



Report on Frauds and Forgeries in Nigerian Banks

Quarter 2, 2022

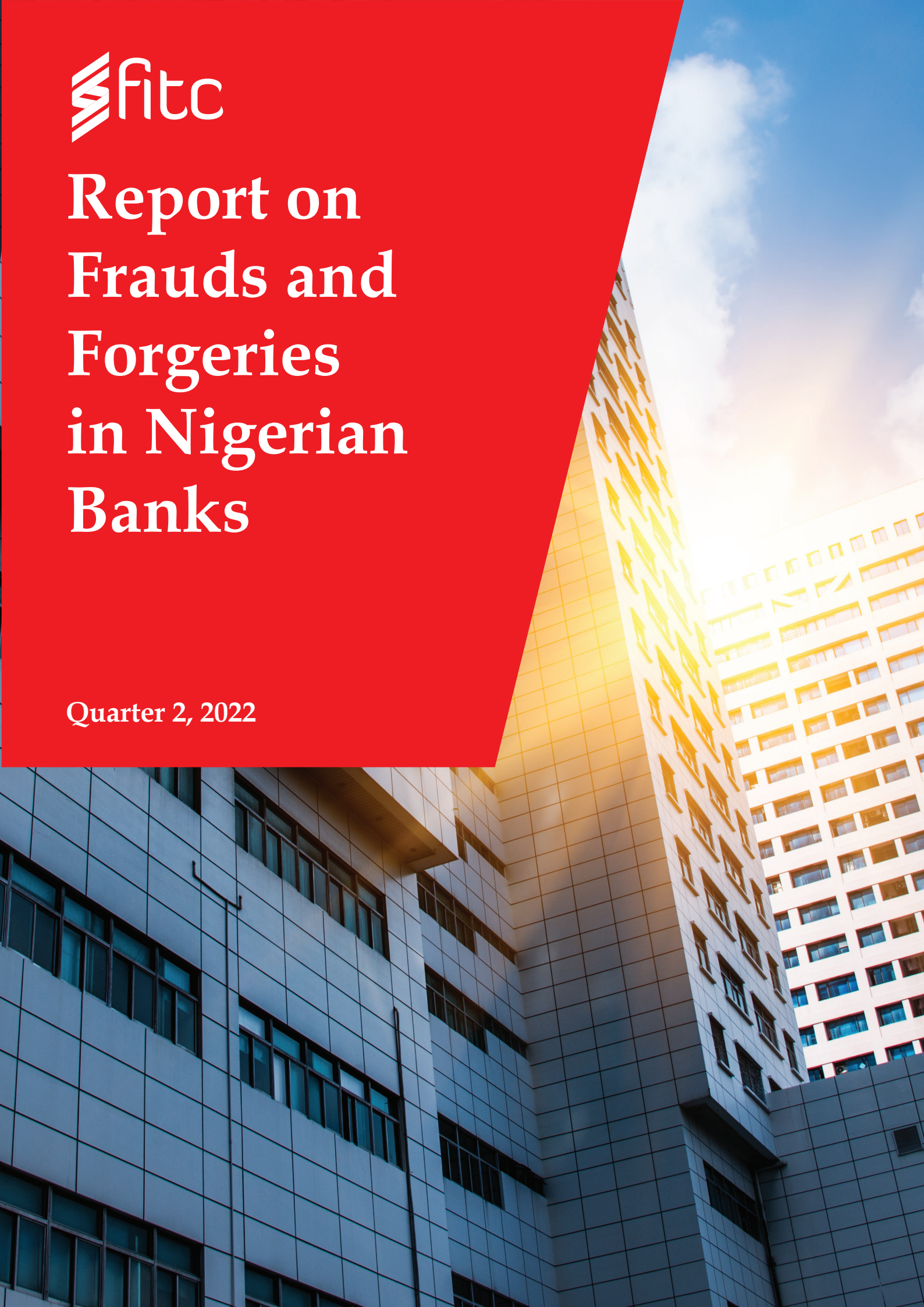


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Second Quarter, 2022

1. Overview

FITC received a total of sixty-eight (68) returns on cases of fraud and forgery from twenty-four (24) deposit money institutions¹ in the second quarter of 2022. An analysis show that twenty-two (22) returns were received in April, while twenty-four (24) returns were received in May, and twenty-two (22) returns were received in June.

2. Volume and Value of Fraud Cases

For the second quarter of 2022 under review, a total of twenty-seven thousand three hundred and fifty-six (27,356) incidents of Frauds and Forgeries were reported, compared to forty thousand, five hundred and twenty-two (40,522) reported cases² in the first quarter of 2022, representing a 32.49 per cent decrease between the periods. The trend shows that mobile fraud which includes fraud activities through USSD transactions had the highest occurrence followed by computer/web fraud and POS fraud. Appendices I and II present the various fraud activities that occurred throughout the period.

For Q2 2022, the data analysis show that the total sum reported to be involved in fraud cases decreased notably by 40.05 per cent, from N14.65 billion in Q1 2022 to N8.78 billion in Q2 2022. Likewise, for the total amount lost due to fraud incidences, there was a slight decrease of 23.66 per cent from N1.54 billion in the first quarter of 2022 to N1.17 billion in the second quarter of 2022. A representation of the amount involved and lost due to fraud activities can be seen in Appendix I (A).

An assessment of the magnitude-based ranking of fraud categories reveal that Computer/Web Fraud places top

accounting for N3.62 billion which is 41.22 per cent, followed by the Mobile Fraud category at 1.57 billion (17.90 per cent). This was followed closely by Forged Cheques with Forged Signatures Fraud, with N1.54 (17.57 per cent). The amount alleged to be involved in, and the actual amount lost to, frauds and forgeries over the second quarter of 2022 are represented in tabular form in Appendix II (A).

Evaluating the total amount lost to frauds in Q2 2022 reveal that Mobile Fraud accounts for 38.18 per cent at N449 million loss, followed by Miscellaneous & other types of fraud accounting for 32.19 per cent (N379 million) and Suppression of Entries at 11.02 per cent (N129.64million). A closer look at the unusual amount recorded under the Miscellaneous fraud revealed that the fraud was carried out via E-naira for which the banks were liable. Appendices II (B), (C), (D), (E), and (F) graphically represent the amount involved in, and the actual amount lost to, fraud and forgery operations throughout the study period under review.

3. Channels, Instruments and Personalities Involved in Perpetrating Fraud

For the quarter under review, fraud activities were performed using a range of channels, including ATMs, Web and Mobile Banking Platforms (including eNaira platform), Bank branches, and POS (Point of Sale) terminals. Cards and cash account for the highest frequency for instruments used to carry out fraud activities in Q2 2022, while cheques and slips recorded a lower frequency of the amounts involved in and lost to frauds. Appendix III (A) presents an analysis of frauds with regards to payment channels, revealing that there was a decrease across all channels in the volume of fraud associated with online, mobile

channels, POS, ATMs and bank branches. This decrease is concurrent with the decrease noted in the overall volume of fraud recorded in Q2 2022 which might indicate that improved control measures by the bank and customers.

The statistics in Appendix III (B) represents a comparison between Q1 and Q2 2022 show a decrease in the amounts involved in Web and ATM Fraud channels from N10.57 billion to N3.62 billion (65.77%) and N676 million to N202 million (70.02%) respectively. Furthermore, the amount involved in Bank Branch, Mobile, POS and Agent Fraud Channels all recorded an increase from the previous quarter. The amount involved in Bank Branch Fraud increased from N1.63 billion to N3.07 billion which is an 87.99% increase from the previous quarter. Also, in Q2 the amount involved in POS Fraud and Mobile Fraud increased from N224 million to N310 million and from N1.48 billion to N1.57 billion respectively. Also, the amount involved in Agent Fraud showed a 100% increase with an amount of N2.9 million.

With regards to the returns by payment channel, the analysis reveal that there was a decrease in the amount lost to fraud via the Web, ATM and POS channels. The amount lost via the Web channel decreased considerably from N1.07 billion to N98.4million while the amount lost via the ATM channel decreased from N43 million to N5.9 million. On the other hand, an increase was noted in the amount lost via the Bank Branch, Mobile fraud channels, from N103.45 million to N618.24 million (497.56%) and N270.92 million to N449.03 million (65.74).

Appendix IV (A) shows that there was an overall decrease in the

number of cases involved in the three instruments of transactions (cheques, cards, and cash) in Q2 2022. Card frauds decreased by 38.38% bringing the numbers to 21,469 from 34,839. Cash and cheque frauds decreased by 81.26% and 39.53% bringing the numbers to 432 and 26 from 2,305 and 43 respectively. There was a 100% increase in the use of slips as an instrument of fraud bringing the value to 2 from 1 in the last quarter.

Appendix IV (B) is a representation of the data on the amount involved in cash, cheque, card and, slip frauds in the second quarter of 2022. For the amount involved in cheque frauds, there was a 209.34 increase, from N255.5 million to N790.4 million. Also, there was a 71.41% increase in the amount involved in cash fraud (from N1.38 billion to N2.36 million) and 42.09% (from N1.7 million to N2.4 million). A decrease of 56.51% was noted on the other hand for card frauds reducing the amount from N12.96 million to N5.63 million.

An analysis of the amount lost through the various instruments of fraud reveal that there was significant increase of 603.04% in the amount lost through cash fraud bringing the value to N715.38 million from N101.75 million in the previous quarter. However, a 67.04% and 61.92% decrease was recorded for cards and slips respectively bringing the values to N460.09 million and N648,500 from N1.4 billion and 1.7 million respectively. Appendices III (C) and IV (C) are visual representations of the routes and instruments utilized to commit fraud in Q2 2022.

For the second quarter of 2022, deposit money institutions reported the termination of the services of Nineteen (19) employees because of their involvement in fraud-related activities which represents a 90 per cent increase from the value reported in Q1 2022, where Ten

(10) bank workers were dismissed for same reasons. In comparing this with the corresponding quarter of 2021, the number of staff who were dismissed owing to fraud-related incidences was four (4), representing a 375 per cent increase.

4. Summary and Conclusion

The Fraud & Forgeries report within the Nigerian Banking system for Q2 2022, reveal that there was a decrease in the volume of cases recorded. Subsequently, there was a significant decrease reported in the total amount involved in the actual or expected amount lost to fraudulent activities. As in the previous quarter, it is worthy to note that a few fraud cases were carried out using the e-Naira. For Q2 2022, there was a very appreciable increase in the amount involved in and lost in bank branch fraud and the banks were liable to the loss incurred. The trend continuously reveal that the customers are greatly susceptible to fraud incidents due of compromise of personal banking details or misuse of the different service platforms.

Overall, in Q2 2022 there was a 32.49 per cent decrease in the total number of fraud cases from 40,522 to 27,356. Furthermore, the amount involved in fraud decreased by 40.05 per cent, from N14.65 billion in Q1 2022 to N8.78 billion in Q2 2022. Also, the total actual amount lost due to fraud had a slight decrease of 23.66 per cent from N1.54 billion in the first quarter of 2022 to N1.17 billion in the second quarter of 2022.

5. Recommendations

The overall decrease noted in the fraud incidences, the amount involved, and the actual amount lost is quite commendable for the banking institutions and it is necessary for banks to further strengthen their internal control measures for improved efficiency in pre-empting fraud activities and

ultimate prevention of fraud. To support the internal control measures, increased sensitization of customers on the prevalence of fraud activities and how to protect themselves from it. An effective way of sensitization by banks would be to carry out awareness activities and tips against fraud in major Nigerian languages such as Igbo, Yoruba, and Hausa. Also, human welfare agencies across the nation can also create awareness against fraud activities to support the sensitization being carried out by the banks. Given the increased use of the e-Naira platform as a channel of fraud, banks should invest more to ensure that customers understand the modalities of using the e-Naira to prevent a further increase in fraud cases.

Additionally, given the growing number of employees involved in fraudulent activities, banks should exercise extra caution when employing new staff or contracting an outsourcing firm for the purpose of employment. As a measure to curb the involvement of staff in fraudulent activities, staff who have also acted with high integrity in circumstances in which they would have acted otherwise should be duly commended and rewarded for their actions; this sends a positive message to other staff and they too would want to be recognised and rewarded as well.

The appendices below show summaries of the cases of Fraud and forgeries covered in this report. A comparison was done between the first Quarter of 2022 and the second Quarter of 2022, as well as between the Second quarters of 2021 and 2022 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

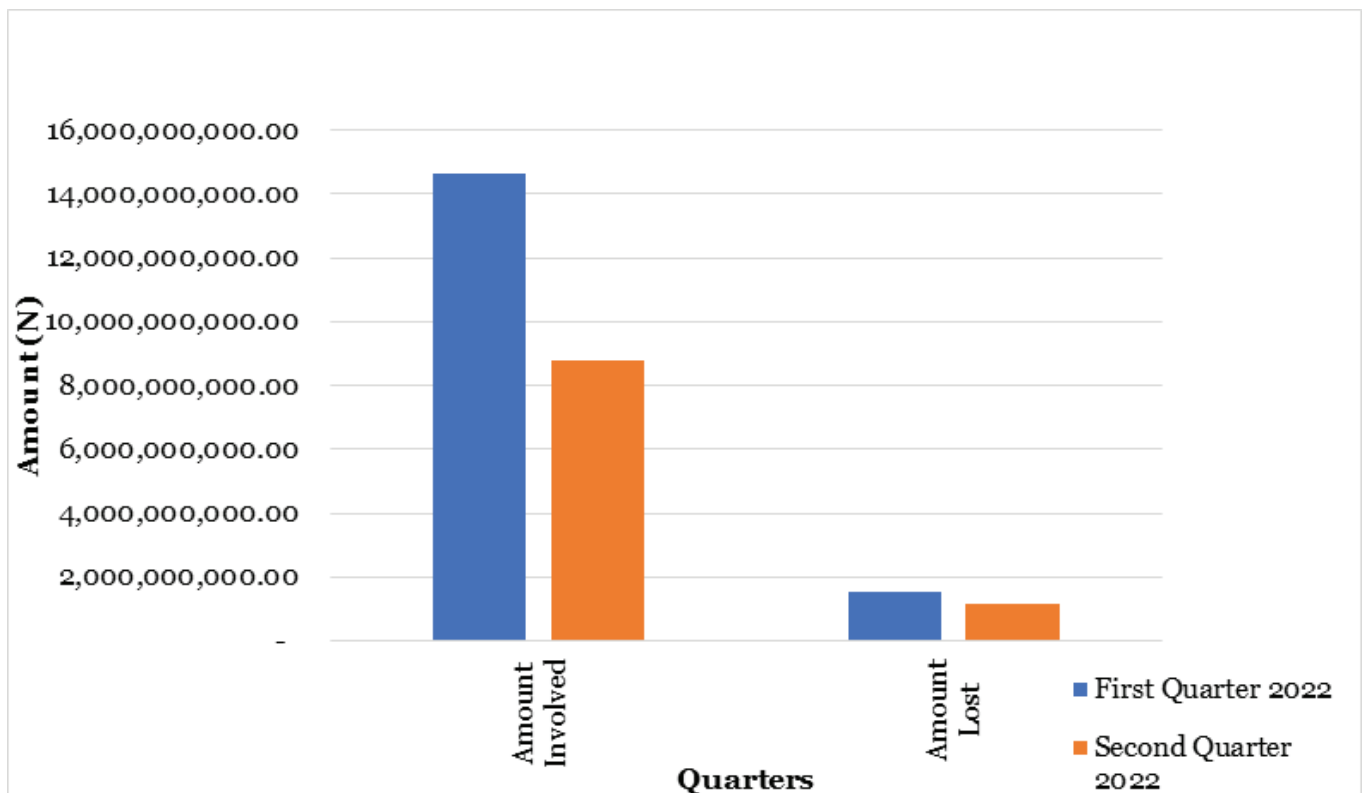
Appendix I (A)

A Comparison of Fraud Activities between First Quarter 2022 and Second Quarter 2022

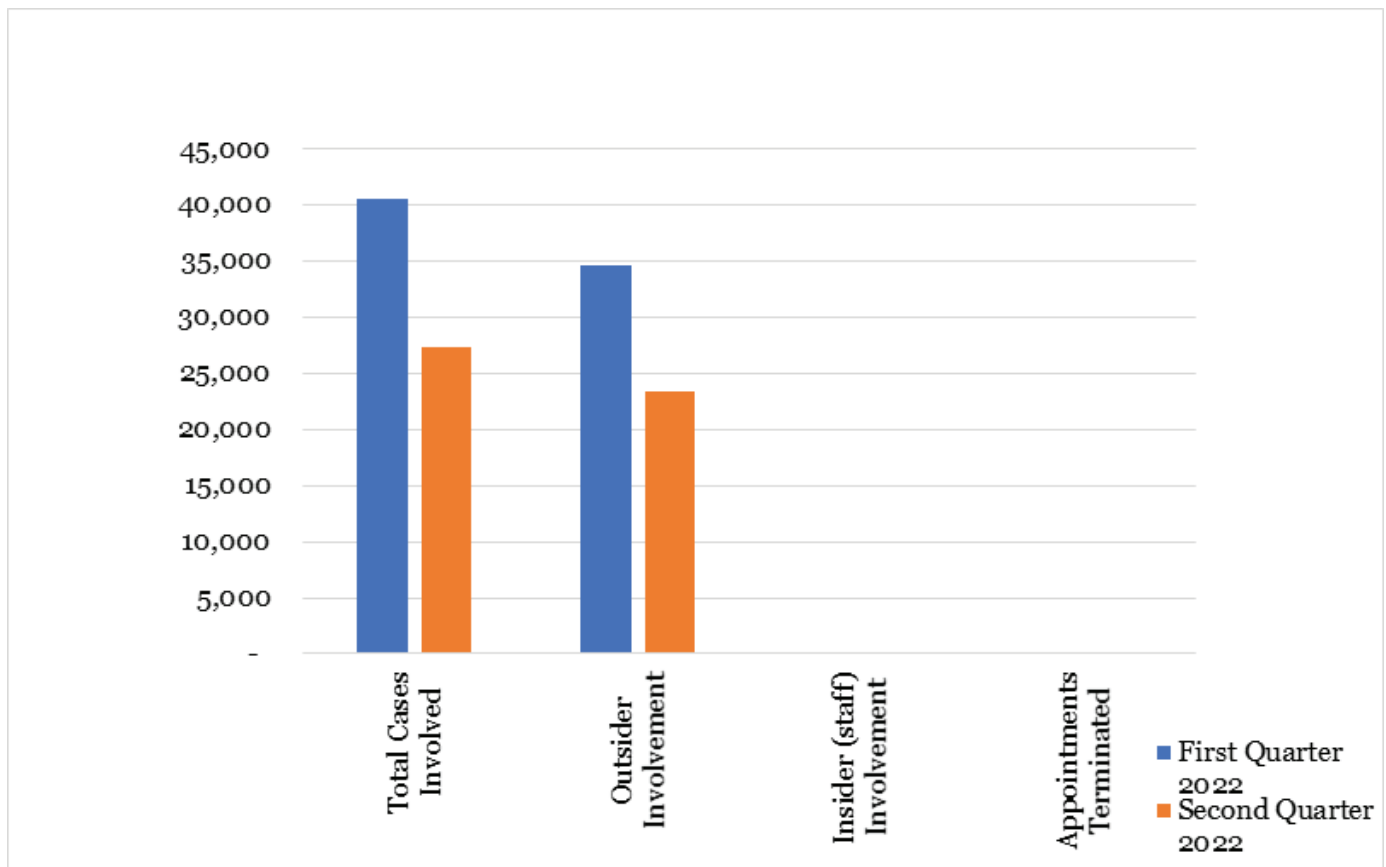
S/N	Variables	First Quarter, 2021	Secind Quarter, 2022	Percentage (%) change
1	Total Cases Reported	40,522	27,356	(32.49)
2	Total Amount Involved	N14,653,505,790.67	N8,784,587,569.59	(40.05)
3	Total Amount lost	N1,540,684,616.97	N1,176,131,800.42	(23.66)
4	Outsider Involvement	34,677	23,440	(32.40)
5	Insider (Staff) Involvement	60	73	21.67
6	Appointments Terminated	10	19	90

Appendix I (B)

A Comparison of Amount Involved and Amount Lost to Frauds between First Quarter 2022 and Second Quarter 2022



Appendix I (C)
A Comparison of Fraud Activities between First Quarter 2022 and Second Quarter, 2022

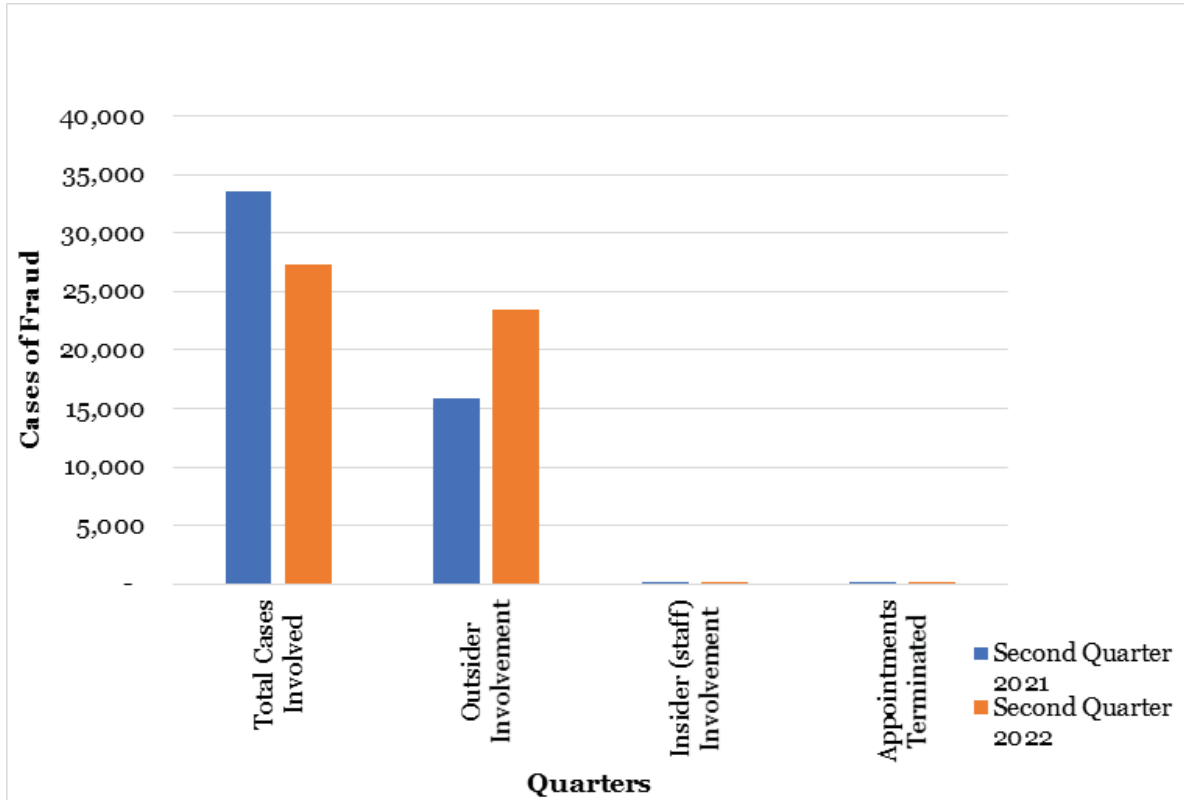


Appendix I (D)
A Comparison of Frauds Activities between Second Quarter 2021 and Second Quarter 2022

S/N	Variables	Second Quarter, 2021	Second Quarter, 2022	Percentage (%) change
1	Total Cases Reported	33,641	27,356	(18.68)
2	Total Amount Involved	N6,845,823,280.49	N8,784,587,569.59	28.32
3	Total Amount lost	N594,182,105.77	N1,176,131,800.42	97.94
4	Outsider Involvement	15,913	23,440	47.30
5	Insider (Staff) Involvement	82	73	(10.98)
6	Appointments Terminated	4	10	375

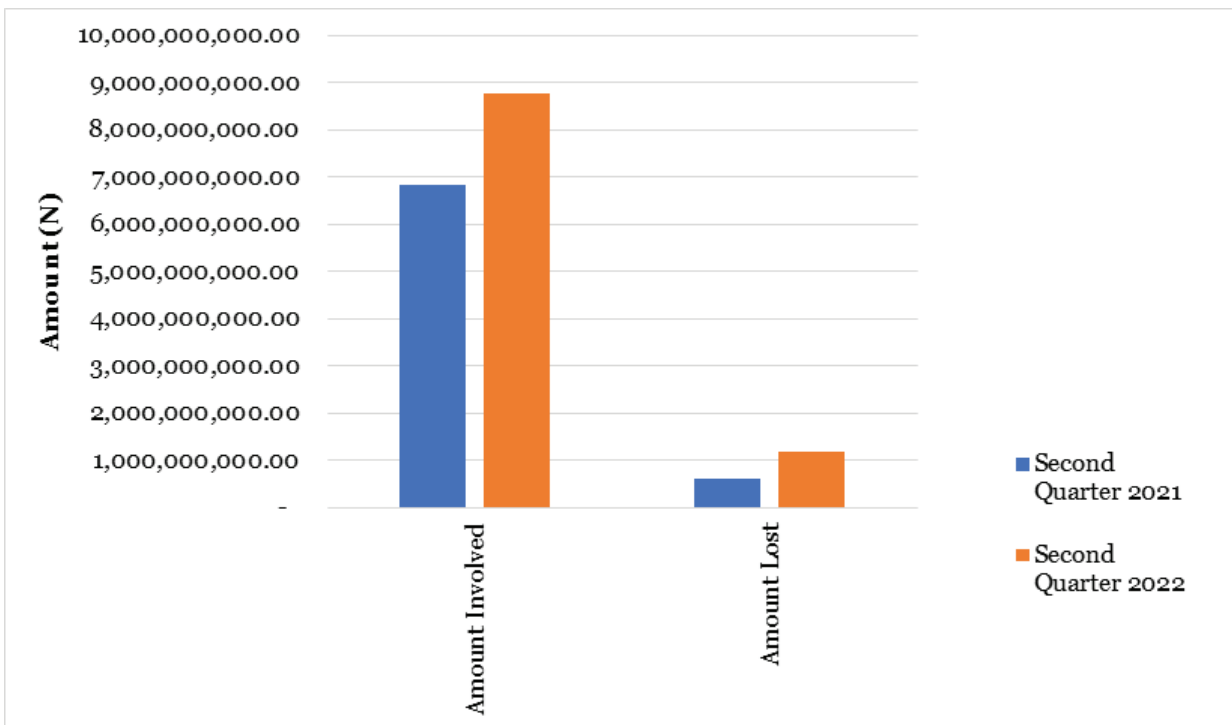
Appendix I (E)

A Comparison of Frauds Activities between Second Quarter 2021 and Second Quarter, 2022



Appendix I (F)

A Comparison of Amount Involved and Amount Lost to Frauds between Second Quarter 2021 and Second Quarter, 2022



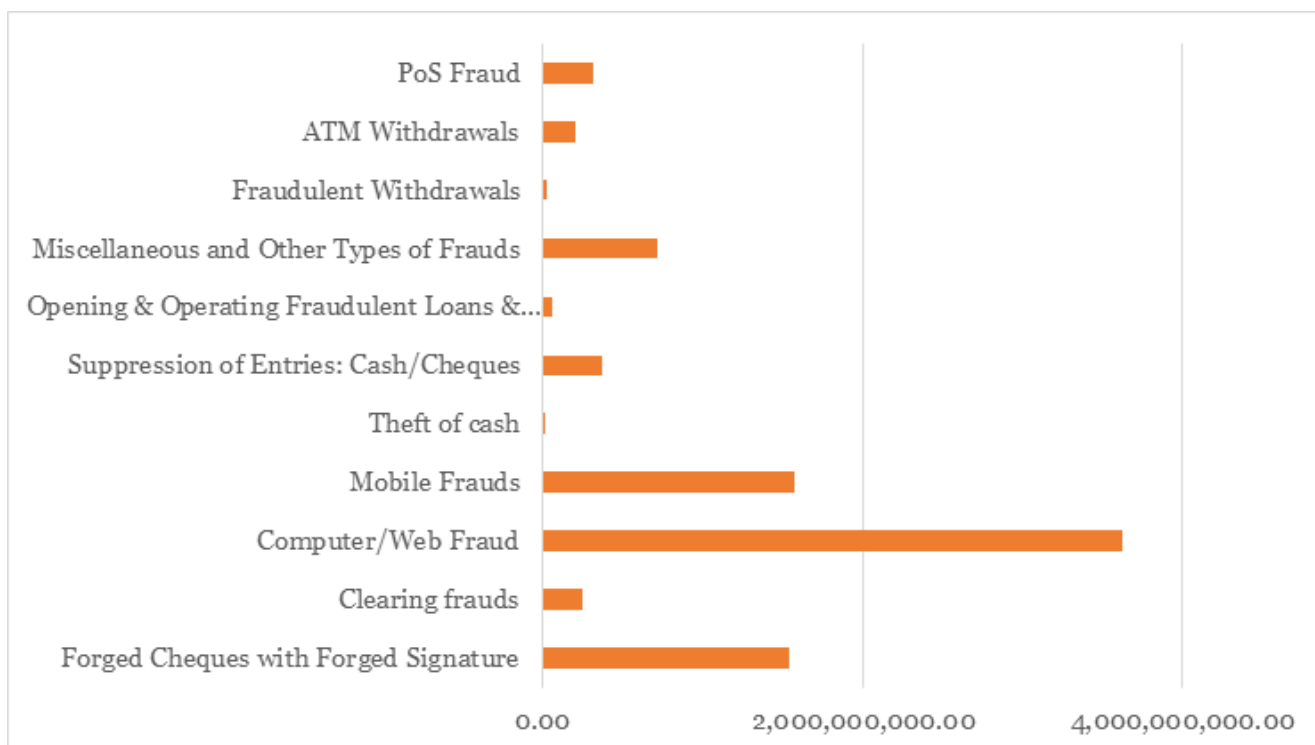
Appendix II (A): Frauds and Forgeries Activities in the Second Quarter, 2022

Types of Fraud	Total Number of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved /Expected (₦)	Actual Loss (₦)	Expected Loss/ Amount Involved(%)
Teller Fraud	21 (0.08)	6 (8.22)	3 (0.01)	5 (100)	6 (0.17)	11,944,215.00 (1.27)	99,400,000.00 (8.45)	88.8
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	29 (0.11)	3 (4.11)	15 (0.06)	0 (0)	12 (0.34)	1,543,158,974.00 (17.57)	0 (0)	0.0
Printing of Bank Document Illegally	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Clearing Fraud	8 (0.03)	0 (0)	2 (0.01)	0 (0)	9 (0.25)	249,834,000.00 (2.84)	0 (0)	0
Computer/Web Fraud	9791 (35.79)	10 (13.70)	8302 (35.42)	0 (0)	1214 (33.98)	3,621,302,618.07 (41.22)	98,418,462.38 (8.37)	2.7
Mobile Fraud	12858 (39.23)	0 (0)	11866 (50.62)	0 (0)	1991 (27.74)	1,572,654,153.40 (17.90)	449,029,769.03 (38.18)	28.6
Foreign Exchange Fraud	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
Theft of Cash	3 (0.01)	2 (2.74)	0 (0)	0 (0)	1 (0.03)	10,125,000.00 (0.12)	10,000,000.00 (0.85)	98.8

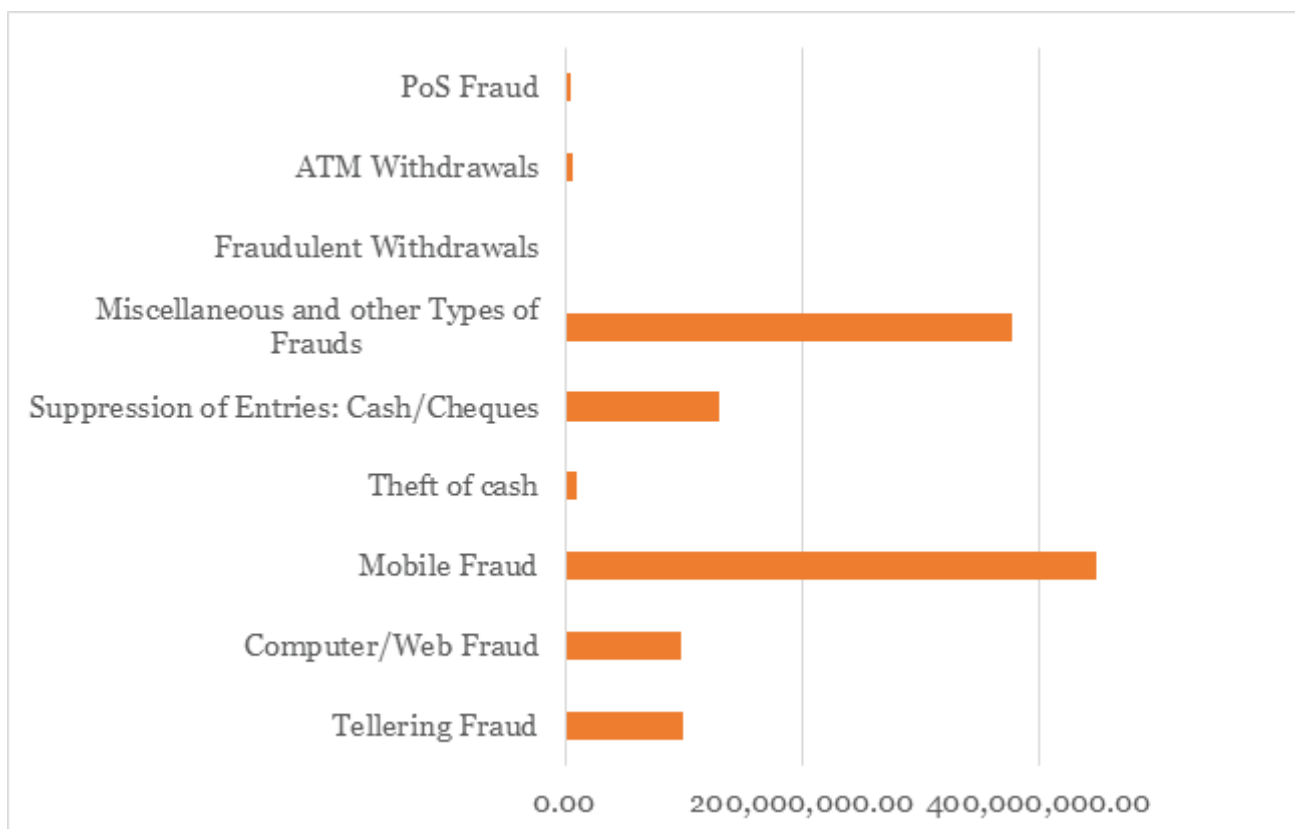
Types of Fraud	Total Number of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved Actual /Expected (₦)	Loss (₦)	Expected Loss/ Amount Involved(%)
Suppression of Entries:	48	42	0	0	2	369,577,508.35	129,643,216.79	35.1
Cash/Cheques	(0.18)	(57.53)	(0.0)	(0)	(0.06)	(4.21)	(11.02)	
Opening & Operating Fraudulent Loans & Accounts	2	1	0	0	0	51,500,000	0	0
	(0.01)	(1.37)	(0)	(0)	(0)	(0.59)	(0.0)	
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	0.00
	(0)	(0)	(0)	(0)	(0)	(0)	(0)	
Miscellaneous and Other Types of Fraud	184	4	164	0	15	713,657,793.03	378,545,111.09	53.0
	(0.67)	(5.48)	(0.70)	(0)	(0.42)	(8.12)	(0.45)	
Fraudulent Withdrawals	184	4	180	0	0	28,007,997.13	648,500.00	2.3
	(0.67)	(5.48)	(0.77)	(0)	(0)	(0.32)	(0.06)	
ATM Withdrawals	1989	1	1948	0	40	202,768,173.66	5,897,798.50	2.9
	(7.27)	(1.37)	(19.44)	(0)	(1.12)	(2.31)	(0.50)	
PoS Fraud	2243	0	960	0	1283	310,057,136.90	4,548,942.63	1.5
	(8.20)	(0)	(4.10)	(0)	(35.91)	(3.53)	(0.39)	
Total	27,356	73	23,440	5	3573	8,784,587,569.59	1,176,131,800.42	13.4

Note: All figures in parenthesis () indicate percentages

Appendix II (B)
Amount Involved in Frauds and Forgeries Activities (Second Quarter, 2022)

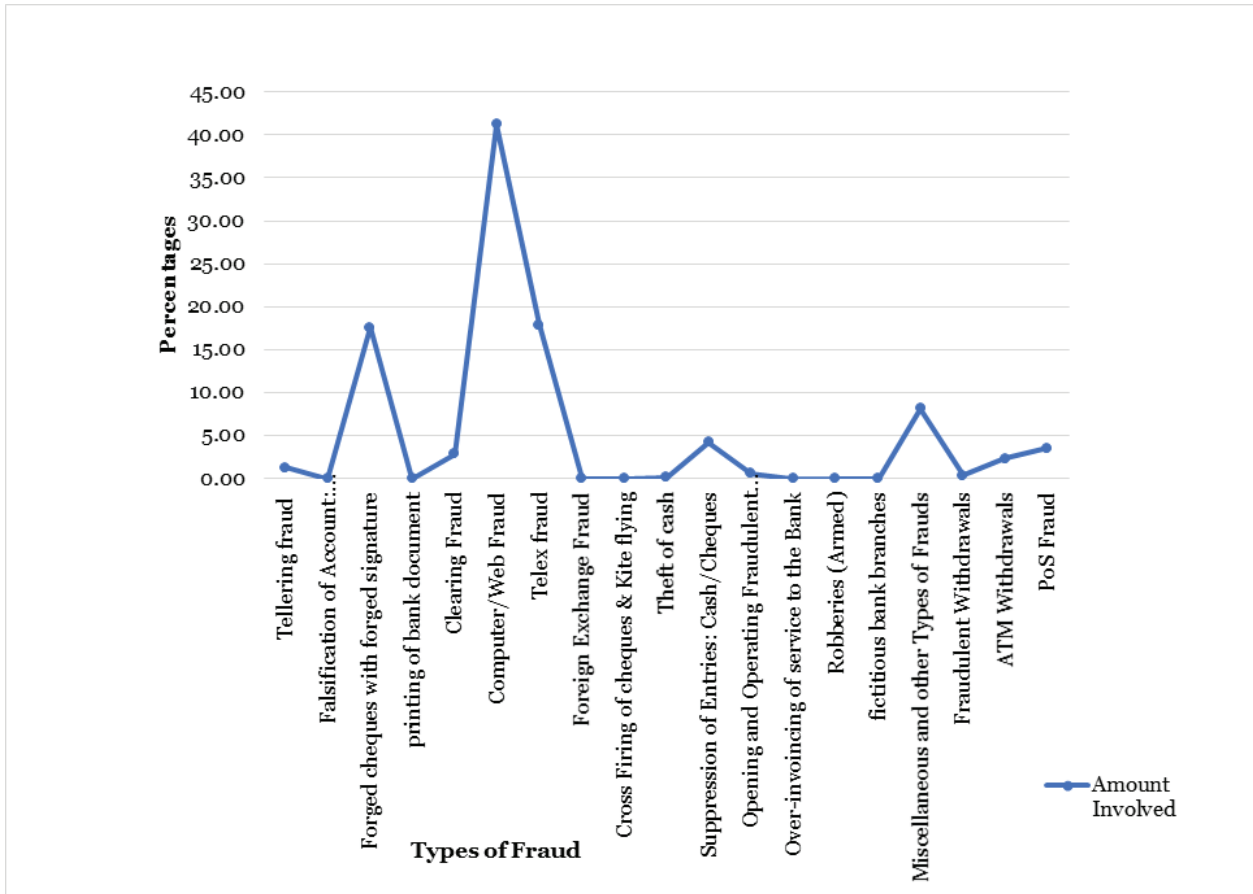


Appendix II (C)
Amount Lost to Frauds and Forgeries Activities (Second Quarter, 2022)



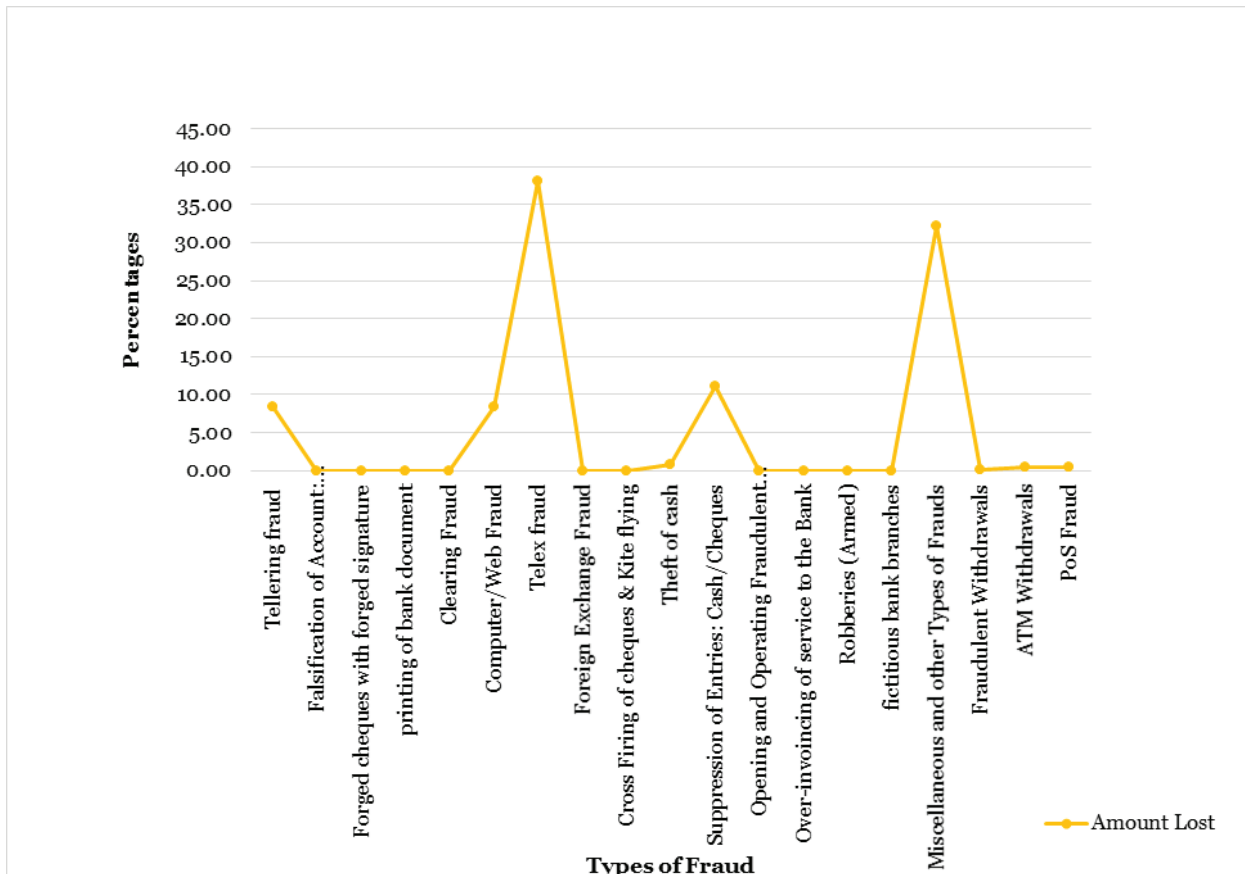
Appendix II (D)

Percentage Distribution of Amount Involved in Frauds and Forgeries (Second Quarter, 2022)

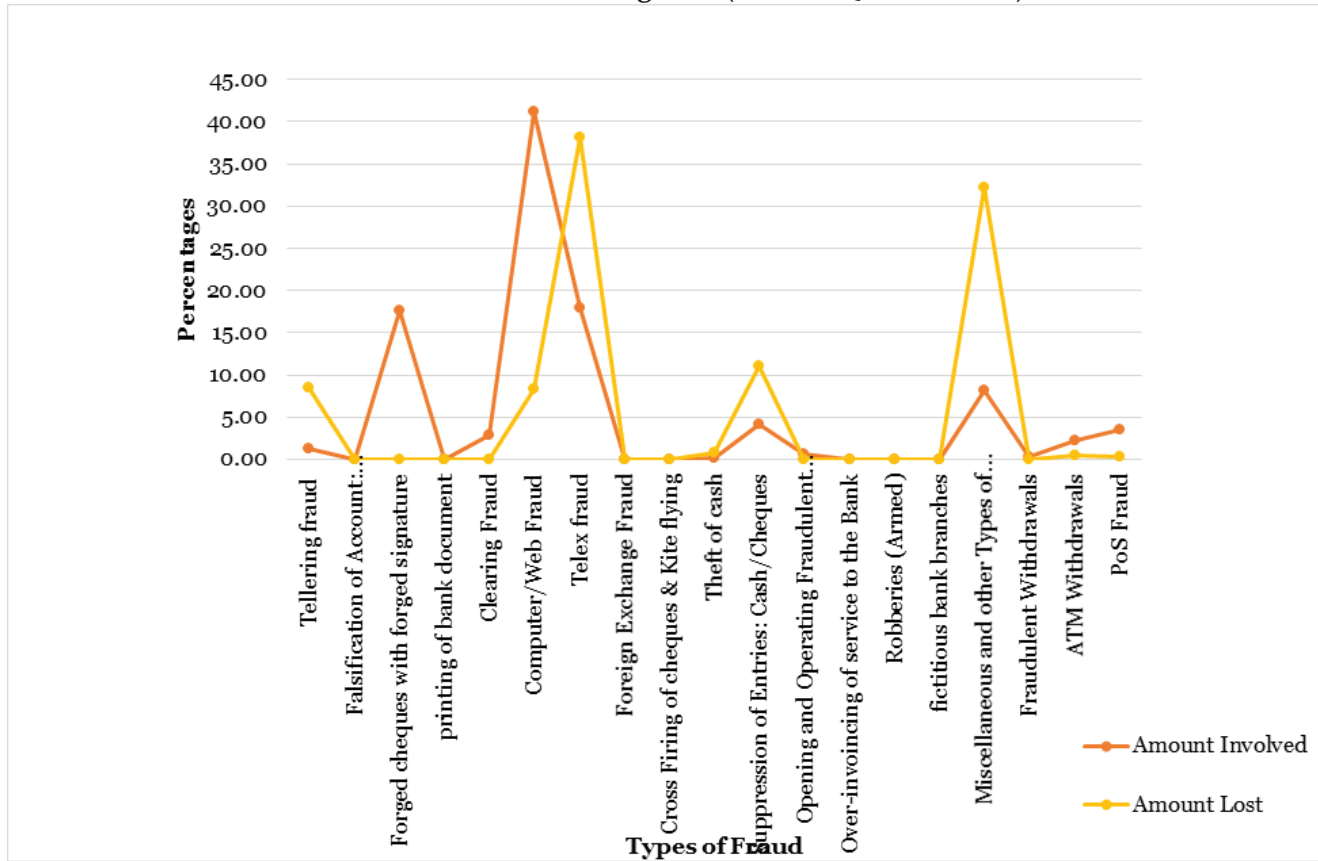


Appendix II (E)

Percentage Distribution of Amount Lost to Frauds and Forgeries (Second Quarter, 2022)



Appendix II (F)
Percentage Distribution of Amount Involved in and Amount Lost to Frauds and Forgeries (Second Quarter, 2022)



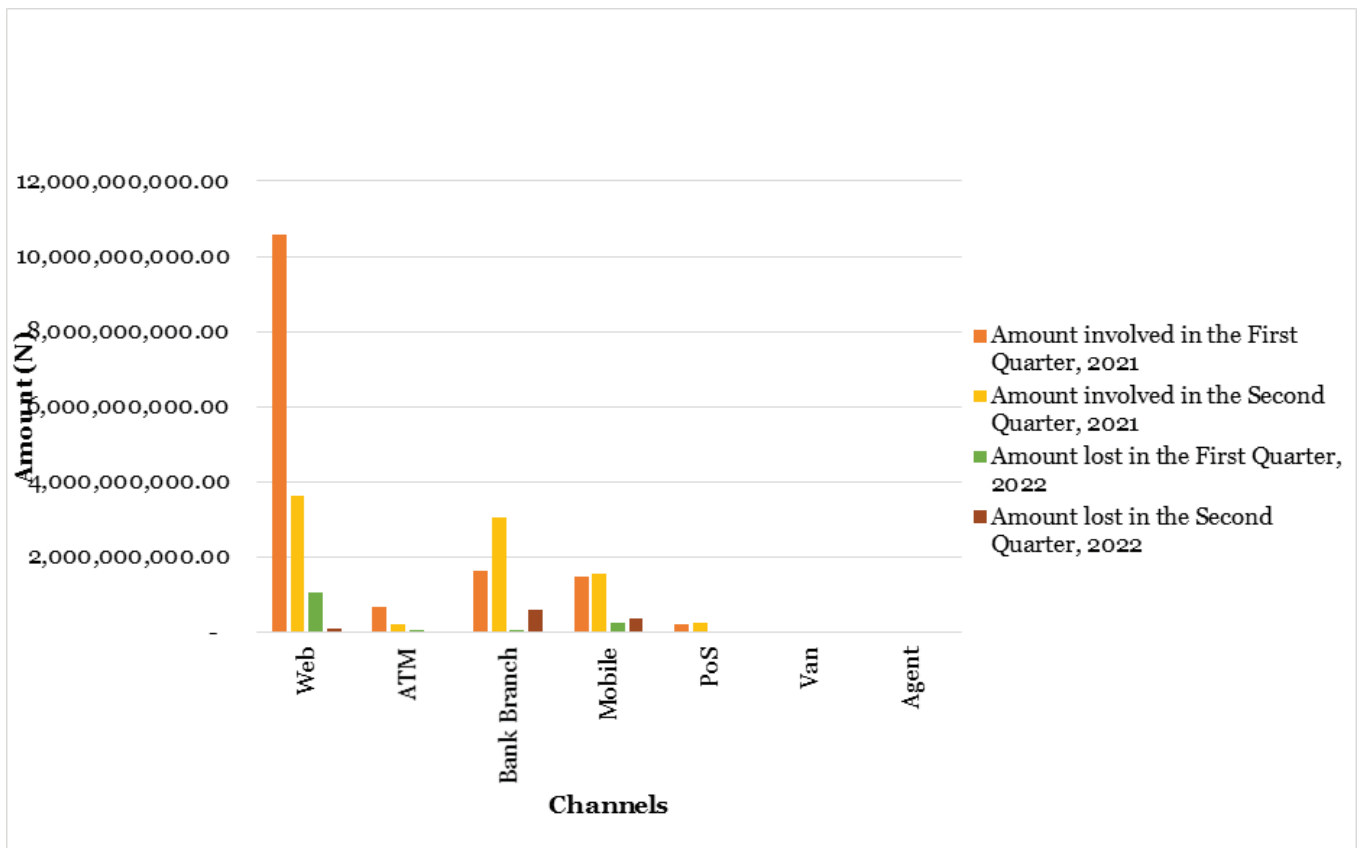
Appendix III (A)
Frauds and Forgeries through various Payment Channels: A Comparison First Quarter 2022 and Second Quarter

S/N	Channels	Cases: First Quarter, 2022	Cases: Second Quarter, 2022	Percentage (%) change
1	Web	13,455	9199	(31.63)
2	ATM	6,834	1,467	(78.53)
3	Bank Branch	2,349	460	(80.42)
4	Mobile	15,897	8418	(47.05)
5	POS	1,971	1803	(8.52)
6	Van	1	-	100
7	Agent	-	2	-
Total		40,507	21,349	(47.30)

Appendix III (B)
Amount Involved and Amount Lost to Fraud through various Payment Channels:
A Comparison between First Quarter 2022 and Second Quarter 2022

S/N	Channels	Amount Involved, First Quarter, 2022 (N)	Amount Involved, Second Quarter, 2022 (N)	Percentage (%) Change	Amount Lost, First Quarter, 2022 (N)	Amount Lost, Second Quarter, 2022 (N)	Percentage (%) Change
1	Web	10,577,910,264.84	3,621,302,618.07	(65.77)	1,073,442,528.83	98,418,462.38	(90.83)
2	ATM	676,244,177.97	202,768,173.66	(70.02)	43,017,431.73	5,897,798.50	(86.29)
3	Bank Branch	1,632,835,056.99	3,069,506,267.51	87.99	43,017,431.73	618,236,827.88	497.56
4	Mobile	1,477,250,458.19	1,572,654,153.45	6.46	270,919,005.20	449,029,769.03	65.74
5	POS	224,440,432.68	310,057,136.90	38.15	20,151,460.59	4,548,942.63	(77.43)
6	Van	25,000,000.00	-	-	25,000,000.00	-	-
7	Agent	-	2,914,500.00	100.0	-	-	0.0
	Total	14,653,505,790.67	8,784,587,569.59	(40.05)	1,540,684,616.97	1,176,131,800.42	(23.66)

Appendix III (C)
Amount Involved and Amount Lost to Fraud through various Payment Channels:
A Comparison between First Quarter 2022 and Second Quarter



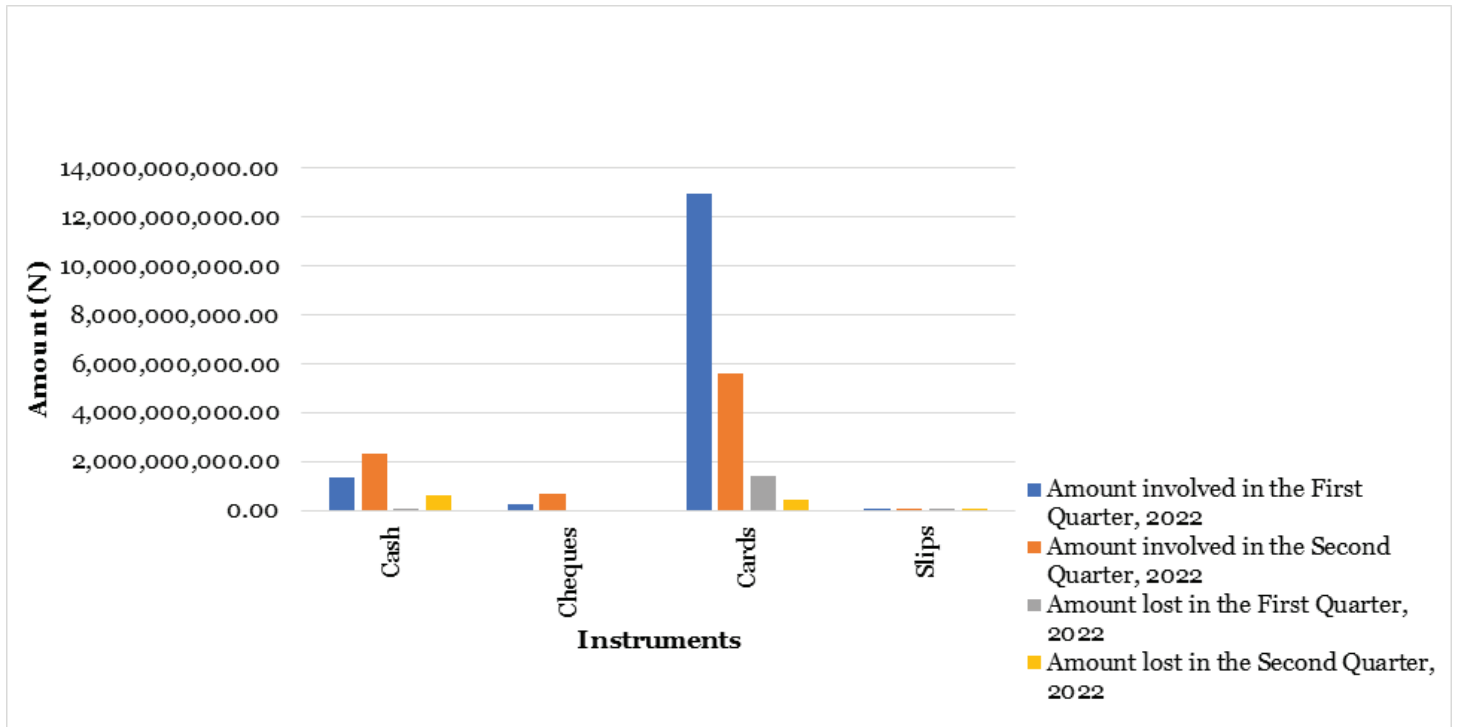
Appendix IV (A)
Frauds and Forgeries through various Instruments:
A Comparison between First Quarter 2022 and Second Quarter 2022

S/N	Instruments	Cases: First Quarter, 2021	Cases: S Quarter, 2022	Percentage (%) change
1	Cash	2,305	432	(81.26)
2	Cheques	43	26	(39.53)
3	Cards	34,839	21,469	(38.38)
4	Slips	1	2	100
Total		37,188	21,929	(41.03)

Appendix IV (B)
Amount Involved and Amount Lost to Fraud through various Instruments of Transaction:
A Comparison between First Quarter 2022 and Second Quarter 2022

S/N	Instruments	Amount Involved, First Quarter, 2022 (₦)	Amount Involved, Second Quarter, 2022 (₦)	Percentage (%) Change	Amount Lost, First Quarter, 2021 (₦)	Amount Lost, Second Quarter, 2022 (₦)	Percentage (%) Change
1	Cash	1,375,627,743	2,357,927,294	71.41	101,756,672	715,388,328	603.04
2	Cheques	255,504,222	790,369,059	209.34	-	-	-
3	Cards	12,955,845,334	5,633,871,217	(56.51)	1,395,767,235	460,094,973	(67.04)
4	Slips	1,703,092	2,420,000	42.09	1,703,092	648,500	(61.92)
Total		14,588,680,390.67	8,784,587,569.59	(40.05)	1,540,684,616.97	1,176,131,800.42	(23.66)

Appendix IV (C)
 Amount Involved and Amount Lost to Fraud through various Instruments of Transaction:
 A Comparison between First Quarter 2022 and Second Quarter 2022





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