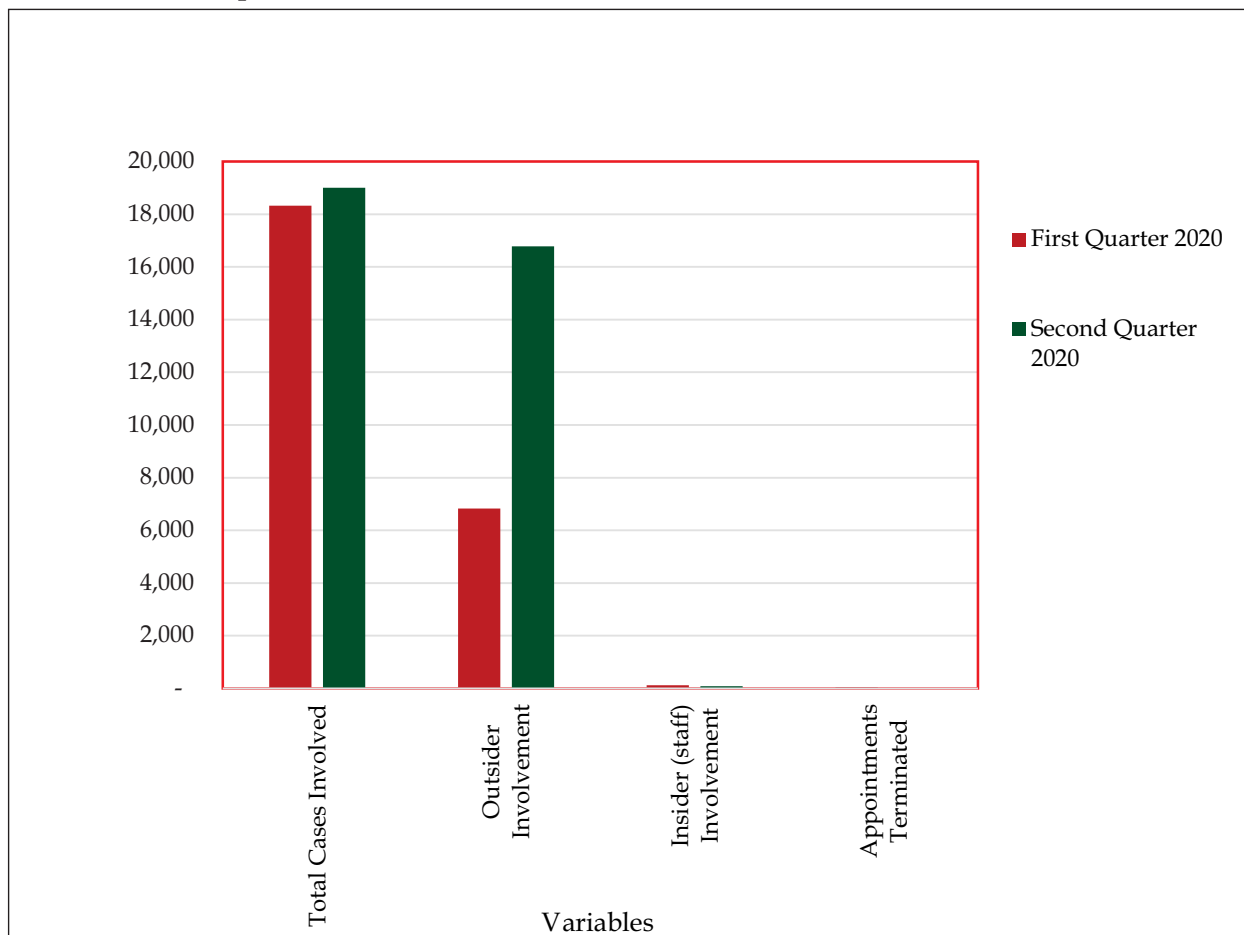
Appendix I (A)
A Comparison of Fraud Activities between First Quarter and Second Quarter 2020

S/N	Variables	First Quarter, 2019	Second Quarter, 20190	Percentage (%) Change
1.	Total Cases reported	18,326	19,007	3.72
2	Total Amount Involved	N8,399,594,513.28	N5,768,499,321.41	(31.32)
3	Total Amount Lost	N719,481,364.71	N511,312,137.60	(28.93)
4	Outsider Involvement	6,833	16,787	145.68
5	Insider (Staff) Involvement	122	77	(36.89)
6	Appointments Terminated	46	14	(69.57)

Appendix 1 (B)
A Comparison of Amount Involved and Amount Lost to Frauds between First Quarter and Second Quarter, 2020



Appendix I (C)
A Comparison of Fraud Activities between First Quarter and Second Quarter 2020

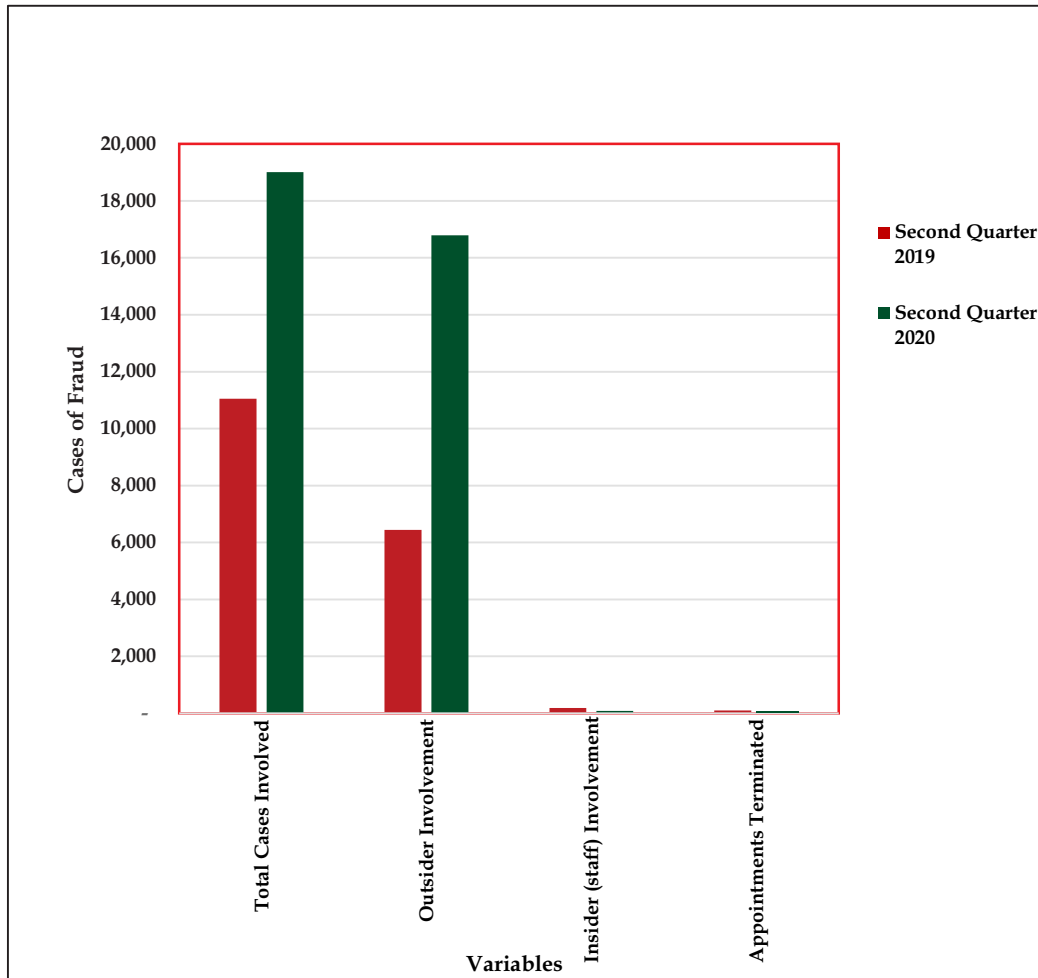


Appendix I (D)
A Comparison of Frauds Activities between Second Quarter 2019 and Second Quarter 2020

S/N	Variables	Second Quarter, 2019	Second Quarter, 2020	Percentage (%) Change
1	Total Cases reported	11,053	19,007	71.96
2	Total Amount Involved	N3,302,617,770.36	N5,768,499,321.41	74.66
3	Total Amount Lost	N1,393,124,486.71	N511,312,137.60	(63.30)
4	Outsider Involvement	6,442	16,787	160.59
5	Insider (Staff) Involvement	184	77	(37.76)
6	Appointments Terminated	47	14	(70.21)

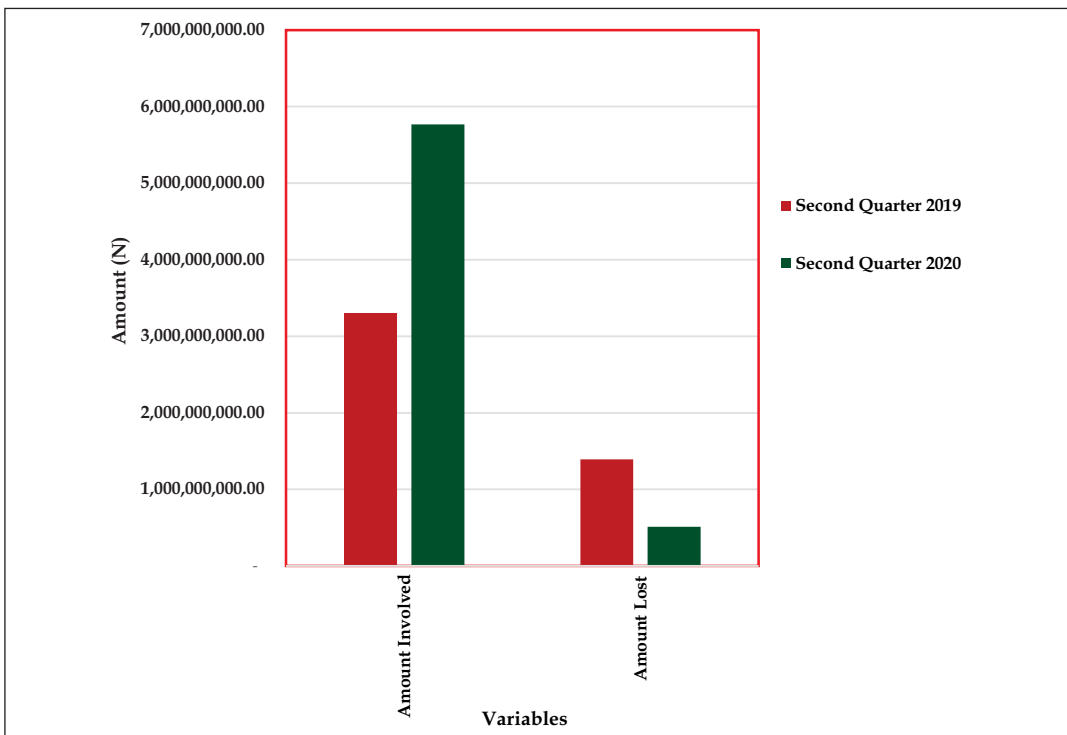
Appendix I (E)

A Comparison of Frauds Activities between Second Quarter 2019 and Second Quarter 2020



Appendix I (F)

A Comparison of Amount Involved and Amount Lost to Frauds between Second Quarter 2019 and Second Quarter 2020



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

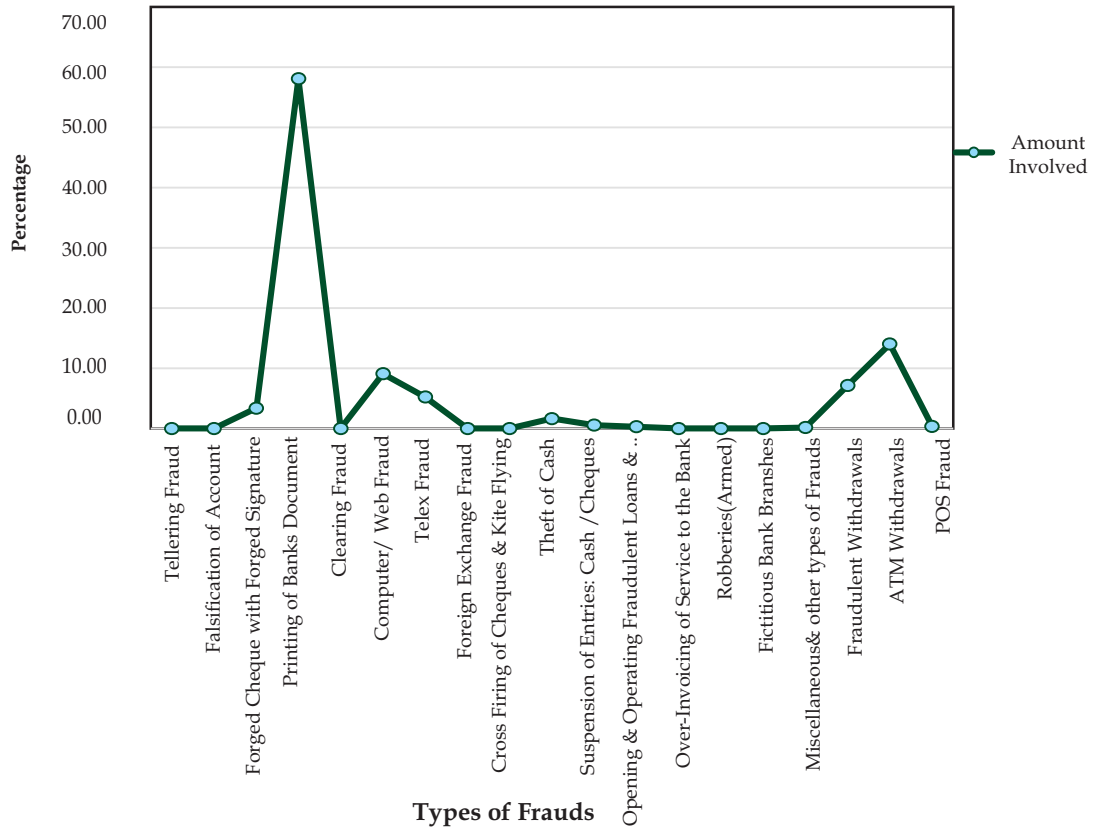
Types of Fraud	Total of cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (N)	Actual/Expected Loss (N)	Expected Loss/Amount Involved (%)
Teller Fraud	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Falsification of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Forged Cheques with Forged Signature	30 (0.16)	1 (1.30)	27 (0.16)	0 (0)	2 (0.09)	195,629,146.67 (3.39)	21,960,000.00 (4.29)	11.2
Printing of Bank Document Illegally	1 (0.01)	1 (1.30)	0 (0)	0 (0)	0 (0)	3,350,000,000.00 (58.07)	0 (0)	0
Clearing Fraud	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Computer/Web Fraud	4,262 (22.42)	0 (0)	4,224 (25.16)	0 (0)	38 (1.77)	525,150,877.45 (9.10)	60,649,073.91 (11.86)	11.5
Mobile Fraud	3,336 (17.55)	1 (1.30)	1,930 (11.50)	0 (0)	1,405 (65.62)	(301,582,033.01) (5.23)	0 (0)	0 (0)
Foreign Exchange Fraud	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Cross Firing of Cheques and Kite Flying	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Theft of Cash	23 (0.12)	18 (23.38)	3 (0.02)	0 (0)	2 (0.09)	95,239,400.00 (1.65)	84,688,900.00 (16.56)	88.9

Note: All figures in parenthesis () indicate percentages

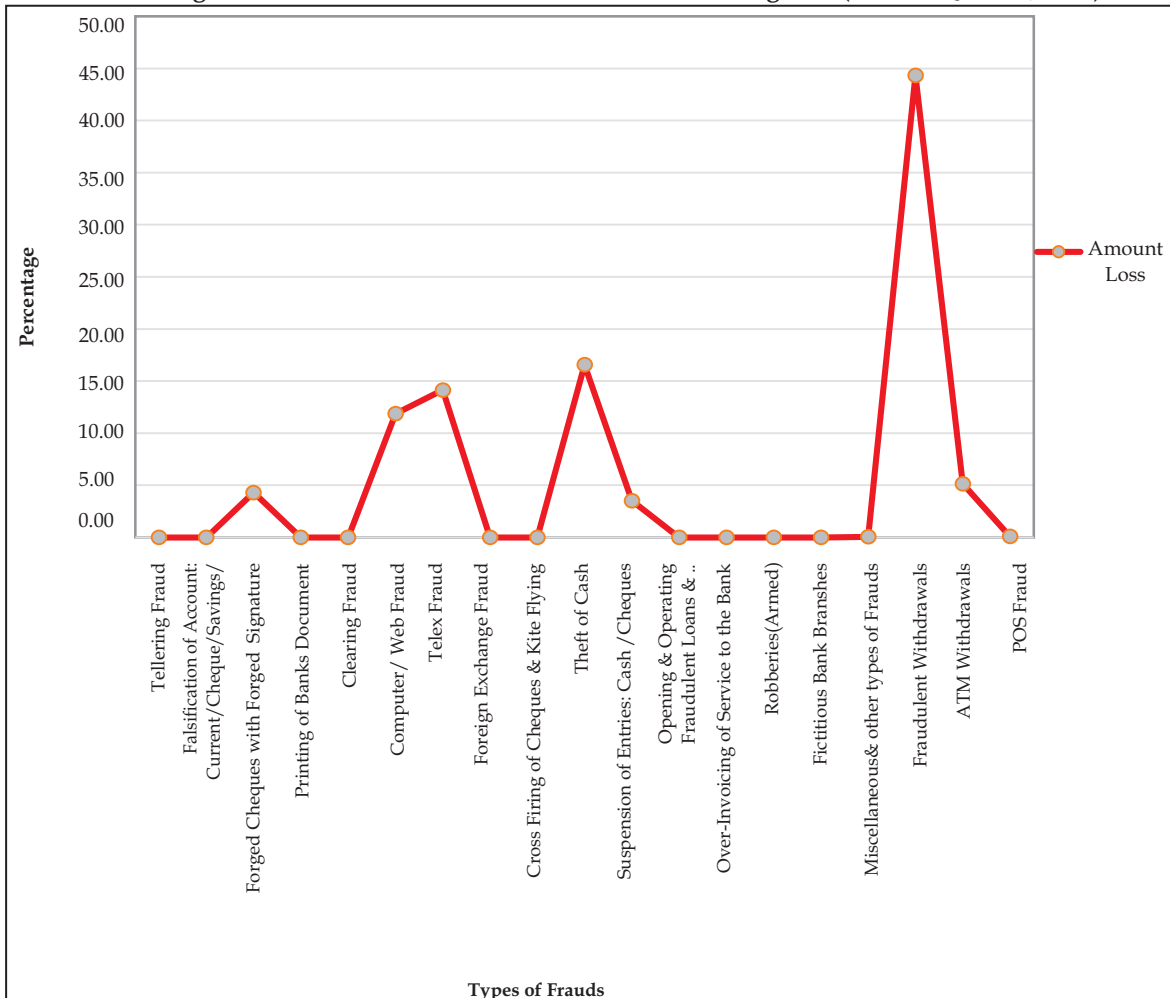
Types of Fraud	Total of cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (N)	Actual/Expected Loss (N)	Expected Loss/Amount Involved (%)
Suppression of Entries: Cash/Cheques	35 (0.18)	35 (45.45)	0 (0)	0 (0)	0 (0)	32,673,583.00 (0.57)	18,002,733.00 (3.52)	55.1
Opening & Operating Fraudulent Loans & Accounts	54 (0.28)	6 (7.79)	46 (0.27)	1 (100)	1 (0.05)	17,062,430.08 (0.30)	0 (0)	0.00
Over-Invoicing of Service to the Bank	30 (0.16)	1 (1.30)	27 (0.16)	0 (0)	2 (0.09)	195,629,146.67 (3.39)	21,960,000.00 (4.29)	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	41 (0.22)	5 (6.49)	31 (0.18)	0 (0)	5 (0.23)	9,360,961.00 (0.16)	273,096.00 (0.05)	2.9
Fraudulent Withdrawals	2815 (14.81)	10 (12.99)	2211 (13.17)	0 (0)	594 (27.74)	411,706,407.35 (7.14)	226,721,070.49 (44.34)	55.1
ATM Withdrawals	8,205 (43.17)	0 (0)	8,146 (48.53)	0 (0)	59 (2.76)	809,443,348.04 (14.03)	26,293,566.15 (5.14)	3.2
PoS Fraud	205 (1.08)	0 (0)	169 (1.01)	0 (0)	35 (1.63)	20,651,164.81 (0.36)	427,083.19 (0.08)	2.1
Total	19,007	77	16,787	1	2,141	5,768,499,321.41	511,312,137.60	254

Note: All figures in parenthesis () indicate percentages

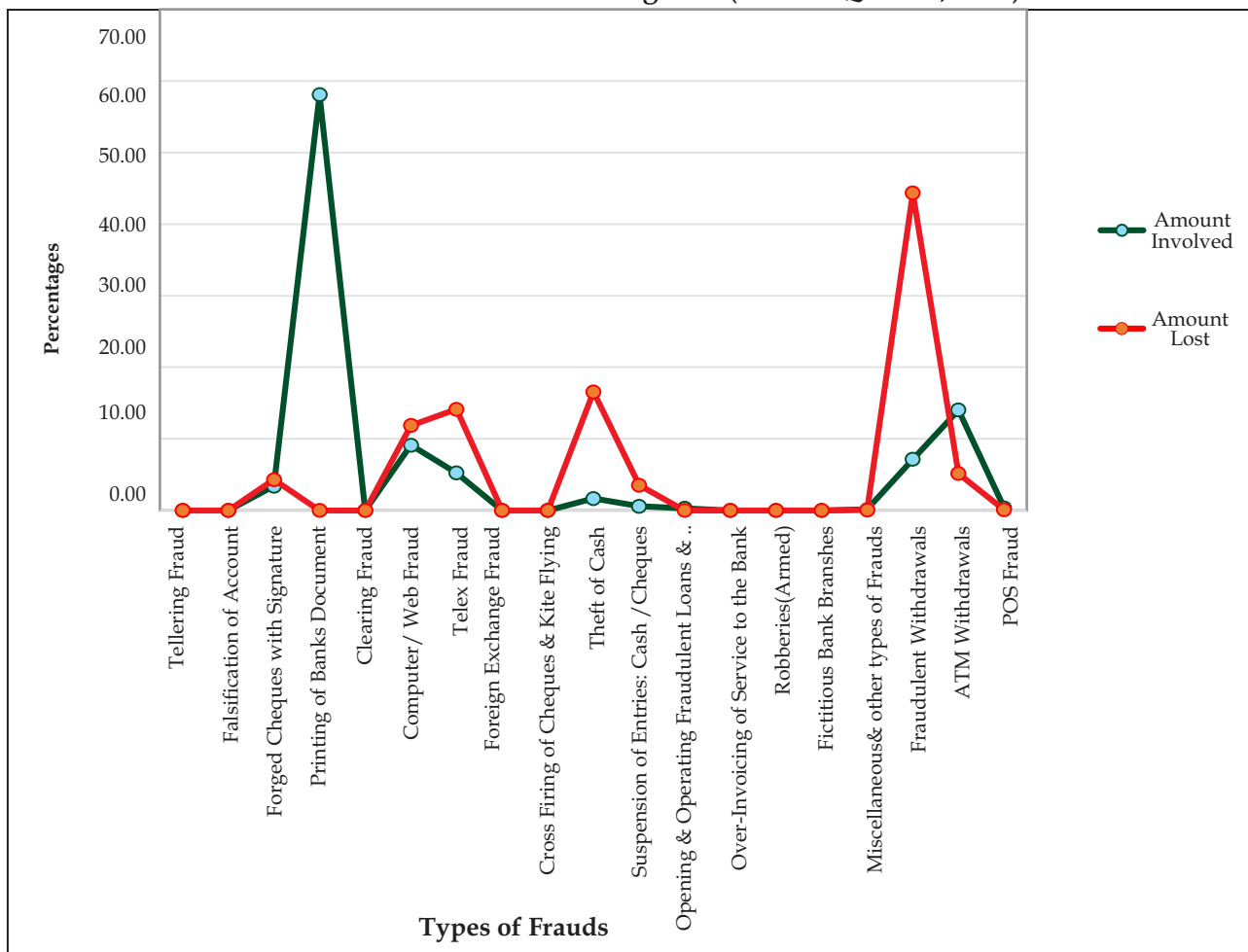
Appendix II (B)
Percentage Distribution of Amount Involved in Frauds and Forgeries
(Second Quarter, 2020)



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



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



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

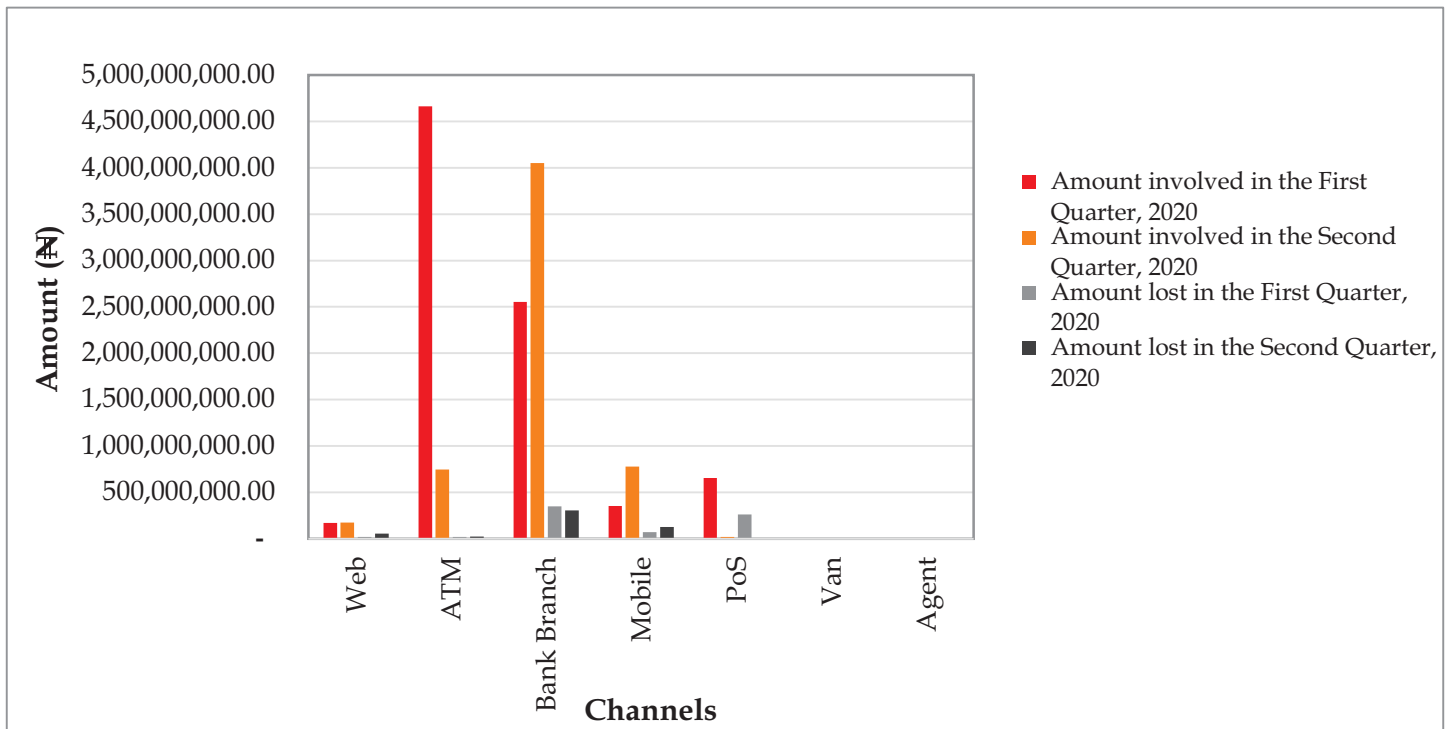
S/N	Channels	Cases: First Quarter, 2020	Cases: Second Quarter, 2020	Percentage (%) Change
1	Web	2,751	2,063	(25.01)
2	ATM	9,785	7,499	(23.36)
3	Bank Branch	957	2,984	211.81
4	Mobile	4,371	6,326	44.73
5	POS	462	205	(55.63)
6	Van	0	0	-
7	Agent	0	0	-
	Total	18,326	19,077	3.72

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

S/N	Channels	Amount Involved, First Quarter, 2020 (N)	Amount Involved, Second Quarter, 2020 (N)	Percentage(%) Change	Amount Loss, First Quarter, 2020 (N)	Amount Loss, Second Quarter, 2020 (N)	Percentage(%) Change
1	Web	171,729,383.17	174,645,782.67	1.70	18,887,737.27	55,113,544.91	191.80
2	ATM	4,664,479,091.18	745,910,791.21	(84.01)	19,123,012.81	24,884,591.91	30.13
3	Bank Branch	2,554,740,765.62	4,050,617,977.66	58.55	350,365,640.96	303,959,049.05	(13.25)
4	Mobile	352,471,608.16	776,673,605.06	120.35	71,619,925.42	126,927,868.64	77.22
5	POS	8,399,594,513.28	5,768,499,321.41	(31.32)	719,481,364.71	511,312,137.70	(28.93)
6	Van	-	-	-	-	-	-
7	Agent	-	-	-	-	-	-
	Total	8,399,594,513.28	5,768,499,321.41	(31.32)	719,481,364.71	511,312,137.70	(28.93)

Appendix III (C)

Amount Involved and Amount Lost to Fraud through various Payment Channels:
A Comparison between First Quarter 2020 and Second Quarter, 2020



Appendix IV (A)

Frauds and Forgeries through various Instruments:
A Comparison between First Quarter 2020 and Second Quarter, 2020

S/N	Instruments	Cases: First Quarter 2020	Cases: Second Quarter 2020	Percentage(%) Change
1.	Cash	946	2,956	212.47
2.	Cheques	30	28	(6.67)
3.	Cards	17,348	16,023	(7.64)
4.	Slips	2	0	(100)
	Total	18,326	19,007	3.72

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

S/N	Channels	Amount Involved, First Quarter, 2020 (N)	Amount Involved, Second Quarter, 2020 (N)	Percentage(%) Change	Amount Loss, First Quarter, 2020 (N)	Amount Loss, Second Quarter, 2020 (N)	Percentage(%) Change
1	Cash	1,577,645,085.32	3,884,638,830.99	146.23	535,725,996.35	281,999,049.05	(47.36)
2	Cheques	1,509,935,431	165,979,147	(89.01)	17,740,000	21,960,000	23.79
3	Cards	5,217,059,369.34	1,717,881,343.91	(67.07)	104,925,440.40	207,353,088.54	97.62
4	Slips	94,954,627.48	-	-	61,089,927.48	-	-
	Total	8,399,594,512.81	5,768,499,321.57	31.32	719,481,364.23	511,312,137.59	(23.93)

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

