



Report on Frauds and Forgeries in Nigerian Banks

Quarter 1, 2021

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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 2021. An analysis of these returns reveal that Twenty-Seven (27) and Twenty-Five (25) returns were received for the months of January and February respectively, while Twenty-Four (24) returns were also received in March 2021.

2. Volume and Value of Fraud Cases

A total of Fifty-Nine Thousand, Four Hundred and Forty-Five (59,445) cases² of Frauds and Forgeries were reported in the First quarter of 2021, compared to the Twenty-Eight Thousand, Six Hundred and Ninety-Two (28,692) reported cases in the fourth quarter of 2020, indicating an increase of 107.18 percent between the periods. The most prevalent fraud types during the periods included Computer/Web fraud, Mobile Banking fraud, and ATM Frauds. Appendices I and II illustrate fraud activities that occurred during the period.

The total amount³ reported to be involved in fraud cases during the period decreased by 36.71 per cent to N11.6 billion from N18.4 billion while the amount lost to fraud incidences also decreased to N726.4 million from N1.80 billion reported in the fourth quarter of 2020 indicating a fall of 59.79 per cent. The decrease in the amount involved in and amount lost to frauds could be attributed to improved security measures on electronic platforms of deposit money banks and stringent internal control measures in bank branches in the quarter under review. A ranking of fraud types according to the magnitude indicated that

Foreign Exchange Fraud ranked first at N6.64 billion (56.84 per cent), Forged Cheques with Forged Signature Frauds ranked second at N1.1 billion (10.11 per cent), while ATM Withdrawals Frauds and Mobile Frauds ranked third and fourth at N1.03 billion (8.58 per cent) and N938.9 million (8.03 per cent) respectively.

The amount reported to be involved in and actual amount lost to frauds and forgeries during the period under review is presented in tabular form in Appendix II (A).

Mobile Frauds contributed N345.9 million (47.63 per cent) to the amount lost to frauds, Fraudulent Withdrawals Frauds ranked second with N143.3 million (19.73 per cent), while Computer/Web Frauds accounted for N110.7 million (15.25 per cent) of the total amounts lost to frauds in the quarter under review. The amount involved in and actual amount lost to frauds and forgeries activities during the review period is graphically illustrated in Appendices II (B), (C), (D), (E) and (F).

3. Channels, Instruments and Personalities Involved in Perpetrating Fraud

During the first quarter of 2021, fraudulent activities were perpetuated through different channels such as the ATMs, Web, Mobile Banking Platforms, Bank branches and PoS (Point of Sale) terminals. The instruments used to carry out most fraudulent activities in Q1 2021 were Cards and Cash while Cheques and slips accounted for lesser percentage of the amounts involved and lost to frauds in the quarter.

Analysis of banks' returns with regards to the payment channels as presented in Appendix III (A), show that the volume of frauds increased on four parameters (ATM, Bank

branch, Mobile and PoS) while it decreased on a parameter (Web).

Data in Appendix III (B) reveal that the amount involved in frauds through ATM and PoS channels decreased by 93.46 per cent and 83.10 per cent to N952.9 million and N149.8 million from N14.5 billion and N886.7 million while frauds perpetrated through Web surged by 1,600.50 per cent to N7.96 billion from N468.1 million reported in the previous quarter. Frauds through Bank Branches increased marginally by 1.48 per cent from N1.52 billion to N1.54 billion while Mobile frauds also increased to N1.08 billion from N1.04 billion depicting a 4.21 per cent rise.

Further analysis of the returns according to payment channels, indicated that the amount lost to frauds through ATM and Bank Branches increased by 93.24 percent and 51.57 percent to N4.3 million and N198.5 million from N63.6 million and N409.9 million respectively, while amount lost to frauds through Mobile banking and PoS channels also decreased to N368.04 million and N49.5 million from N429.4 million and N831.8 million indicating a fall of 14.31 per cent and 94.05 per cent accordingly. Conversely, amount lost to frauds through web increased by 48.06 per cent to N106.02 million from N71.6 million reported in the fourth quarter of 2020.

Appendix IV (B) indicates that the amount involved through three instruments of transaction (Cash, Cards and Slips) decreased, while the amount involved through Cheques increased in the first quarter of 2021. Frauds through cash and cards decreased by 70.74 per cent and 40.41 per cent, to N371.8 million and N10.1 billion from N1.2 billion and N16.9 billion. Though amount involved in frauds through cheques grew by 371.41

per cent to N1.1 billion from N248.4 million, fraudulent activities through slips also decreased by 53.72 per cent to N1.1 million from N2.4 million reported in the previous quarter.

Actual amount lost to frauds through cash and cheques, decreased by 42.61 per cent and 93.17 per cent to N192.7 million and N5.05 million from N335.8 million and N74.03 million respectively in the fourth quarter of 2020, while amount lost to frauds through cards also declined by 62.20 percent to N527.9 million from N1.3 billion. The sum of N700,000 was lost to frauds through slips in the reviewed quarter. Additional details on the channels and instruments that were used to perpetrate frauds in the first quarter of 2021 are graphically illustrated in Appendices III (C) and IV (C).

Total amount involved in electronic frauds⁴ decreased by 79.26 per cent to N3.51 billion from N16.94 billion in the fourth quarter 2020, while the actual amount lost to electronic frauds⁴ also declined by 61.92 per cent to N511.86 million from N1.34 billion in the previous quarter.

During the period under review, deposit money banks reported that the services of Two (2) employees were terminated due to their involvement in fraud-related practices. This represents a decrease of 90.48 per cent, compared to the preceding quarter when Twenty-One (21) 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-Six (46), indicating a decrease of 95.65 percent.

4. Summary and Conclusion

An assessment of frauds and forgery incidences within the Nigerian banking industry in the first quarter of 2021, reveal an

increase in the number of fraud cases reported with a reduction in the total amount involved in and actual amount lost to fraudulent activities.

The number of fraud cases reported during the period increased by 109.18 per cent from 28,692 to 59,445 while the total amount involved in frauds fell by 36.71 per cent to N11.69 billion from N18.48 billion. Also, actual amount lost to fraud incidences decreased to N726.43 million from N1.8 billion reported in the fourth quarter of 2020 indicating a fall of 59.79 per cent. In conclusion, the analysis of the first quarter 2021 Frauds and Forgeries returns of banks reveal an increase in the number of fraud cases reported with a reduction in the total amount involved in and actual amount lost to fraudulent activities. The decrease in the amount involved in and actual amount lost to frauds could be attributed to improved security measures on electronic platforms and branches of deposit money banks in Nigeria.

5. Recommendations

The reduction in the amount involved in and actual amount lost to frauds in the quarter 1, 2021 is commendable. Thus, banks should further strengthen the security measures of their electronic platforms to sustain the reduction in the amount involved in and actual amount lost to frauds. The internal control measures of deposit money bank branches should also be bolstered to ensure a reduction in the amount lost to frauds.

Foreign Exchange frauds contributed the highest to the amount involved in fraudulent activities while Mobile frauds accounted for the vast amount lost to frauds in the review quarter. Thus, deposit money banks in Nigeria should improve the control measures around forex transactions to forestall a recurrence of such fraud incidences. Continuous

sensitization of bank customers on safe banking practices is required to sustain the decline in the volumes of electronic frauds⁴ being perpetrated by fraudsters. 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 2020 and first quarter of 2021, as well as between the first quarters of 2020 and 2021 on selected parameters.

Notes:

Note 1: Commercial, Merchant, and non-interest banks.

Note 2: Volume of fraud and forgeries.

Note 3: Value of fraud and forgeries.

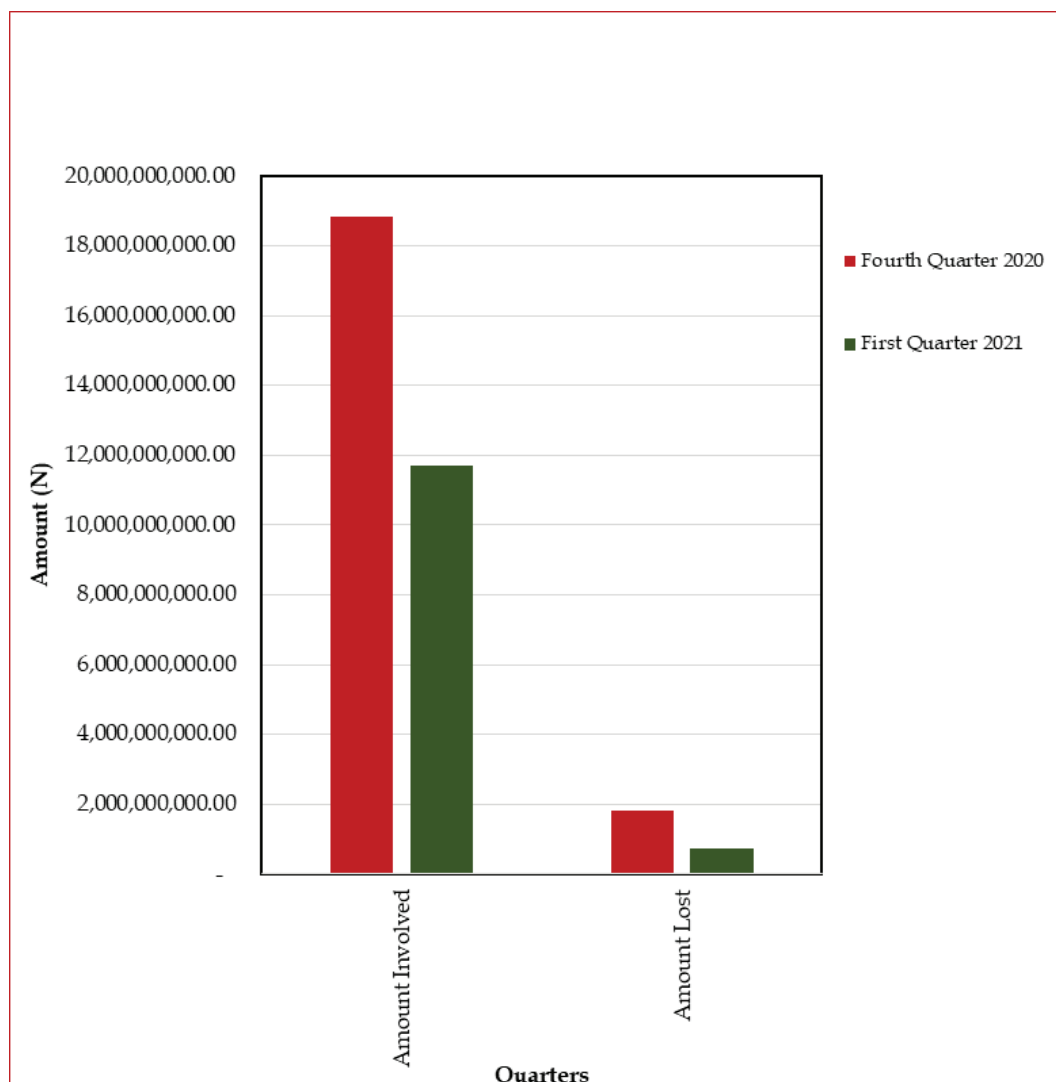
Note 4: Consisting of Computer/Web fraud, PoS fraud, Mobile Payment fraud, and ATM fraud.

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

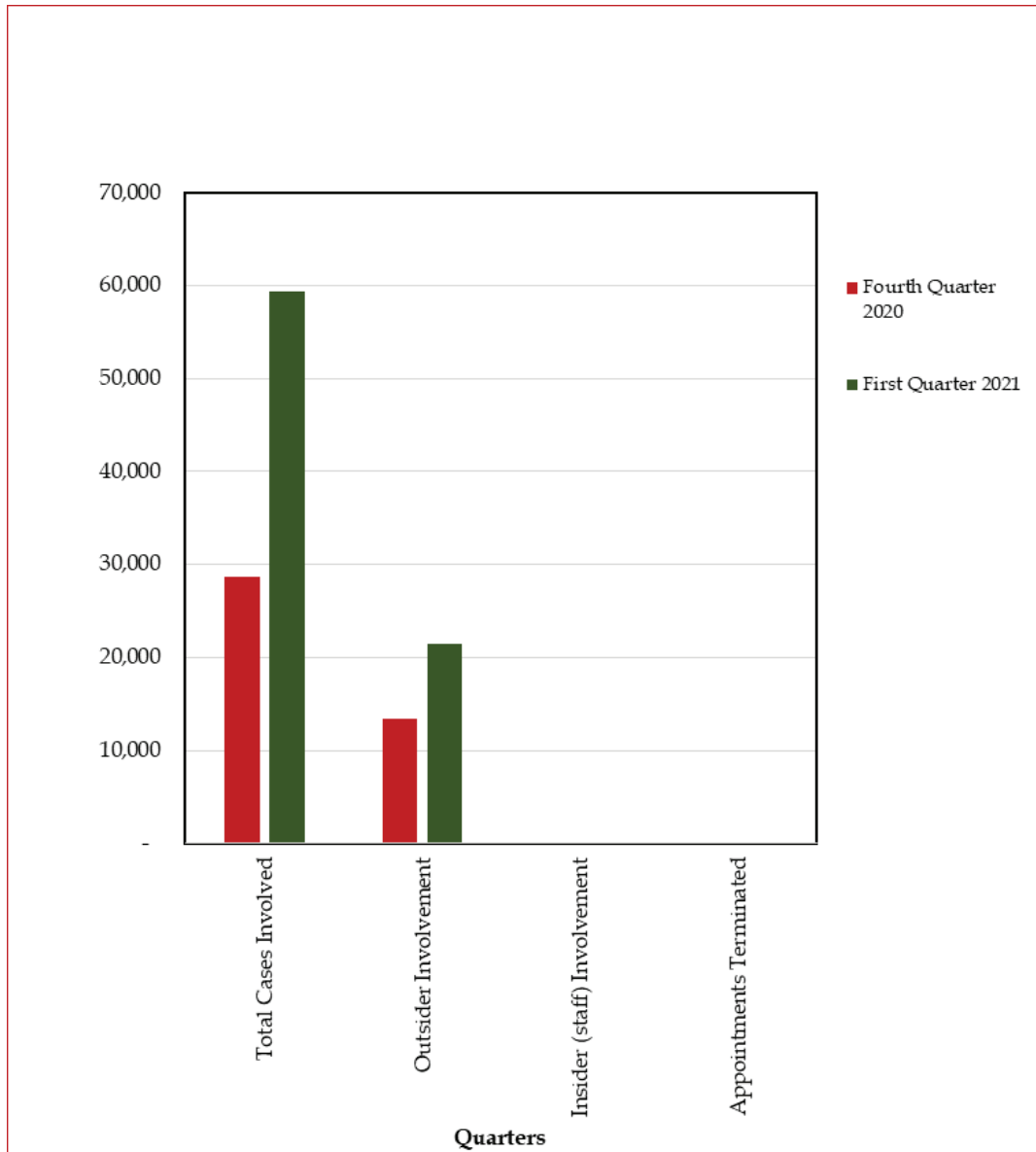
Appendix I (A)
A Comparison of Fraud Activities between Fourth Quarter 2020 and First Quarter 2021

S/N	Variables	Fourth Quarter, 2020	First Quarter, 2021	Percentage (%) change
1	Total Cases Reported	28,692	59,445	107.18
2	Total Amount Involved	N18,482,628,127.58	N11,696,979,915.79	(36.71)
3	Total Amount lost	N1,806,543,799.62	N726,438,772.53	(59.79)
4	Outsider Involvement	13,383	21,392	59.84
5	Insider (Staff) Involvement	58	73	25.84
6	Appointments Terminated	21	2	(90.48)

Appendix I (B)
A Comparison of Amount Involved and Amount Lost to Frauds between Fourth Quarter 2020 and First Quarter 2021



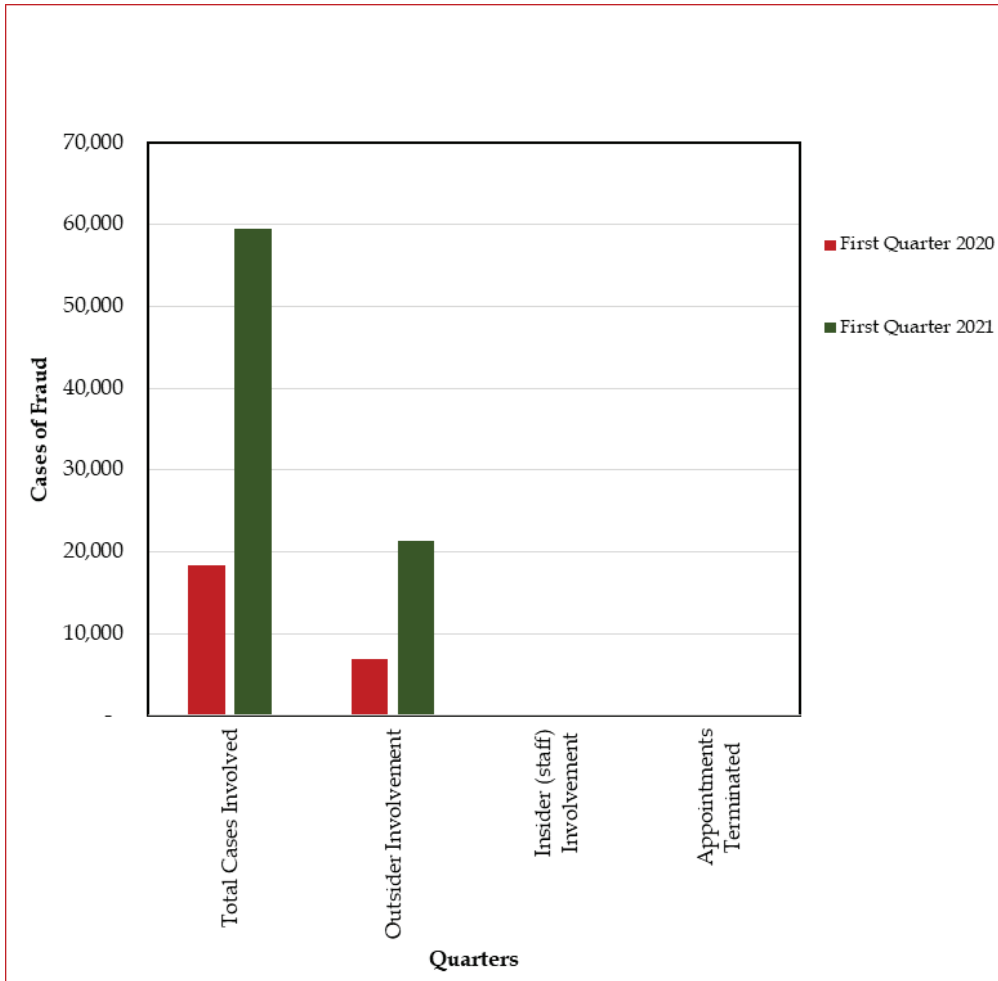
Appendix I (C)
A Comparison of Fraud Activities between Fourth Quarter 2020 and First Quarter 2021



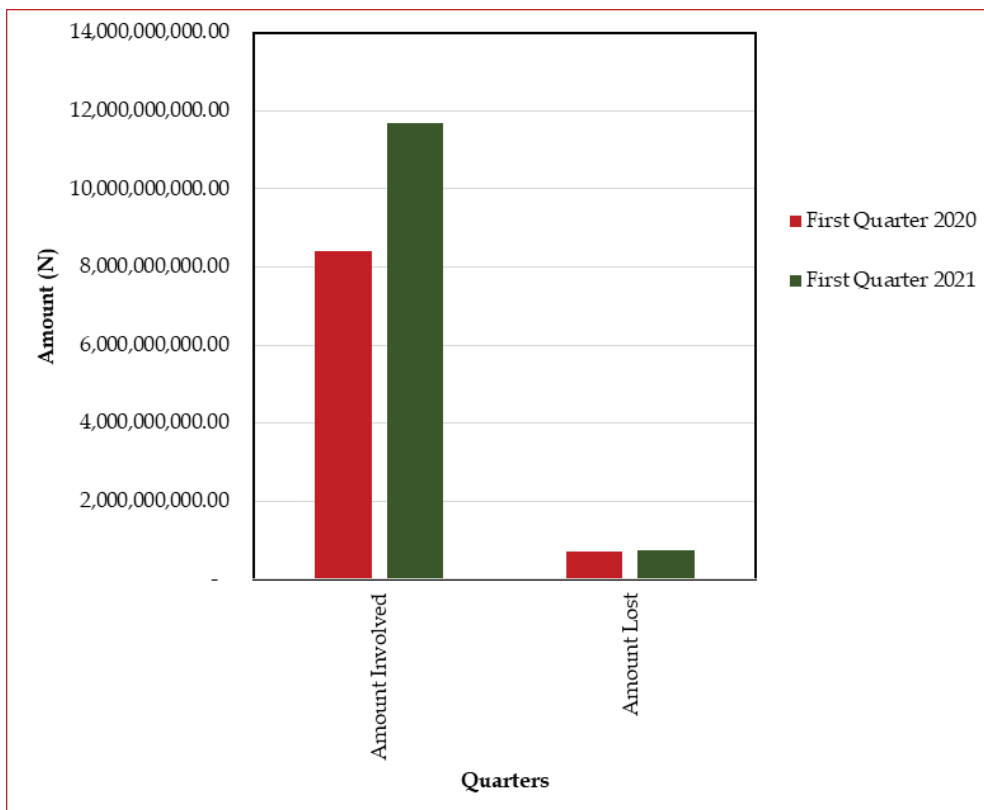
Appendix I (D)
A Comparison of Frauds Activities between First Quarter 2020 and First Quarter 2021

S/N	Variables	First Quarter, 2020	First Quarter, 2021	Percentage (%) change
1	Total Cases Reported	18,326	59,445	224.38
2	Total Amount Involved	N8,399,594,513.28	N11,696,979,915.79	39.26
3	Total Amount lost	N719,481,364.71	N726,438,772.53	0.97
4	Outsider Involvement	6,833	21,392	213.07
5	Insider (Staff) Involvement	122	73	(40.16)
6	Appointments Terminated	46	2	(95.65)

Appendix I (E)
A Comparison of Frauds Activities between First Quarter 2020 and First Quarter 2021



Appendix I (F)
A Comparison of Amount Involved and Amount Lost to Frauds between First Quarter 2020 and First Quarter 2021



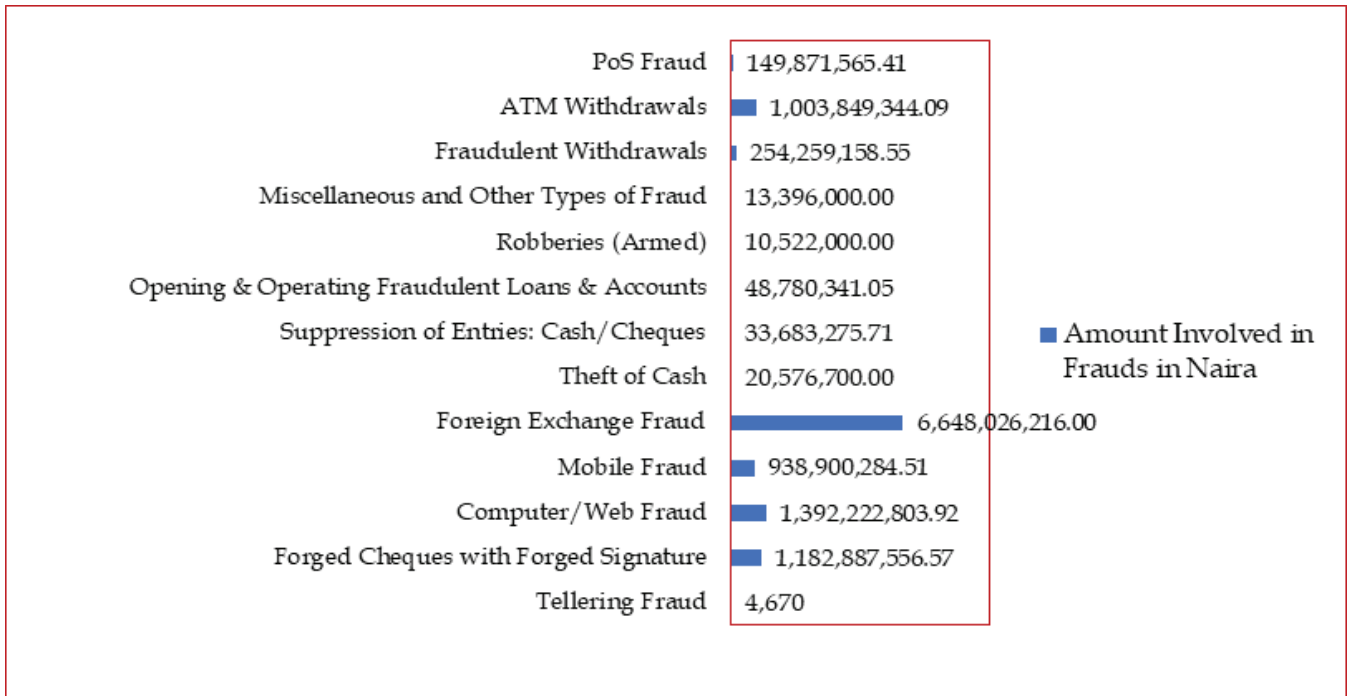
Appendix II (A): Frauds and Forgeries Activities in the First Quarter, 2021

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	1 (0)	1 (1.37)	0 (0)	0 (0)	0 (0)	4,670 (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	36 (0.06)	10 (13.70)	5 (0.02)	0 (0)	21 (0.06)	1,182,887,556.57 (10.11)	9,811,000.00 (1.35)	0.8
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	8,764 (14.74)	0 (0)	4,043 (18.90)	0 (0)	4,721 (12.43)	1,392,222,803.92 (11.90)	110,789,587.16 (15.25)	8.0
Mobile Fraud	10,101 (16.99)	1 (1.37)	2,751 (12.86)	0 (0)	7,349 (19.35)	938,900,284.51 (8.03)	345,988,447.80 (47.63)	36.9
Foreign Exchange Fraud	2 (0.0)	1 (1.37)	1 (0)	0 (0)	0 (0)	6,648,026,216.00 (56.84)	382,000.00 (0.05)	0.01
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	13 (0.02)	13 (17.81)	0 (0)	0 (0)	0 (0)	20,576,700.00 (0.18)	14,884,100.00 (2.05)	72.3
Suppression of Entries: Cash/Cheques	32 (0.05)	23 (31.51)	0 (0)	0 (0)	9 (0.02)	33,683,275.71 (0.29)	27,109,866.04 (3.73)	80.5
Opening & Operating Fraudulent Loans & Accounts	151 (0.25)	2 (2.74)	140 (0.65)	0 (0)	9 (0.02)	48,780,341.05 (0.42)	2,904,700.00 (0.40)	6.0
Over-Invoicing of Service to the Bank	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00

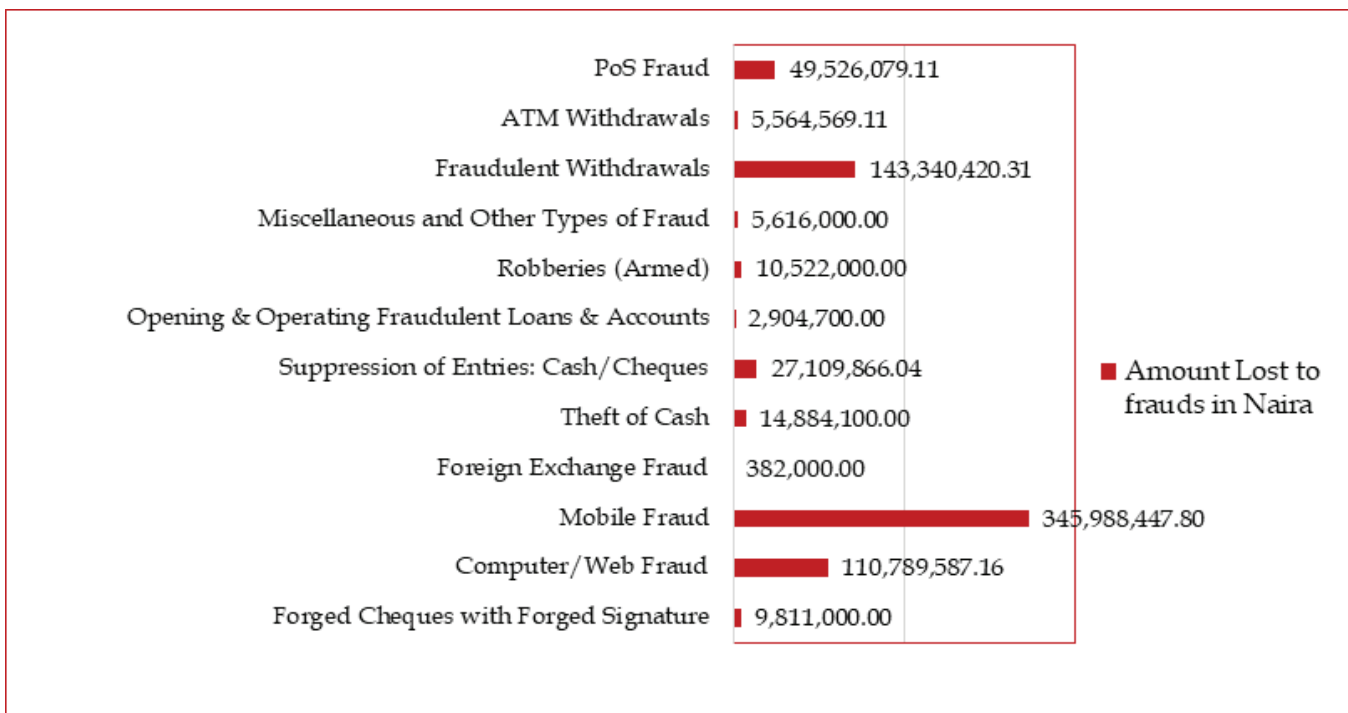
Types of Fraud	Total Number of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (₦)	Actual/Expected Loss (₦)	Expected Loss/Amount Involved (%)
Robberies (Armed)	1 (0)	0 (0)	1 (0)	0 (0)	0 (0)	10,522,000.00 (0.49)	10,522,000.00 (1.45)	100
Fictitious Bank Branches	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00
Miscellaneous and Other Types of Fraud	10 (0.02)	9 (12.33)	0 (0)	0 (0)	1 (0.00)	13,396,000.00 (0.11)	5,616,000.00 (0.77)	41.9
Fraudulent Withdrawals	25,691 (43.22)	12 (16.44)	11,519 (53.85)	0 (0)	14,160 (37.28)	254,259,158.55 (2.17)	143,340,420.31 (19.73)	56.4
ATM Withdrawals	13,012 (21.89)	1 (1.37)	1,548 (7.24)	0 (0)	11,463 (30.18)	1,003,849,344.09 (8.58)	5,564,569.11 (0.77)	0.6
PoS Fraud	1,631 (2.74)	0 (0)	1,384 (6.47)	0 (0)	247 (0.65)	149,871,565.41 (1.28)	49,526,079.11 (6.82)	33.0
Total	59,445	73	21,392	0	37,980	11,696,979,915.79	726,438,772.53	436.41

Note: All figures in parenthesis () indicate percentages

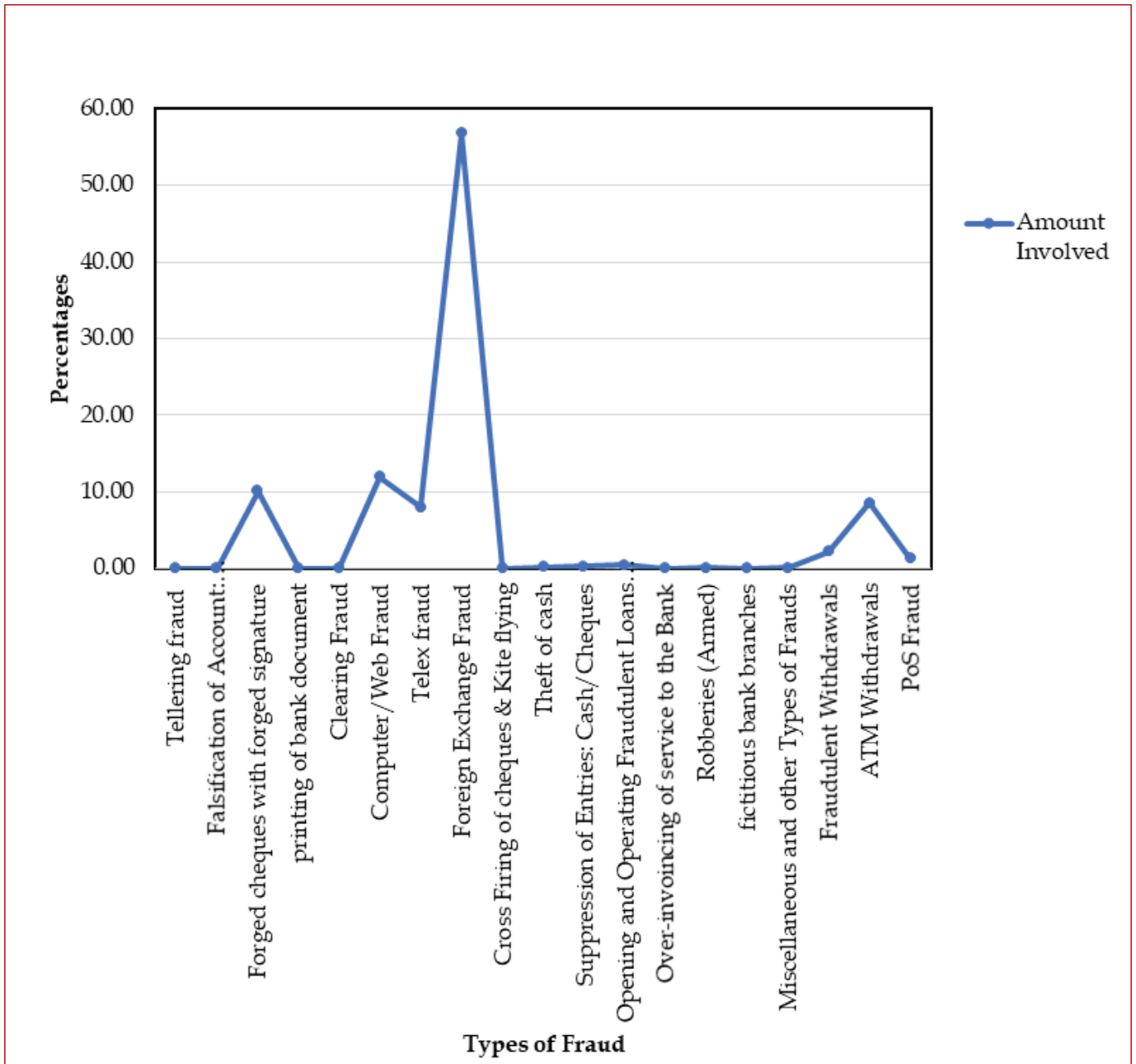
Appendix II (B)
Amount Involved in Frauds and Forgeries Activities (First Quarter, 2021)



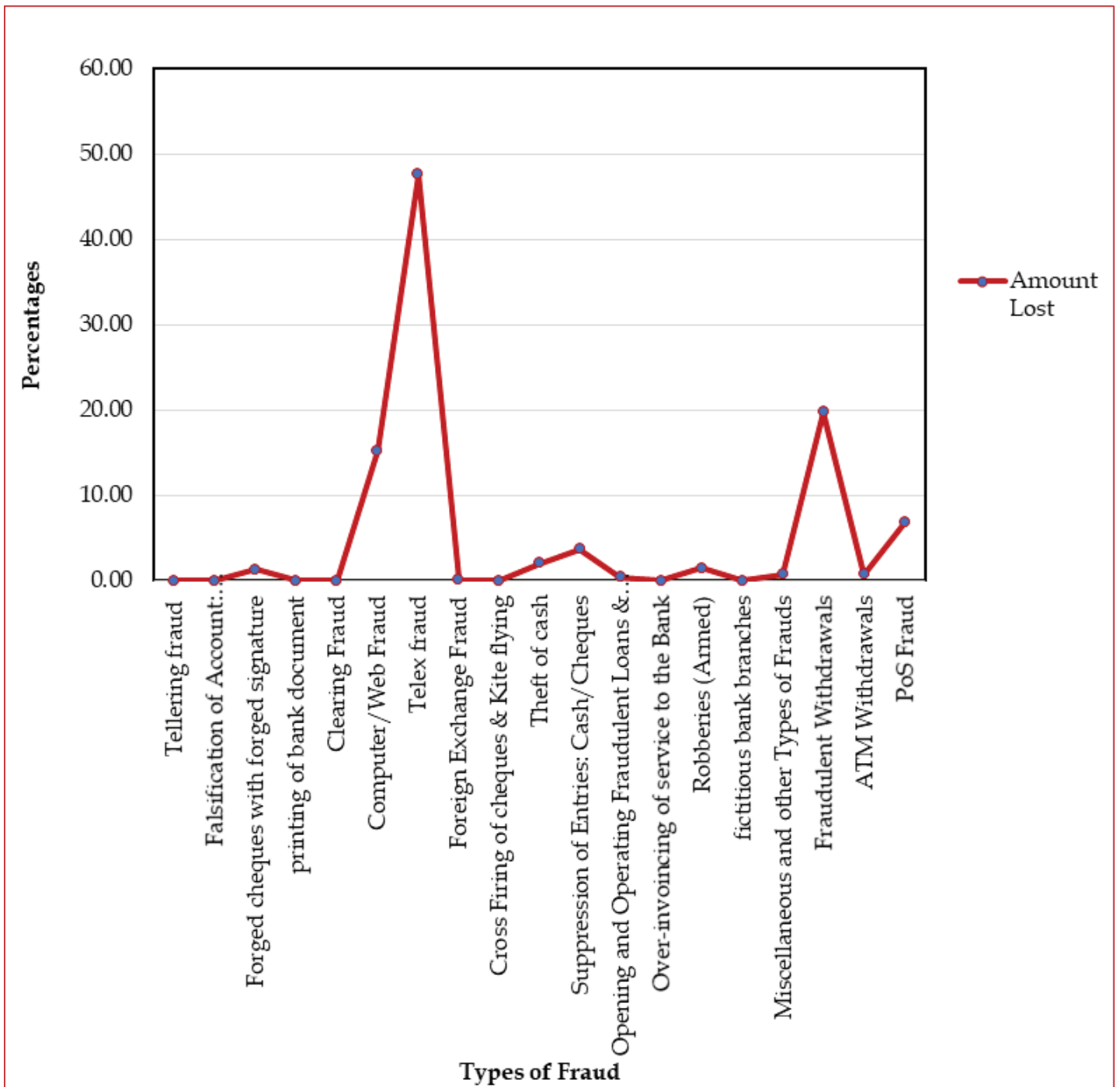
Appendix II (C)
Amount Lost to Frauds and Forgeries Activities (First Quarter, 2021)



Appendix II (D)
 Percentage Distribution of Amount Involved in Frauds and Forgeries
 (First Quarter, 2021)

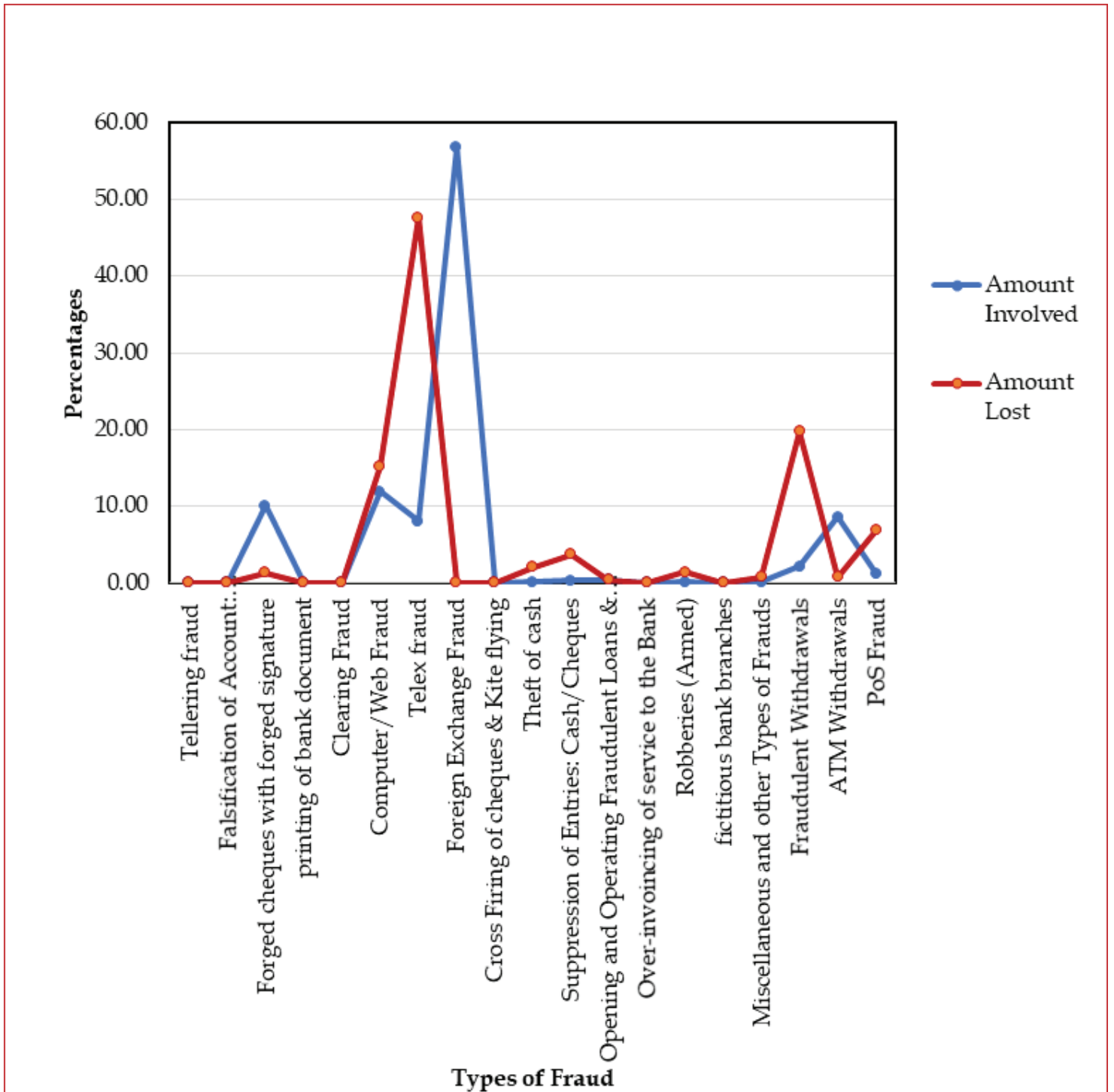


Appendix II (E)
 Percentage Distribution of Amount Lost to Frauds and Forgeries (First Quarter, 2021)



Appendix II (F)

Percentage Distribution of Amount Involved in and Amount Lost to Frauds and Forgeries (First Quarter, 2021)



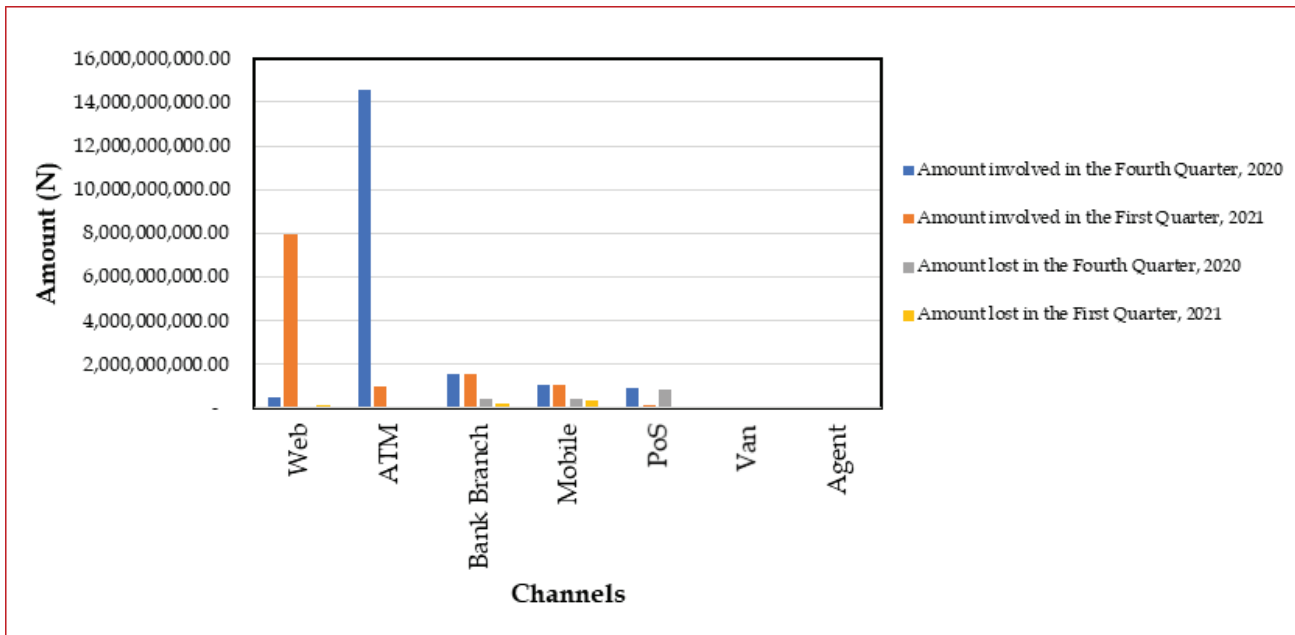
Appendix III (A)
Frauds and Forgeries through various Payment Channels: A Comparison Fourth Quarter 2020
and First Quarter 2021

S/N	Channels	Cases: Fourth Quarter, 2020	Cases: First Quarter, 2021	Percentage (%) change
1	Web	8,969	8,233	(8.21)
2	ATM	9,680	12,308	27.15
3	Bank Branch	663	25,925	3810.26
4	Mobile	8,783	11,348	29.20
5	POS	597	1,631	173.20
6	Van	0	0	-
7	Agent	0	0	-
Total		28,692	59,445	107.18

Appendix III (B)
Amount Involved and Amount Lost to Fraud through various Payment Channels:
A. Comparison between Fourth Quarter 2020 and First Quarter 2021

S/N	Channels	Amount Involved, Fourth Quarter, 2020 (₦)	Amount Involved, First Quarter, 2021 (₦)	Percentage (%) Change	Amount Lost, Fourth Quarter, 2020 (₦)	Amount Lost, First Quarter, 2021 (₦)	Percentage (%) Change
1	Web	468,189,848.55	7,961,551,546.32	1600.50	71,609,188.66	106,027,738.95	48.06
2	ATM	14,561,631,275.59	952,980,512.93	(93.46)	63,662,998.55	4,305,848.70	(93.24)
3	Bank Branch	1,521,824,235.31	1,544,329,582.88	1.48	409,909,852.02	198,533,190.35	(51.57)
4	Mobile	1,044,270,581.00	1,088,246,708.00	4.21	429,489,706.57	368,045,915.42	(14.31)
5	POS	886,712,187.13	149,871,565.41	(83.10)	831,872,053.82	49,526,079.11	(94.05)
Total		18,482,628,127.58	11,696,979,915.54	(36.71)	1,806,543,799.62	726,438,772.53	(59.79)

Appendix III (C)
 Amount Involved and Amount Lost to Fraud through various Payment Channels:
 A Comparison between A Comparison between Fourth Quarter 2020 and First Quarter, 2021



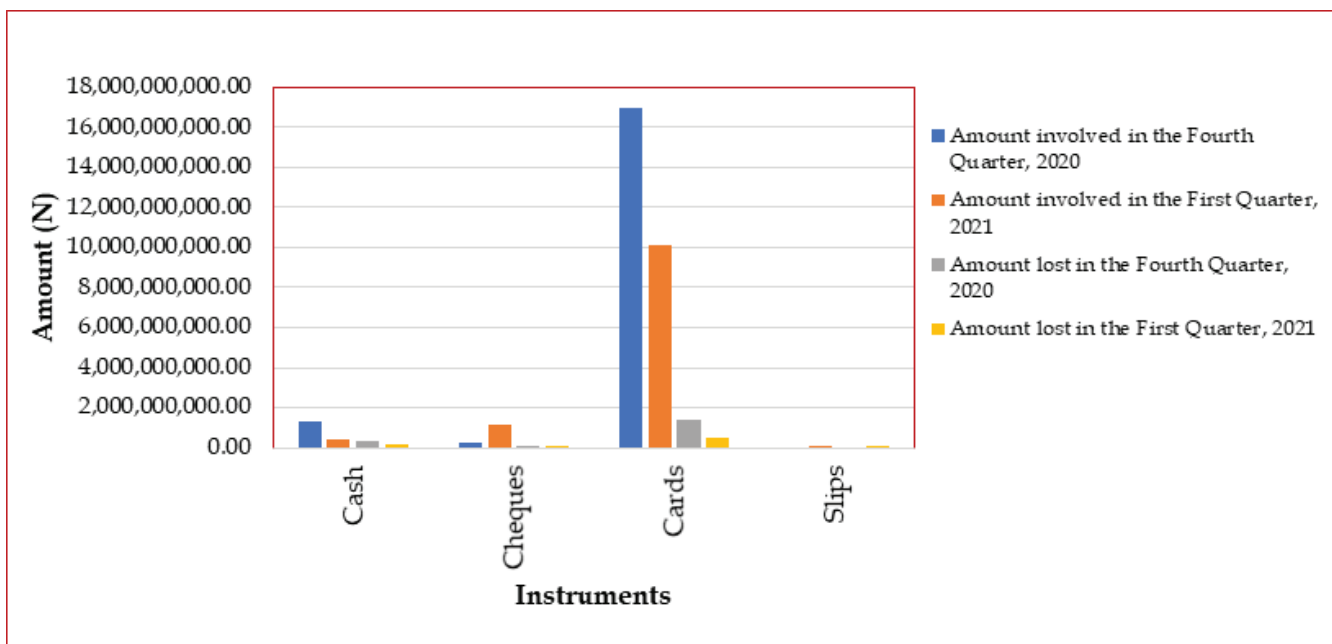
Appendix IV (A)
 Frauds and Forgeries through various Instruments:
 A Comparison between A Comparison between Fourth Quarter 2020 and First Quarter, 2021

S/N	Instruments	Cases: Fourth Quarter, 2020	Cases: First Quarter, 2021	Percentage (%) change
1	Cash	637	25,894	3964.99
2	Cheques	24	29	20.83
3	Cards	28,029	33,520	19.59
4	Slips	2	2	-
Total		28,692	59,445	107.18

Appendix IV (B)
Amount Involved and Amount Lost to Fraud through various Instruments of Transaction:
A Comparison between Fourth Quarter 2020 and First Quarter, 2021

S/N	Instruments	Amount Involved, Fourth Quarter, 2020 (₦)	Amount Involved, First Quarter, 2021 (₦)	Percentage (%) Change	Amount Lost, Fourth Quarter, 2020 (₦)	Amount Lost, First Quarter, 2021 (₦)	Percentage (%) Change
1	Cash	1,270,860,706.31	371,825,026.31	(70.74)	335,876,852.02	192,774,190.35	(42.61)
2	Cheques	248,478,533	1,171,354,557.00	371.41	74,033,000	5,059,000	(93.17)
3	Cards	16,960,803,892.44	10,152,650,332.00	(40.41)	1,396,633,947.60	527,905,582.60	(62.20)
4	Slips	2,484,996.00	1,150,000.00	53.72		700,000	(100)
	Total	18,482,628,127.75	11,696,979,914.88	(36.71)	1,806,543,799.62	726,438,772.95	(59.79)

Appendix IV (C)
Amount Involved and Amount Lost to Fraud through various Instruments of Transaction:
A Comparison between Fourth Quarter 2020 and First Quarter, 2021





INNOVATE

IGNITE

IMPACT



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