



Report on Frauds and Forgeries in Nigerian Banks

Quarter 3, 2021

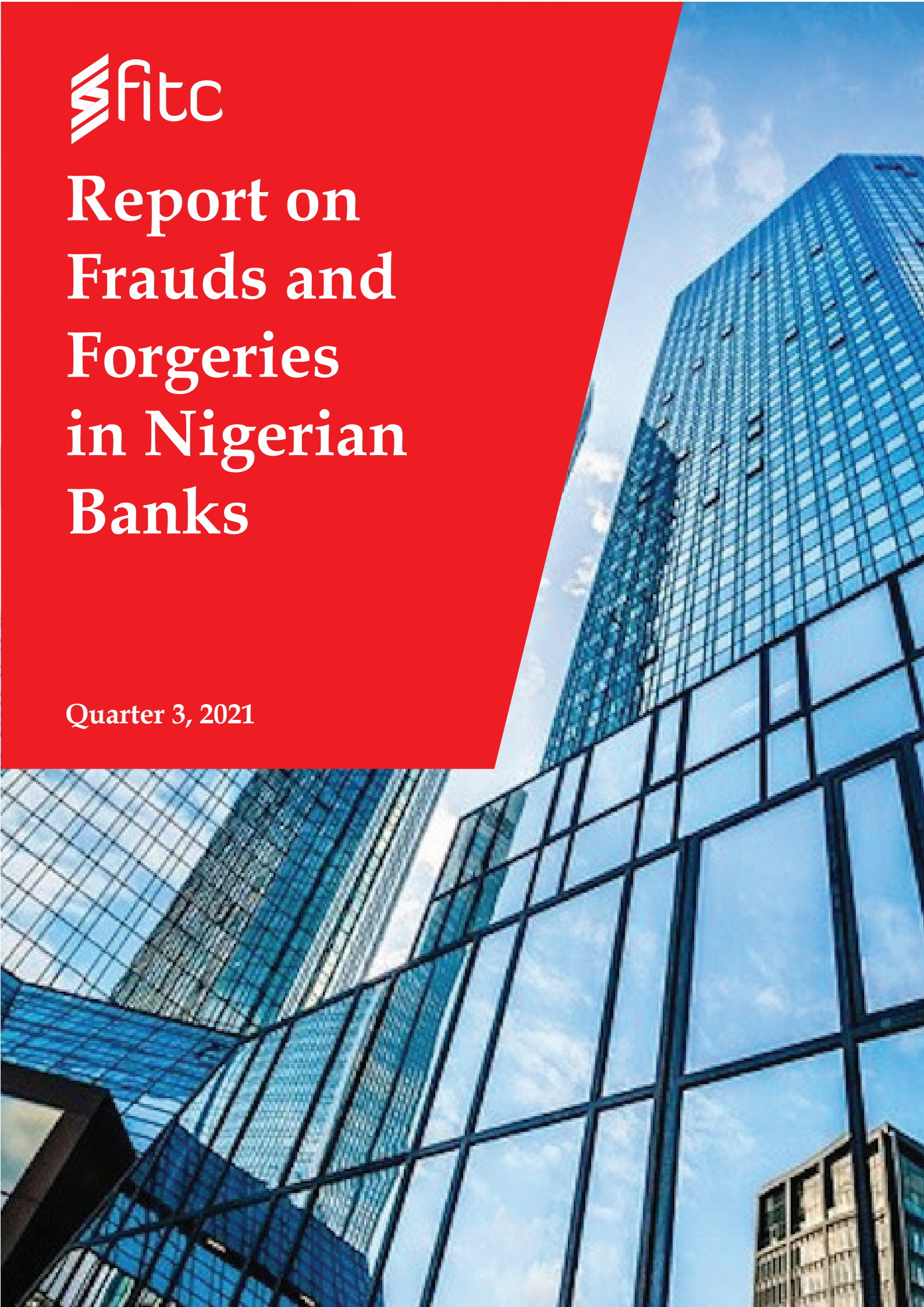


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1. Overview

FITC received sixty-five (65) returns on cases of fraud and forgery from twenty-three (23) deposit money institutions¹ in the third quarter of 2021. Nineteen (19) returns were received in July 2021, twenty-three (23) returns were obtained in August 2021, and another twenty-three (23) returns were received in September 2021, according to an assessment of these returns.

2. Volume and Value of Fraud Cases

A total of twenty thousand, one hundred and ninety-five (20,195) incidents of Frauds and Forgeries were recorded in the third quarter of 2021, compared to thirty-three thousand, six hundred and forty-one (33,641) recorded cases² in the second quarter of 2021, representing a 39.97 percent decline between the periods. The most prevalent types of fraud during the periods were computer/web fraud, mobile banking fraud, and other miscellaneous fraud. Appendices I and II show the fraud activities that occurred throughout the time period.

During the time under review, the total sum reported to be involved in fraud cases increased by 408 percent, from N6.85 billion to N34.78 billion. While the amount lost owing to fraud incidences increased by 43.6 percent to N853.2 million in the third quarter of 2021 from N594 million in the previous quarter. The increase in the amount involved in and lost to frauds during the quarter under review might be attributed to inadequate cyber security measures on deposit money bank electronic platforms and stringent internal control processes in bank branches.

According to a magnitude-based ranking of fraud categories,

According to a magnitude-based ranking of fraud categories, miscellaneous and others fraud (which include identity theft and impersonation) placed top at N29.1 billion (83.77 percent), followed by web/computer frauds at N3.9 billion (8.65 percent). Mobile fraud and ATM withdrawal fraud came in third and fourth place, with N487.9 million (2.03 percent) and N399.3 million (1.15 percent), respectively. The amount alleged to be involved in, and the actual amount lost to, frauds and forgeries over the time period under review is provided in tabular form in Appendix II (A).

Mobile frauds accounted for N487.95 million (57.19 percent) of the total amount lost to frauds in the quarter under review, followed by web/internet frauds at N96.98 million (11.37 percent) and fraudulent account frauds at N90.8 million (10.64 percent). Appendices II (B), (C), (D), (E), and (F) graphically represent the amount involved in, and actual amount lost to, fraud and forgery operations throughout the study period under review.

3. Channels, Instruments and Personalities Involved in Perpetrating Fraud

During the third quarter of 2021, fraudulent activities were committed using a range of channels, including ATMs, Web and Mobile Banking Platforms, Bank branches, and POS (Point of Sale) terminals. Cards and cash were used to carry out the bulk of fraudulent activities in Q3 2021, while checks and slips accounted for a lesser percentage of the amounts involved and lost to frauds. Appendix III (A) provides an assessment of frauds in relation to payment channels, demonstrating that the volume of

fraud associated with online, mobile channel, and POS decreased while ATM and bank branch grew.

According to Appendix III (B) statistics, the amount involved in web and mobile fraud decreased by 30% and 32%, respectively, to N3.01 billion and 707.6 million, from N4.3 billion and N1.04 billion. POS fraud fell by 32.3 percent to N71 million in the third quarter of 2021, down from N105 million in the previous quarter. However, ATM and bank branch fraud climbed significantly by 62 percent and 33.8 percent, respectively, to N399 million and N1.4 billion, up from N246.1 million and N1.07 billion in the previous quarter.

Further analysis of the returns by payment channel indicated that the amount lost to fraud via internet and mobile channels increased by over 348 percent and 85 percent, respectively, from N21.6 million and N268.3 million to N96.98 million and N487.95 million. Furthermore, ATM and POS fraud has surged by 435 percent and N22.5 million, from N4.33 million and N9.8 million to N23.14 million and N22.5 million, respectively. Bank branch fraud, on the other hand, fell by 55% to N120 million from N292 million in the previous quarter.

Appendix IV (B) shows that the amount involved in the three instruments of transactions (cheques, cards, and cash) increased in the third quarter of 2021, but the amount involved in slip decreased. Cheque and card fraud have increased by 456.6% and 173.88%, respectively, to 978 million and N15.8 billion, from N175.8 billion and N5.7 billion. Furthermore, the amount related with cash fraud climbed by 1906.1 percent to N17.99 billion from 896.6 million, while the amount linked with slip fraud

decreased by 48.1 percent to N128,922.50 from N250,000 in the previous quarter.

The actual amount lost to fraud via checks and cards increased by 62.66 percent and 42.38 percent, respectively, to N2.07 million and N452.4 million in the third quarter of 2021, up from N1.8 million and N304.1 million in the previous quarter. While the amount lost to cash fraud surged by 38.2 percent, from N288.1 million to N398.3 million. Similarly, to the second quarter, no money was lost due to slip fraud in the reviewed quarter. Appendices III (C) and IV (C) visually depict further data on the routes and instruments utilized to commit fraud in the third quarter of 2021.

Deposit money institutions reported that the services of fourteen (14) employees were terminated due to their participation in fraud-related operations during the time period under review. This is a more than 100 percent rise from the prior quarter, when four (4) bank workers were fired for similar violations. In comparison, to the corresponding period of 2020, the number of workers whose appointments were terminated owing to fraud-related violations was twenty-eight (28), reflecting a 71.43 percent decrease.

4. Summary and Conclusion

Despite a decline in case volume, an analysis of fraud and forgery occurrences in the Nigerian banking system during the third quarter of 2021 shows a rise in the total amount involved in the actual or expected amount lost to fraudulent activities.

The overall amount involved in fraud surged by 408 percent to N34.779 billion from N6.86 billion, but the number of recorded fraud cases decreased by 39.96 percent to

20,195 from 33,641. Furthermore, the real amount lost owing to fraud events grew by 43.6 percent to N853.2 million from N594 million in the second quarter of 2021. Finally, an examination of banks' third-quarter 2021 Frauds and Forgeries returns revealed a decrease in the number of fraud instances documented. While the overall amount engaged in fraudulent activities increased, so did the actual amount lost to frauds.

5. Recommendations

Based on these findings, banks should strengthen the security of their electronic platforms in light of the significant number of frauds committed via this medium in this quarter.

Furthermore, operators and regulators in the Nigerian banking system should strengthen internal control procedures within bank branches in order to decrease the growing amounts of money involved in and lost to fraudulent activities. Nigerian bank employees must be properly trained on how to spot and prevent fraudulent operations in their branches and other payment methods. Finally, Banks must engage in proactive anti-fraud initiatives that include financial literacy and safety education for their customers.

The appendices below show summaries of the cases of Frauds and forgeries covered in this report. A comparison was done between the second and Third quarter of 2021, as well as between the Third 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

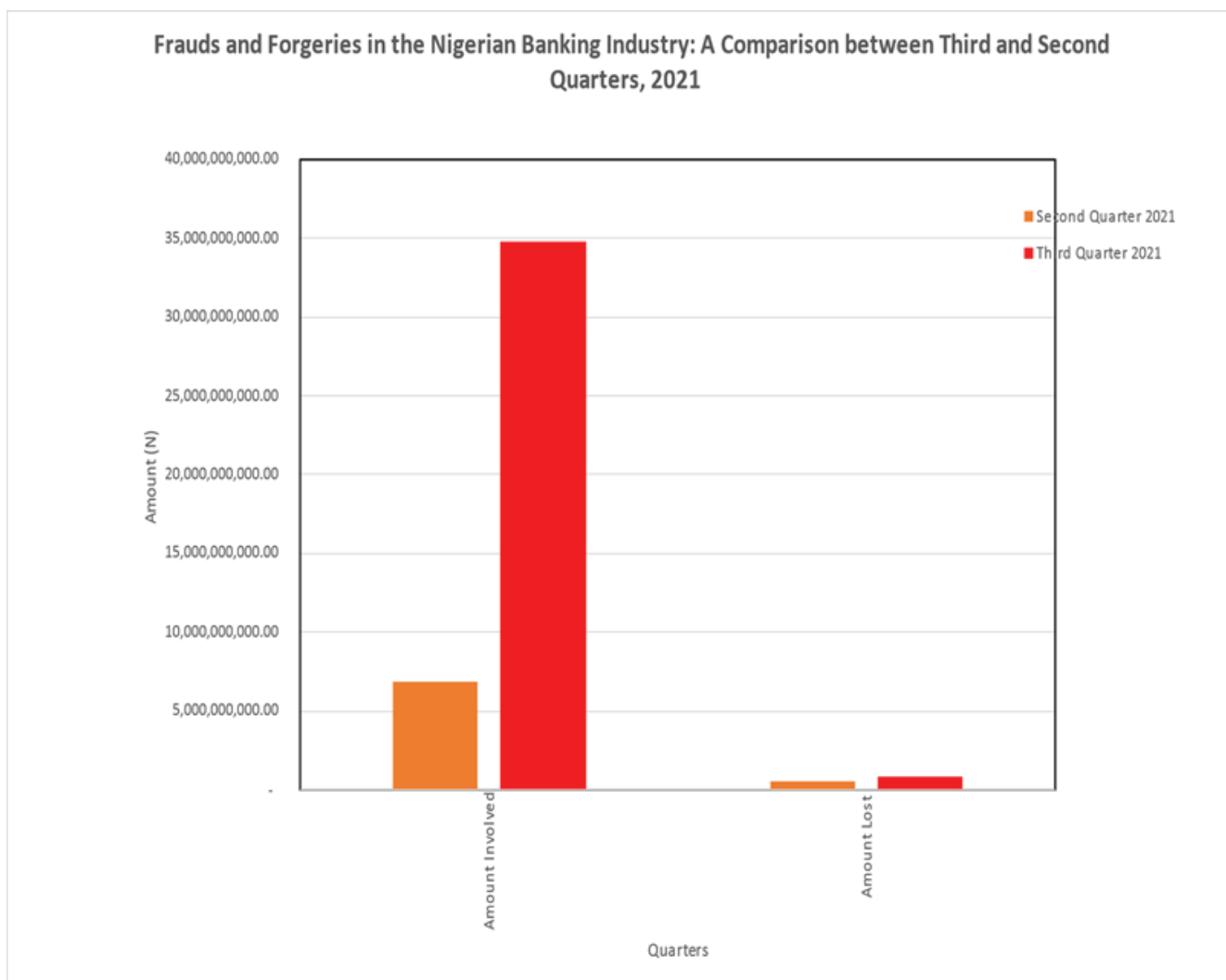
6. Appendices – Analysis of Fraud and Forgeries in the Nigerian Banking Industry

Appendix I (A)
A Comparison of Fraud Activities between Second Quarter 2021 and Third Quarter 2021

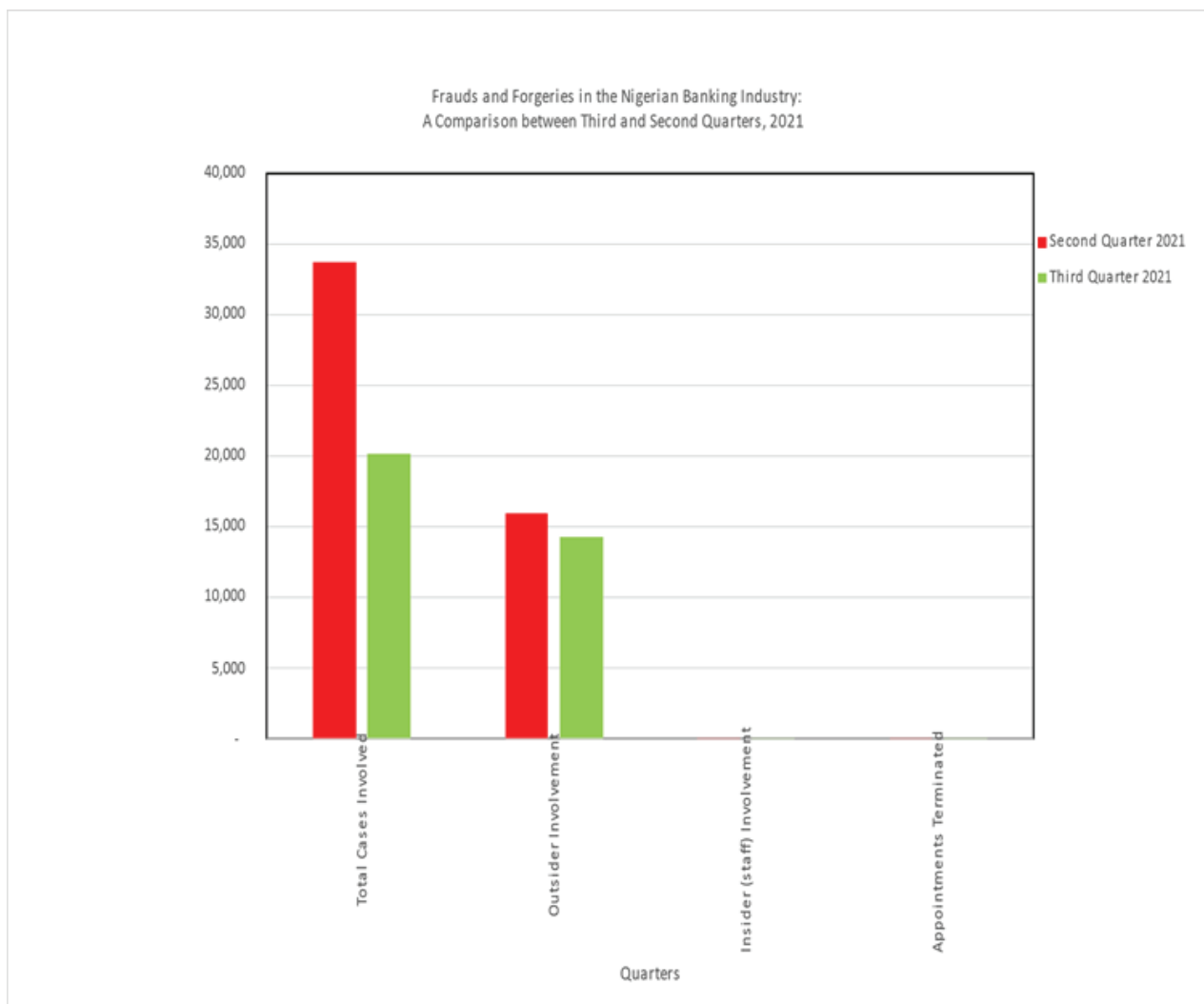
S/N	Variables	Second Quarter, 2021	Second Quarter, 2021	Percentage (%) change
1	Total Cases Reported	33,641	20,195	(39.96)
2	Total Amount Involved	N6,845,823,280.49	N34,778,784,725.42	408.03
3	Total Amount lost	N594,182,105.77	N853,167,293.61	43.6
4	Outsider Involvement	15,913	14,243	(10.5)
5	Insider (Staff) Involvement	82	32	(60.98)
6	Appointments Terminated	4	14	250

Appendix I (B)

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



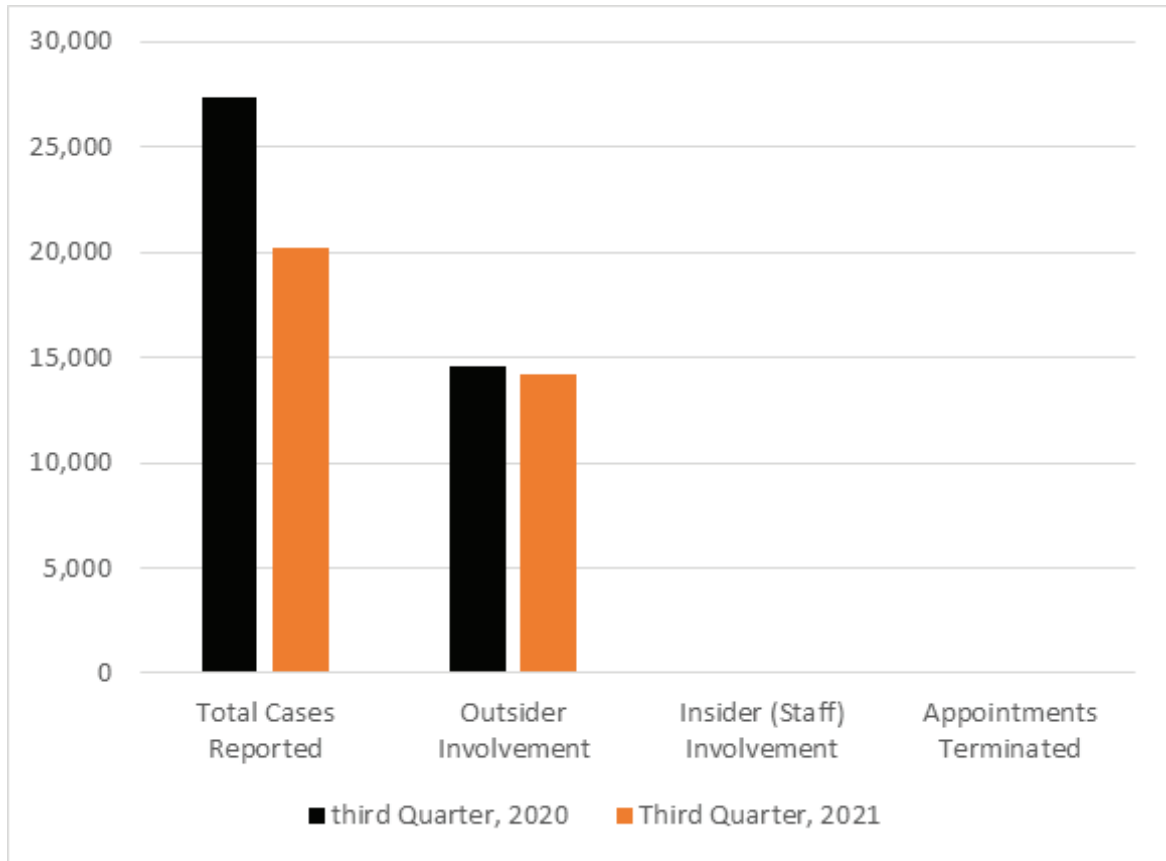
Appendix I (C)
A Comparison of Fraud Activities between Second Quarter 2021 and Third Quarter 2021



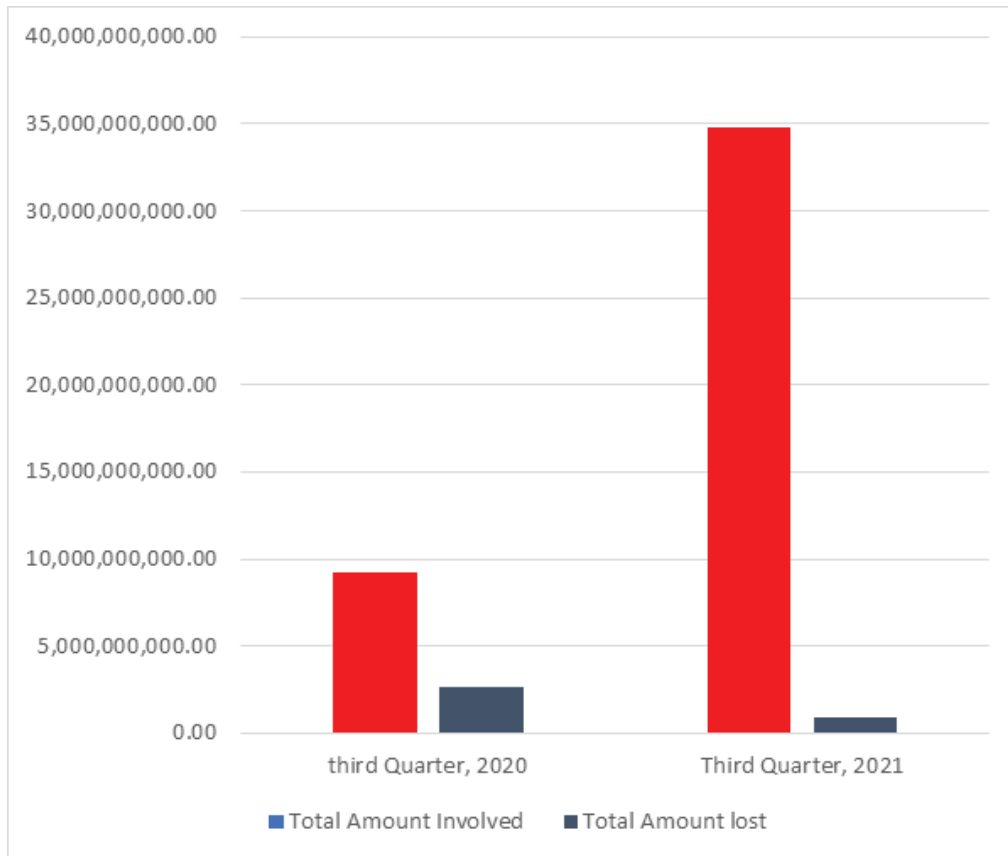
Appendix I (D)
A Comparison of Frauds Activities between Third Quarter 2020 and Third Quarter 2021

S/N	Variables	Third Quarter, 2020	Third Quarter, 2021	Percentage (%) change
1	Total Cases Reported	27,347	20,195	26.15
2	Total Amount Involved	N9,190,356,953.37	N34,778,784,725.42	278
3	Total Amount lost	N2,634,689,219.06	N853,167,293.61	67.6
4	Outsider Involvement	14,615	14,243	(2.5)
5	Insider (Staff) Involvement	107	32	70
6	Appointments Terminated	28	14	(50)

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



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



Appendix II (A): Frauds and Forgeries Activities in the Third 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	3 (0.015)	1 (3.23)	0 (0)	0 (0)	2 (0.043)	16,409,000.00 (0.047)	16,309,000.00 (1.91)	99.3
Falsification of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts	2 (0.01)	2 (6.45)	0 (0)	0 (0)	0 (0)	6,640,000.00 (0.02)	0 (0)	0
Forged Cheques with Forged Signature	232 (0.15)	1 (3.23)	7 (0.05)	1 (0.08)	223 (4.8)	1,272,281,192.16 (3.7)	31,873,199.72 (3.7)	2.5
Printing of Bank Document Illegally	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Clearing Fraud	0 (0.00)	0 (0)	0 (0.00)	0 (0)	0 (0)	0 (0.00)	0 (0)	0
Computer/Web Fraud	7,682 (38.0)	0 (0)	5160 (36.2)	0 (0)	2522 (54.3)	3,009,570,241.32 (8.7)	96,975,381.04 (11.4)	3.2
Mobile Fraud	2816 (13.9)	2 (6.45)	1767 (12.4)	0 (0)	2,763 (22.6)	707,640,537.02 (2.03)	487,951,006.03 (57.2)	68.9
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)	0.00
Theft of Cash	0 (0.0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0.0)	0 (0)	0

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	12 (0.06)	9 (29.03)	3 (0.02)	0 (0)	0 (0)	12,471,883.62 (0.04)	852,200.00 (0.01)	6.8
Opening & Operating Fraudulent Loans & Accounts	48 (0.24)	2 (6.45)	45 (0.32)	1 (0.01)	0 (00)	32,490,885.00 (0.09)	22,105,290.00 (2.6)	68.3
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)	0.00
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	1179 (5.8)	1 (3.2)	0 (0.01)	1175 (99.7)	3 (0.06)	29,135,704,414 (83.8)	60,629,965.58 (7.1)	0.21
Fraudulent Withdrawals	64 (0.32)	7 (22.5)	6 (0.04)	1 (0.08)	50 (1.08)	114,627,163.02 (0.33)	90,797,440.02 (10.6)	79.2
ATM Withdrawals	7,180 (33.6)	6 (19.4)	6,378 (44.8)	0 (0)	796 (17.1)	399,323,704.38 (1.15)	23,140,330.25 (2.71)	5.79
PoS Fraud	977 (4.84)	0 (0)	977 (6.16)	0 (0)	0 (0.86)	71,625,704.90 (0.21)	22,533,480.97 (2.64)	2.6
Total	20,195	31	14,343	1178	4643	34,778,784,725.42	853,167,293.61	100

Note: All figures in parenthesis () indicate percentages

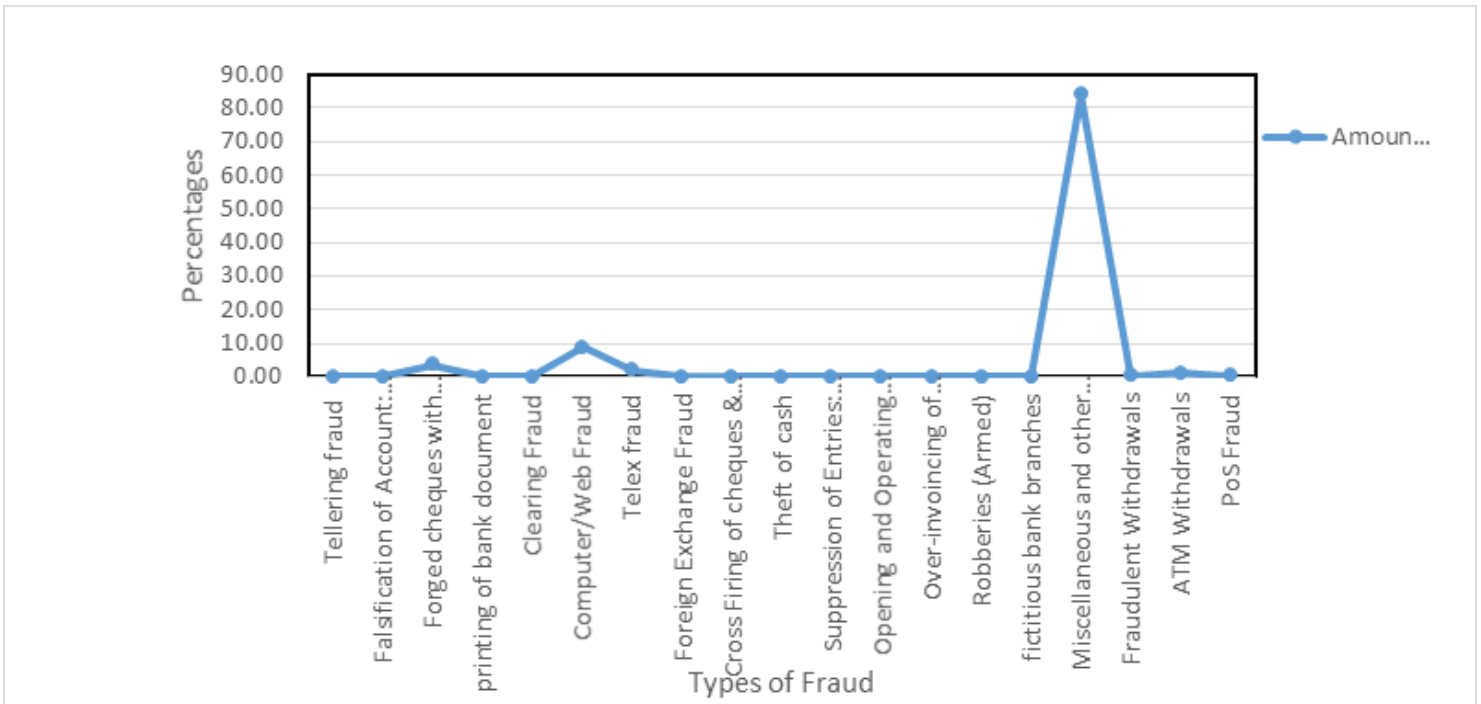
Appendix II (B)
Amount Involved in Frauds and Forgeries Activities (Third Quarter, 2021)



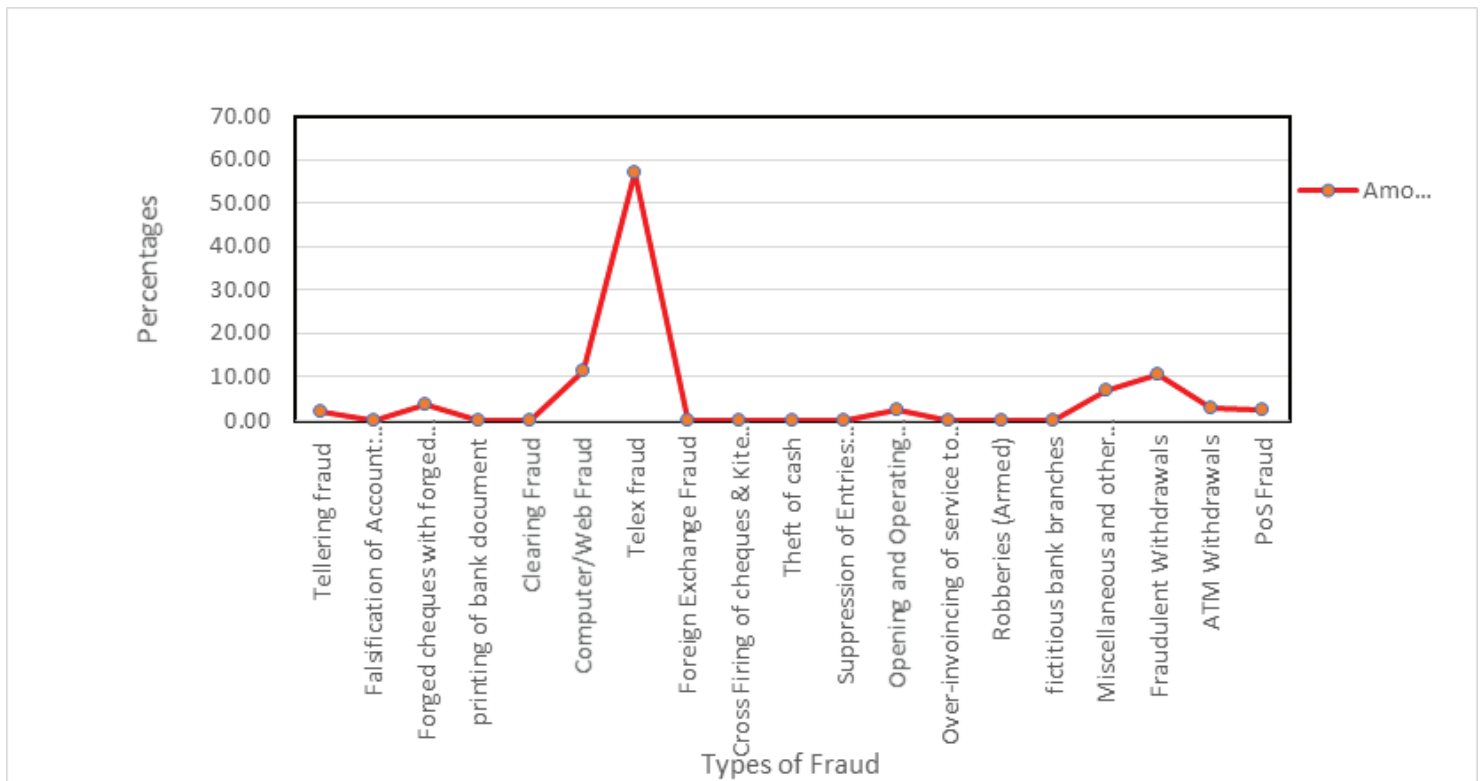
Appendix II (C)
Amount Lost to Frauds and Forgeries Activities (Third Quarter, 2021)



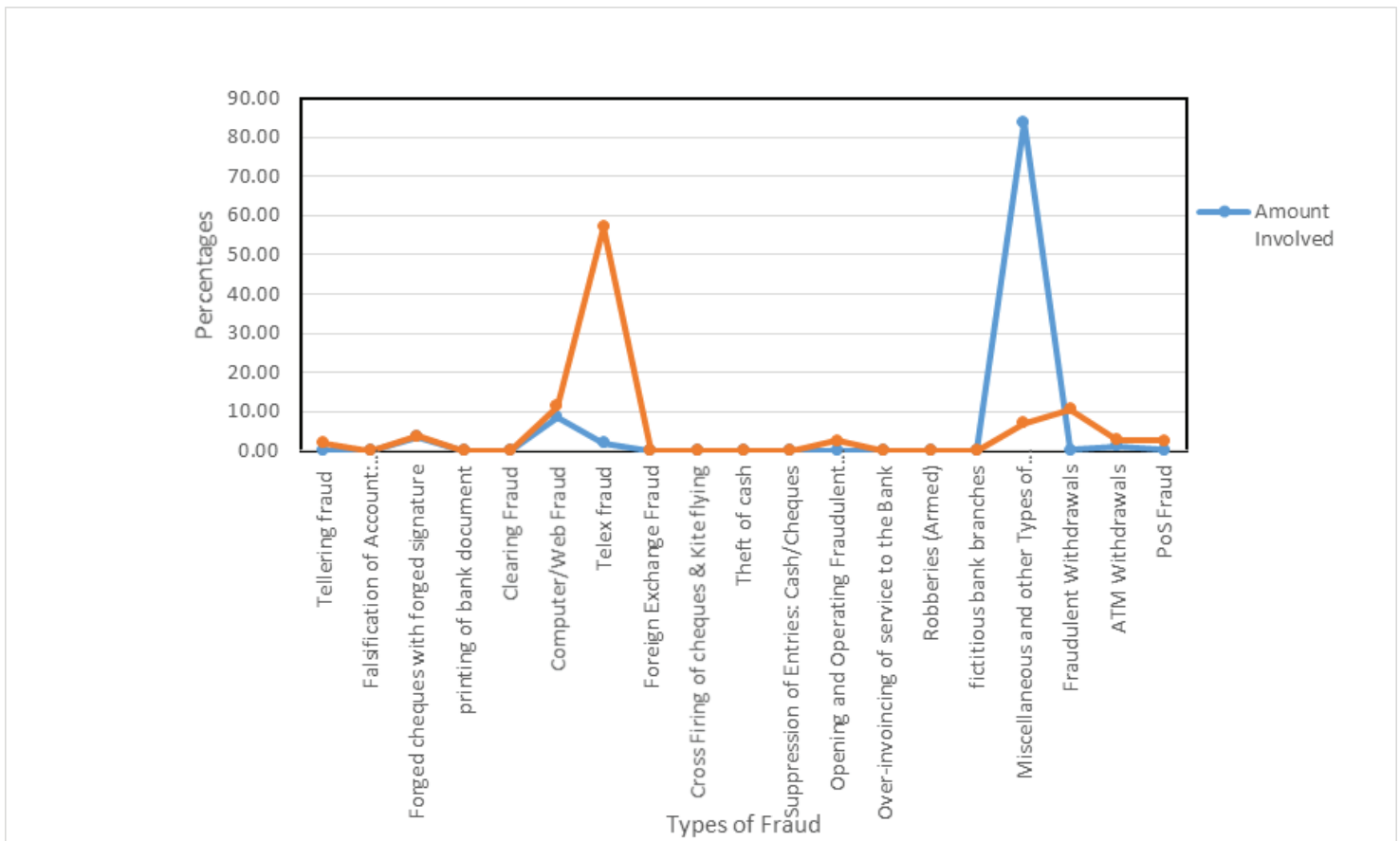
Appendix II (D)
Percentage Distribution of Amount Involved in Frauds and Forgeries
(Third Quarter, 2021)



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



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



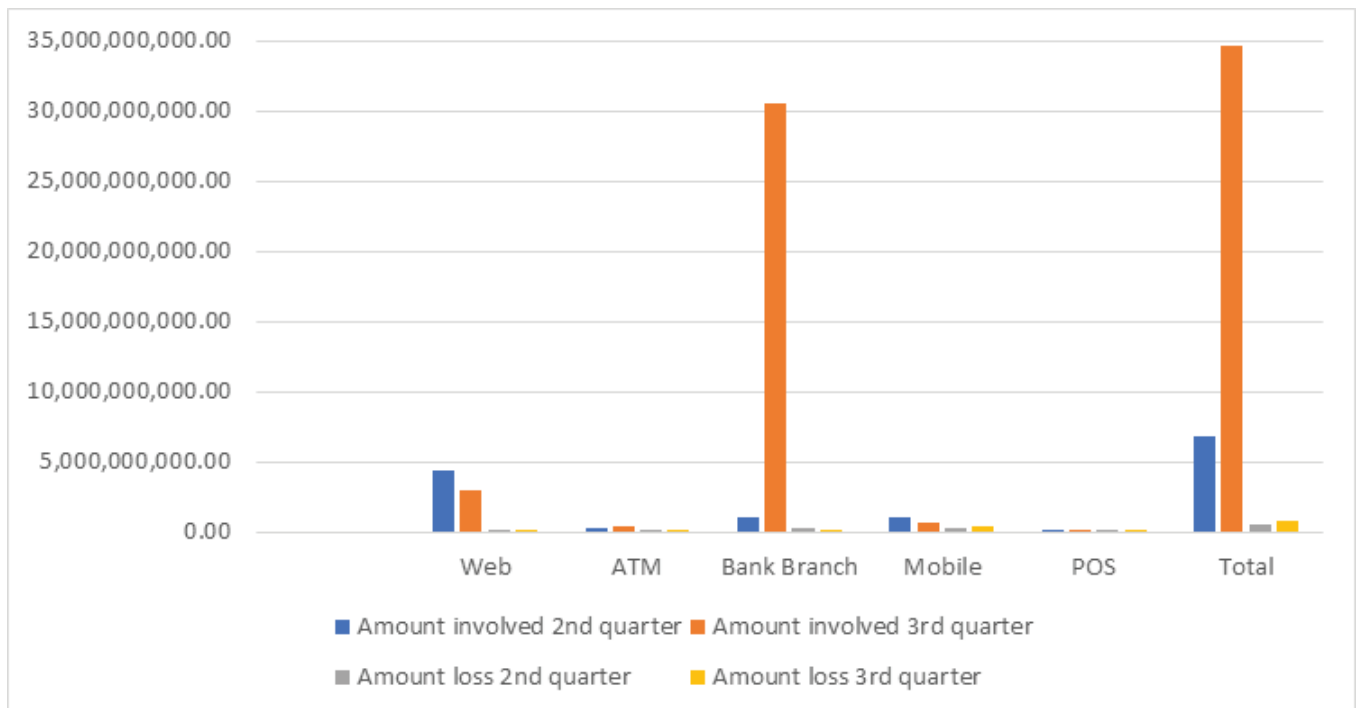
Appendix III (A)
Frauds and Forgeries through various Payment Channels:
A Comparison Second Quarter 2021 and Third Quarter 2021

S/N	Channels	Cases: Second Quarter, 2021	Cases: Third Quarter, 2021	Percentage (%) change
1	Web	7,289	7682	5.39
2	ATM	4,697	7180	52.9
3	Bank Branch	12,172	1538	(87.4)
4	Mobile	8,418	2816	(66.5)
5	POS	1,065	977	(8.3)
6	Van	0	0	-
7	Agent	0	0	-
Total		33,641	20,195	(40)

Appendix III (B)
Amount Involved and Amount Lost to Fraud through various Payment Channels:
A Comparison between Second Quarter 2021 and Third Quarter 2021

S/N	Channels	Amount Involved, Second Quarter, 2021 (N)	Amount Involved, Third Quarter, 2021 (N)	Percentage (%) Change	Amount Lost, First Quarter, 2020 (N)	Amount Lost, Second Quarter, 2021 (N)	Percentage (%) Change
1	Web	4,376,498,106.46	3,003,561,393.98	(31.4)	21,643,603.38	96,975,381.04	348.1
2	ATM	246,185,255.83	394,480,048.40	60.21	4,330,880.97	23,140,330.25	434.3
3	Bank Branch	1,072,518,160.80	30,494,719,537.80	2743.3	290,025,823.40	222,567,095.32	(23.3)
4	Mobile	1,045,518,061.04	701,631,689.68	(32.9)	268,332,841.28	487,951,006.03	81.8
5	POS	105,103,696.35	69,454,104.90	(33.9)	9,848,956.74	22,533,480.97	128.8
	Total	6,845,823,280.49	34,663,846,774.76	406.4	594,182,105.77	853,167,293.61	43.6

Appendix III (C)
Amount Involved and Amount Lost to Fraud through various Payment Channels:
A Comparison between Second Quarter 2021 and Third Quarter 2021



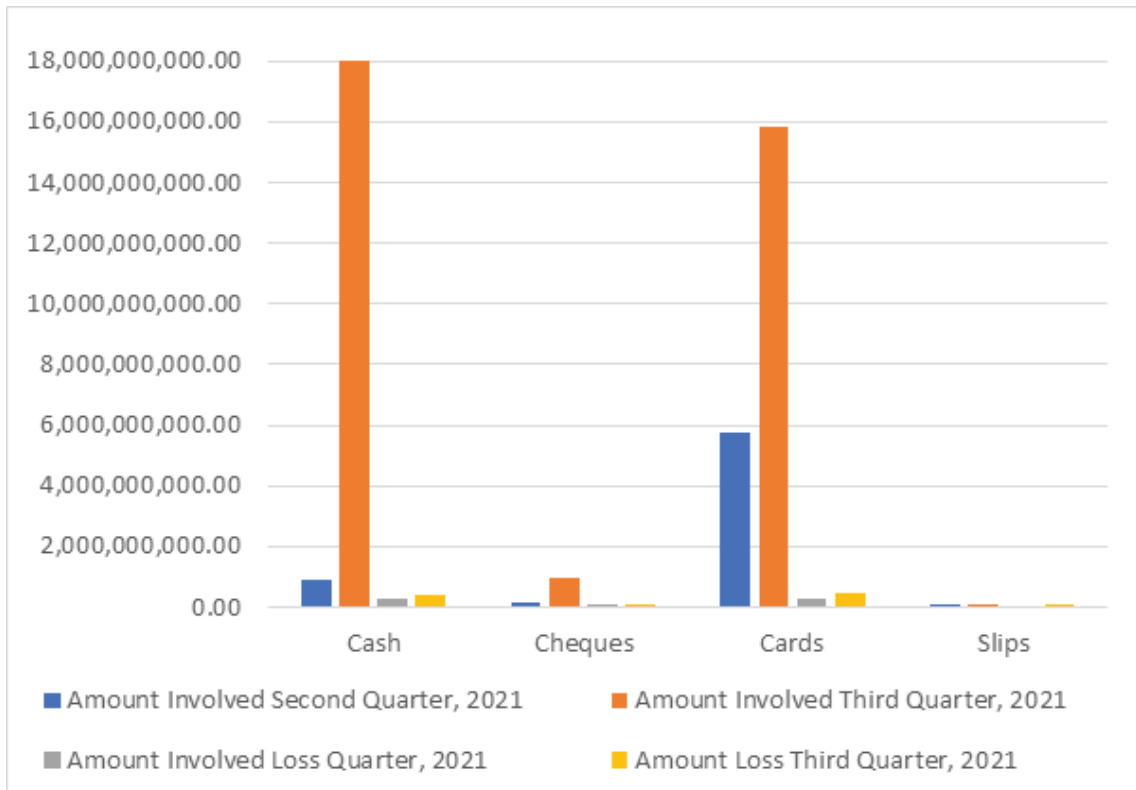
Appendix IV (A)
Frauds and Forgeries through various Instruments:
A Comparison between Second Quarter 2021 and Third Quarter 2021

S/N	Instruments	Cases: Second Quarter, 2020	Cases: Third Quarter, 2021	Percentage (%) change
1	Cash	12,134	7608	(37.3)
2	Cheques	37	34	(8.1)
3	Cards	21,469	12,541	(41.6)
4	Slips	1	12	1100
Total		33,641	20,195	(40)

Appendix IV (B)
Amount Involved and Amount Lost to Fraud through various Instruments of Transaction:
A Comparison between Second Quarter 2021 and Third Quarter 2021

S/N	Instruments	Amount Involved, Second Quarter, 2021 (₦)	Amount Involved, Third Quarter, 2021 (₦)	Percentage (%) Change	Amount Lost, Second Quarter, 2021 (₦)	Amount Lost, Third Quarter, 2021 (₦)	Percentage (%) Change
1	Cash	896,657,060.80	17,987,642,000	1906.1	288,136,823.40	398,348,739.85	38.2
2	Cheques	175,836,100.00	978,662,000	456.6	1,889,000.00	2,072,334.20	62.66
3	Cards	5,773,305,119.69	15,812,351,802.70	173.88	304,156,282.56	452,746,219.56	42.38
4	Slips	250,000.00	128,922.50	(48.41)	-	-	-
Total		6,845,823,280.49	34,778,784,725	408.1	594,182,105.77	853,167,293.61	18.21

Appendix IV (C)
 Amount Involved and Amount Lost to Fraud through various Instruments of Transaction:
 A Comparison between Second Quarter 2021 and Third Quarter 2021





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