



Report on Frauds and Forgeries in Nigerian Banks

QUATER 3, 2024

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1. Overview

In the third quarter of 2024, FITC received a total of 81 reports on fraud and forgery cases from 30 deposit money institutions¹. A monthly breakdown reveals twenty-six (26) reports were submitted in July, twenty-seven (27) in August, and twenty-eight (28) in September.

2. Volume and Value of Fraud Cases

During Q3 2024, a total of 19,007 fraud cases were reported, marking a significant rise of approximately 65% from the 11,532 cases recorded in Q2 2024. A deep dive highlights Computer/Web fraud, Mobile fraud, and POS-related fraud to be the most prevalent types of fraud in the third quarter, following a trend that has persisted since 2023 and continued into the first two quarters of 2024. Comprehensive details on all fraudulent activities recorded during this period are provided in Appendices I and II.

Data analysis indicate a 105% surge in the total amount involved in fraud cases from Q2 to Q3 2024, with figures increasing from approximately N56.6 billion to N115.9 billion. Despite this rise, the total amount lost due to fraud fell by 76.4%, decreasing from N42.8 billion in Q2 2024 to N10.1 billion in Q3 2024. Appendix I (A) provides a visual representation of this trend, showing the increase in amounts involved alongside the notable reduction in losses across the second and third quarters.

Regarding the involvement of staff and outsiders in fraud cases, outsider involvement rose by 70.4% from the previous quarter, climbing from 10,938 cases in Q2 to 18,635 in Q3 2024.

Similarly, staff involvement in fraud saw a 54% rise, with cases increasing from 58 in Q2 2024 to 90 in Q3 2024. Additionally, while investigations are ongoing for 38 staff, 42 staff appointments were terminated in Q3 2024, a 14.3% decrease from 49

terminations recorded in Q2 2024.

In Q3 2024, analysis based on the magnitude of fraud categories reveal that computer/web-based fraud ranked highest, with a total amount involved of 102.6 billion, representing a substantial 88.5% of all fraud cases. This was followed by miscellaneous and other types of fraud (e-naira, autopay, cash suppression, forged deposit ticket, etc) accounting for 7.2 billion (6.3%), while across-the-counter fraud cases contributed around 2.7%, totalling 3.1 billion. Further breakdown is provided in Appendix II (A).

A detailed review of Q3 2024 data reveal that miscellaneous and other types of fraud accounted for the largest portion of total losses, representing approximately 56% (N5.7 billion). This was followed by losses from across-the-counter fraud, which constituted 29.2% of total losses, amounting to N2.95 billion. Fraudulent withdrawals/transfers and computer/web-based fraud ranked third and fourth consecutively, with losses of 554.6 million (5.48%) and N550.8 million (5.44%), respectively. Graphical representations of the amounts involved in and lost to various fraud and forgery activities throughout Q3 2024 can be found in Appendices II (B), (C), (D), (E), and (F).

3. Channels, Instruments and Personalities Involved in Perpetrating Fraud

In Q3 2024, fraud was conducted through multiple channels, including ATMs, online platforms like web and mobile banking, bank branches, and POS terminals. Among the instruments used, card-based fraud witnessed a notable increase of 54.2%, rising from 11,237 cases in Q2 to 17,314 in Q3, while cash-related fraud cases, also rose of 125%, climbing from 228 cases in Q2 to 517 in Q3. In contrast, cheque-related fraud dropped by 48.8%, decreasing from 41 cases in Q2 to 21 in Q3, as depicted in Appendix IV (A).

Appendix III (A) provides a comparative analysis of fraud cases by payment channels, highlighting trends between Q3 and Q2. The data reveals substantial increases in fraud incidents across several channels: computer/web terminals rose by 100.2%, ATMs by 2.6%, bank branches by 101.1%, and mobile devices by 122.1%. In contrast, fraud via Point-of-Sale (POS) terminals declined by 28.6%. Specifically, cases involving computer/web channels increased from 4,367 in Q2 to 8,742 in Q3. ATM-related fraud rose marginally from 155 cases in Q2 to 159 in Q3. Fraud incidents occurring at bank branches surged from 271 to 545, and mobile device-related fraud cases jumped from 3,169 to 7,037. Conversely, POS-related fraud cases declined from 3,533 in Q2 to 2,524 in Q3.

Appendix III (B) compares the amounts involved and amount lost to fraud across various channels from Q2 to Q3 2024. Notably, there were significant increases in fraud amounts through Web, Mobile, and POS channels, while bank branches, and ATMs showed decline from the previous quarter. The amount involved through computer/web channels surged dramatically by 8,112%, rising from N1.2 billion in Q2 to N102.5 billion in Q3. Similarly, fraud involving mobile channels rose from N547.5 million to N1.2 billion in terms of amount involved, marking a 125.7% increase; POS fraud also increased by 15.7%, from N651 million to N753 million; In contrast, some channels experienced notable reductions in fraud amounts: ATM-related fraud dropped by 9.5%, from N29.3 million in Q2 to N26.5 million in Q3; and fraud related to bank branches saw a sharp decline of 79.2%, from N54 billion to approximately N11 billion.

Further analysis of fraud losses across various payment channels in Q3 reveals notable trends. Losses from computer/web, ATM, POS and mobile fraud continued to rise, while losses through bank branch channels experienced declined. Specifically, fraud losses related to bank branches decreased significantly by 78.2%, from N42.2 billion in Q2 to N9.2 billion in Q3 2024. In contrast, POS-related fraud losses soared by 1973.1%, from N5.6 million in Q2 to N116.1 million in Q3. Computer/web fraud also witnessed an increase of 37.4%, rising from N400.8 million to N550.8 million. ATM-related fraud losses also surged by 3120.5%, increasing from N205,000 in Q2 to N6.6 million in Q3. Additionally, mobile fraud experienced a significant rise of 56.4%, with losses from N88.7 million in Q2 to N203.6 million in Q3 2024.

Appendix IV (A) provides data on fraud and forgery cases across various instruments used in Q3 2024. During this period, card and cash-related fraud cases rose sharply, while cheque-related cases saw a slight decline. Card-related fraud cases increased by 54.2%, from 11,231 in Q2 to 17,314 in Q3. Cash-related fraud cases surged by 126.8%, with cases rising from 228 in Q2 to 517 in Q3. Conversely, cheque-related fraud saw a decrease of 48.8%, with cases dropping from 41 in Q2 to 21 in Q3 2024.

Appendix IV (B) details the monetary value involved in cash, cheque, and card-related fraud in Q3 2024. There were increases in fraud involving cheque and card instruments, while cash-related fraud saw a decline from Q2 to Q3. Specifically, the value of cheque-related fraud rose by 73.3%, from N79.6 million in Q2 to N137.9 million in Q3. Card-related fraud experienced a substantial increase of 4,438.9%, with amounts soaring from N2.3 billion to N104.1 billion. Conversely, the amount involved in cash-related fraud dropped by 79.1%, decreasing from N53.9 billion in Q2 to N11.3 billion in Q3 2024.

An analysis of the losses incurred from various fraudulent instruments in Q3 2024 shows a 78.2% decrease in cash-related fraud losses, from N42.2 billion in Q2 to N9.2 billion in Q3. In contrast, losses from card-related fraud rose by 50.4%, increasing from N487.4 million in Q2 to N733.2 million in Q3 2024, while cheque-related fraud loss soared by 100%, from N0.00 to N376,500.

In Q3 2024, deposit money institutions reported the termination of 42 employees due to their involvement in fraudulent activities. This marks a 14.3% increase compared to the previous quarter, where 49 bank staff members were terminated for similar reasons. It is worth noting that investigations are ongoing for 38 staff allegedly involved in fraudulent activities in Q3 2024.

4. Summary and Conclusion

In summary, the third quarter of 2024 recorded 19,007 reported fraud cases, representing a 65% increase from the 11,532 cases reported in the second quarter. A closer analysis reveal a significant rise in the total amount involved in these fraud cases, which increased by 105%, from N56.6 billion in Q2 to N115.9 billion in Q3 2024. Despite this increase, the amount lost to fraud declined by 76.4%, from N42.8 billion in Q2 to N10.1 billion in Q3 2024.

5. Recommendation



To combat the rising incidence of fraud in the banking industry, a proactive, technology-driven approach is essential. The following recommendations are proffered to provide banks with practical, strategic measures to mitigate fraud risks:

1. Adopt Advanced AI-Driven Fraud Detection Systems:

Leveraging artificial intelligence (AI) and machine learning (ML) can revolutionize fraud detection by enabling real-time monitoring and predictive analysis of suspicious activities. By analyzing large volumes of transactional data, these systems can detect irregular patterns and flag potential fraud across multiple channels, including ATMs, POS terminals, mobile, and online platforms. Banks should prioritize investment in AI solutions that can adapt to evolving fraud tactics, thereby minimizing detection times and ensuring swift response.

2. Implement Behavioral Biometrics and Multi-Factor Authentication (MFA):

Behavioral biometrics, which analyze unique user behaviors such as typing speed, swipe patterns, and mouse movements, add an extra layer of security by identifying potential fraudsters during digital transactions. Combining behavioral biometrics with MFA can significantly reduce unauthorized access, particularly in card-not-present transactions and mobile banking. Such dual security measures are essential for preventing account takeovers and safeguarding customer assets.

3. Enhance Data Analytics and Inter-Bank Information Sharing:

Banks should bolster their data analytics capabilities to monitor fraud trends, gain insights into emerging fraud typologies, and proactively manage risks. Additionally, establishing secure channels for sharing information on fraud tactics across banks can strengthen the industry's collective defense. This cooperative approach enables financial institutions to stay ahead of new fraud schemes and create a united front against malicious actors.

4. Strengthen Internal Controls and Employee Training:

Fraud prevention relies heavily on internal vigilance. Regularly assessing and reinforcing internal controls ensures robust monitoring of employee activities, especially within high-risk functions. Mandatory, ongoing training on fraud recognition and response strategies will help

employees stay alert to the latest fraud tactics. Special emphasis should be placed on training frontline staff, who are frequently the first to encounter fraudulent attempts.

5. Develop Comprehensive Customer Awareness Program:

As fraud targeting cards and mobile channels continues to surge, educating customers on fraud prevention becomes paramount. A structured customer awareness program should provide guidance on safe banking practices and identify warning signs of fraud. The utilization of digital channels, SMS alerts, and in-app notifications to deliver these messages by banks can help to reduce customer vulnerability

Furthermore, the customer awareness program should be transmitted in local languages to make it easier for customers across different geopolitical zones to be carried along.

6. Invest in Robust Endpoint Security:

Given the rise in computer and web fraud, it is critical for banks to fortify their digital platforms with advanced endpoint security measures. Regular system updates, frequent penetration testing, and firewall protections are essential for defending against cyber-attacks. Continuous monitoring for phishing and malware threats should also be maintained to counter the increasingly sophisticated tactics used by fraudsters.

7. Establish Dedicated Fraud Prevention Task Force:

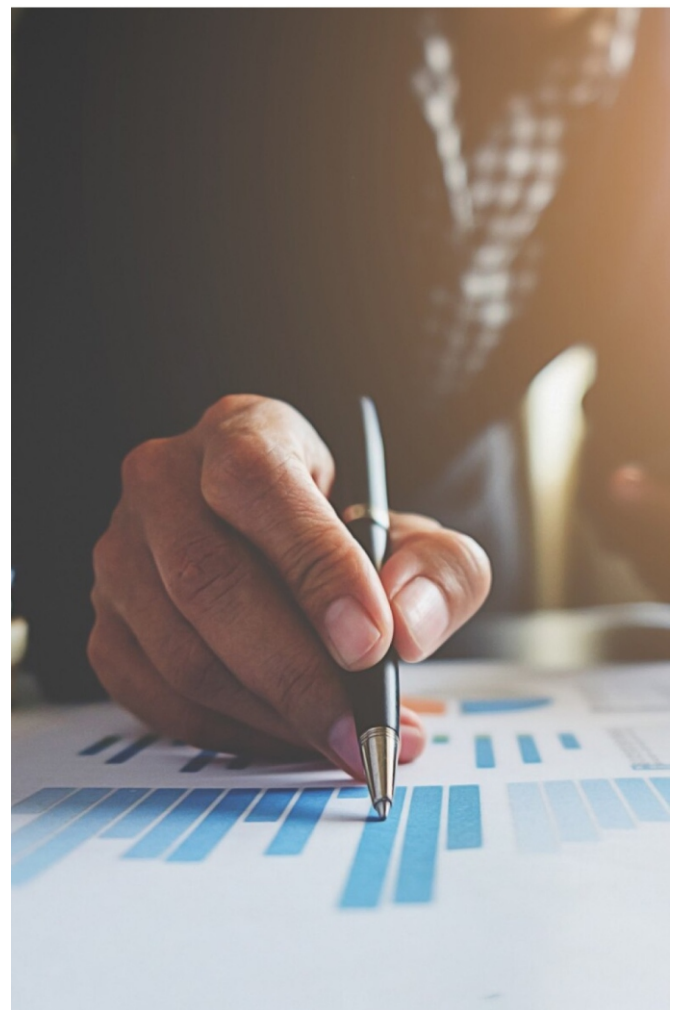
A dedicated fraud prevention task force should oversee all aspects of fraud risk management, policy implementation, and rapid case resolution. This team would work closely with the AI and analytics departments to adjust fraud detection algorithms based on real-time data and emerging fraud trends. Establishing such a task force ensures a dynamic response to the evolving fraud landscape and helps maintain the integrity of banking operations.

By implementing these targeted measures, it is expected that the ability to detect, prevent, and respond to fraud would be significantly enhanced. A holistic, collaborative approach to fraud management will not only protect assets but also preserve customer trust, ensuring a secure and resilient banking environment.

The appendices below show summaries of the cases of Fraud and forgeries covered in this report. A comparison was done between the second quarter of 2024 and the third quarter of 2024, as well as between the third quarters of 2023 and 2024 on selected parameters.

Notes:

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



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

Appendix I (A)

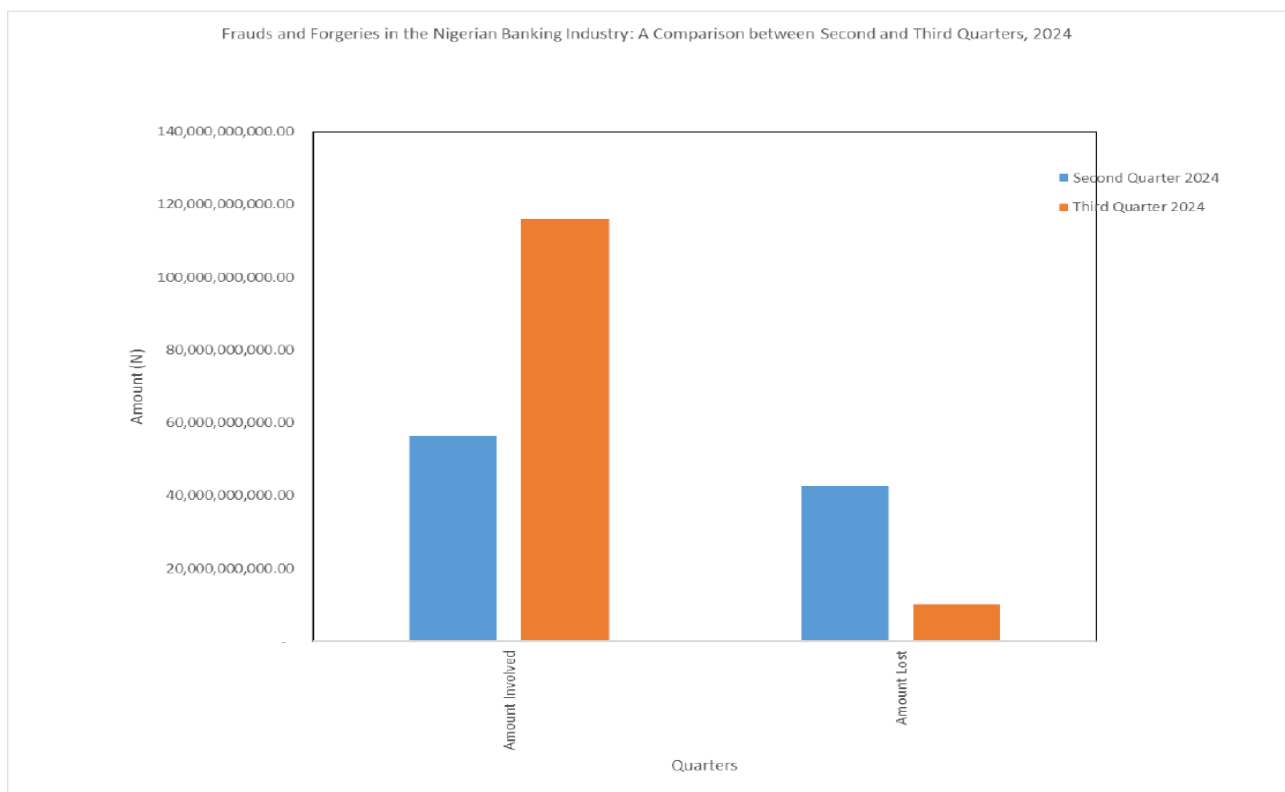
A Comparison of Fraud Activities between Second Quarter 2024 and Third Quarter 2024

S/N	Variables	Second Quarter, 2024	Third Quarter, 2024	Percentage (%) change
1	Total Cases Reported	11,532	19,007	65
2	Total Amount Involved	N56,663,431,196.2	N115,909,154,625.86	105
3	Total Amount lost	N42,788,245,836.76	N10,121,799,988.36	(76.4)
4	Outsider Involvement	10,938	18,635	70.4
5	Insider (Staff) Involvement	58	90	54
6	Appointments Terminated	49	42	(14.3)

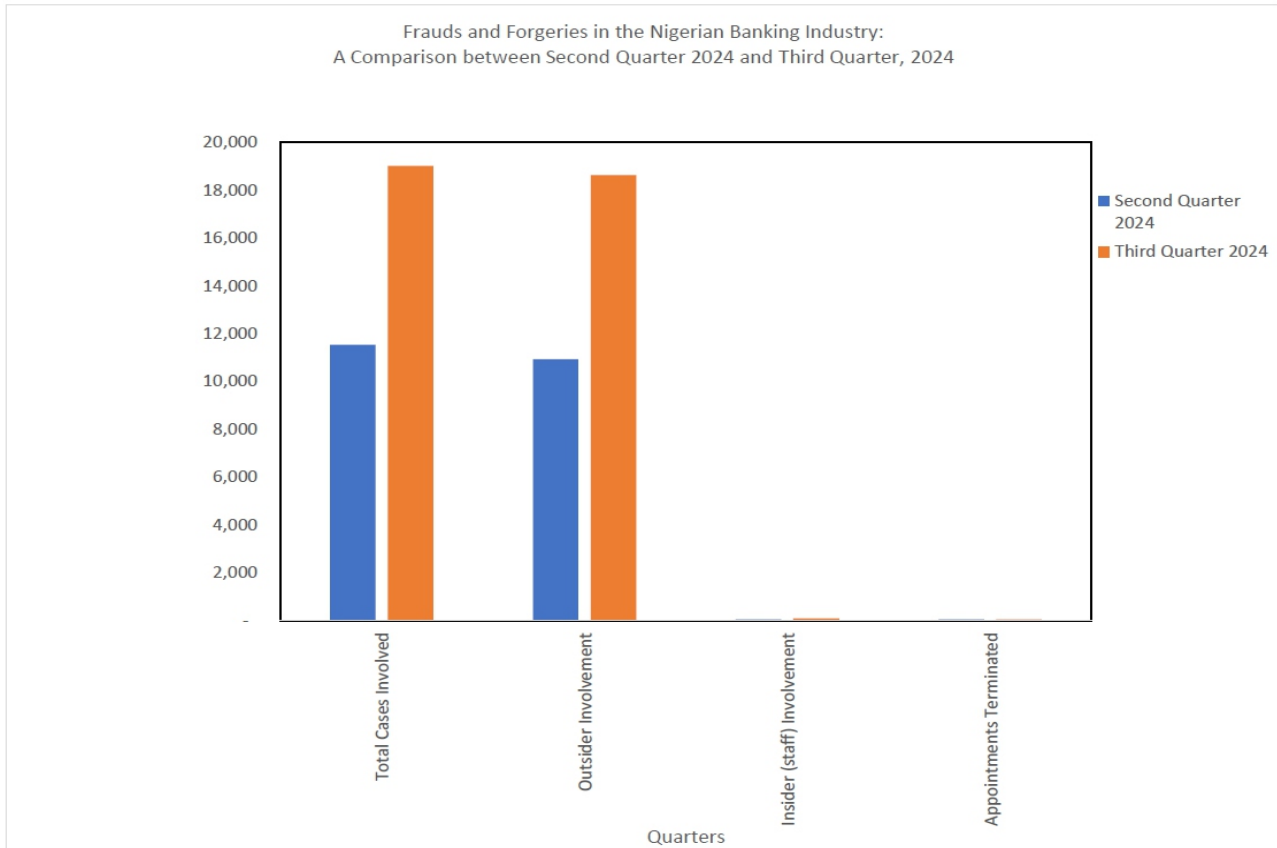
Note: All figures in parenthesis () indicate decrease in percentage

Appendix I (B)

A Comparison of Amount Involved and Amount Lost to Frauds between Second Quarter 2024 to Third Quarter 2024



Appendix I (C) A Comparison of Fraud Activities between Second Quarter 2024 and Third Quarter 2024

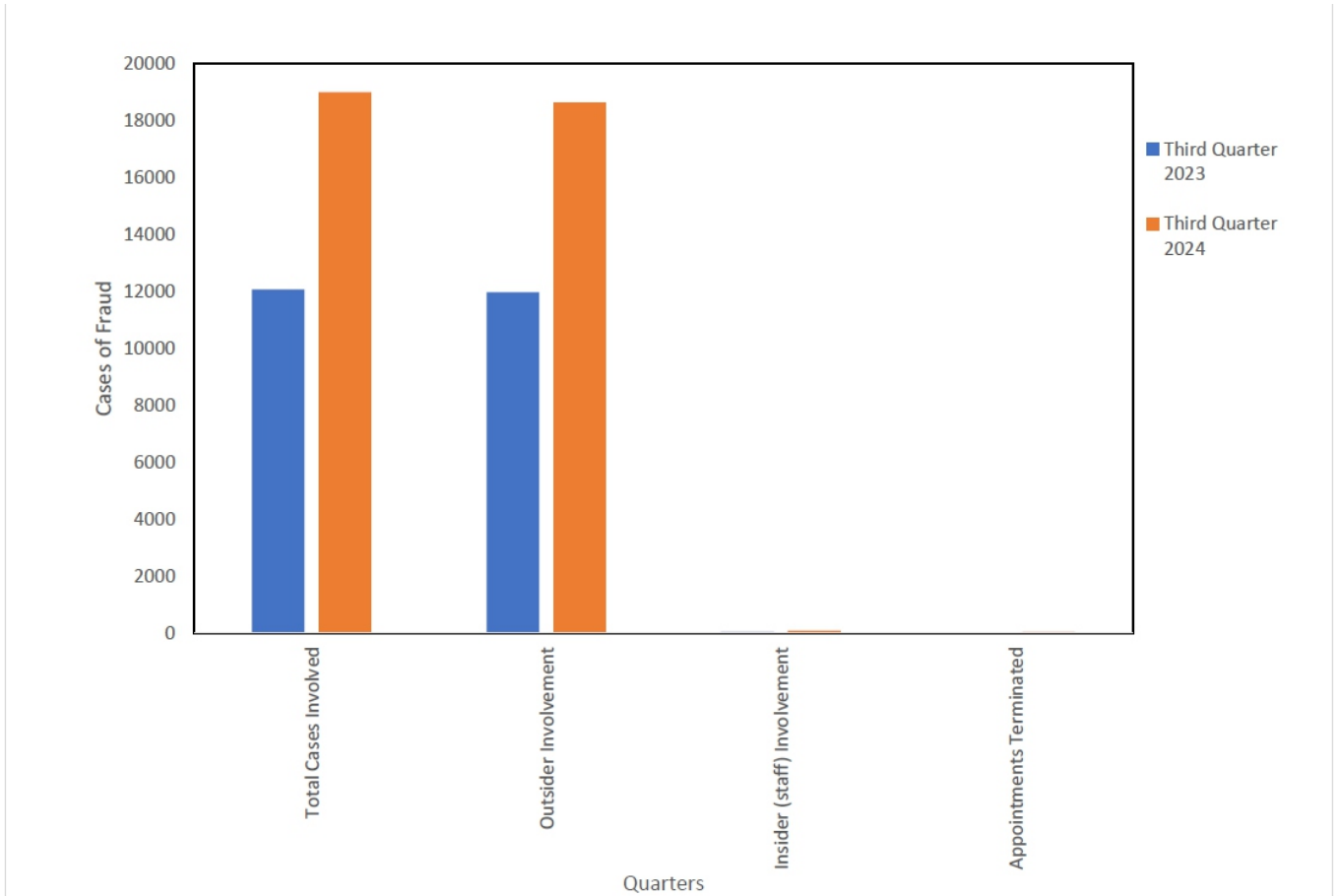


Note: the figures for insider involvement & appointments terminated are very small when compared to the figures for total cases reported and outsider involvement.

Appendix I (D) A Comparison of Frauds Activities between Third Quarter 2023 and Second Quarter 2024

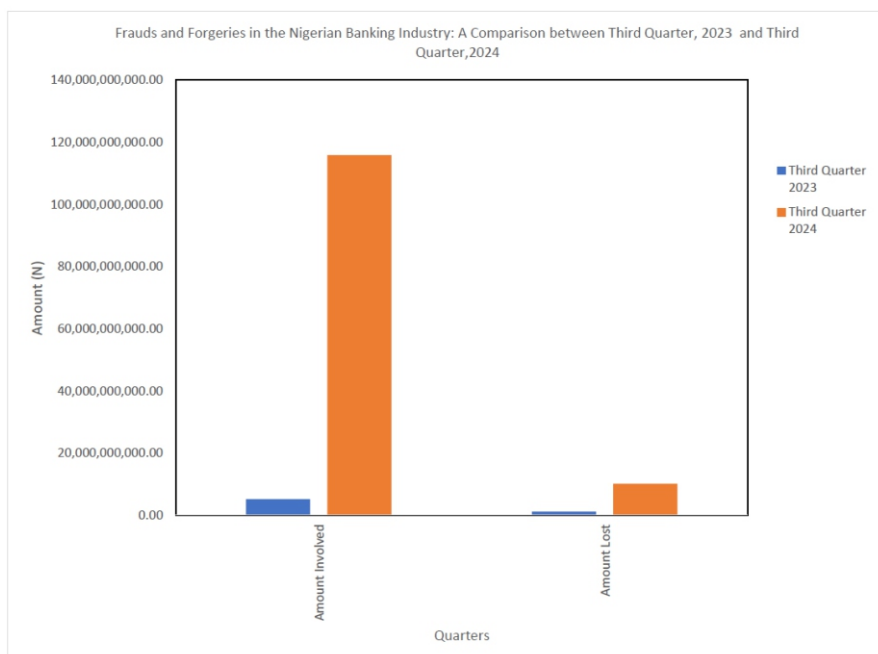
S/N	Variables	Third Quarter 2023	Third Quarter 2024	Percentage (%) change
1	Total Cases Reported	12,006	19,007	58.3
2	Total Amount Involved	5,150,256,253.26	115,909,154,625.86	2150.6
3	Total Amount lost	1,178,598,547.97	10,121,799,988.96	758.8
4	Outsider Involvement	11,964	18,635	55.8
5	Insider (Staff) Involvement	56	90	60.8
6	Appointments Terminated	19	42	121.1

Appendix I (E) A Comparison of Frauds Activities between Third Quarter 2023 and Third Quarter, 2024



Note: the figures for insider involvement & appointments terminated are very small when compared to the figures for total cases reported and outsider involvement.

Appendix I (F) A Comparison of Amount Involved and Amount Lost to Frauds between Third Quarter 2023 and Third Quarter 2024



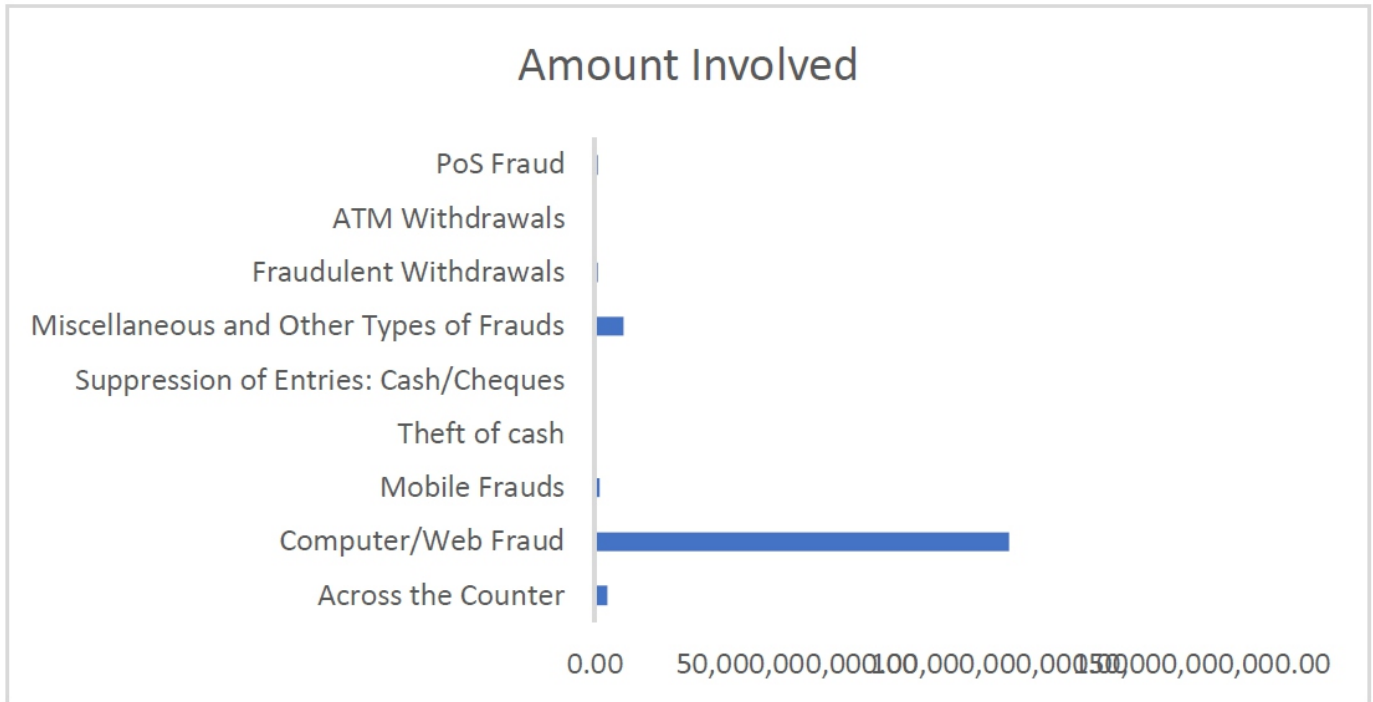
Appendix II (A): Frauds and Forgeries Activities in the Third Quarter, 2024

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 (%)
Across the Counter	41	26	6	7	2	3,433,633,653.93	2,957,690,836.60	94.4
% of Total						2.70	29.22	
Forged Cheques with Forged Signature	21	0	21	0	0	137,865,000	0	0
% of Total						0.12		
Computer/Web Fraud	8742	0	8646	0	98	102,596,579,110.64	550,781,108.72	0.5
% of Total						88.51	5.44	
Mobile Fraud	7037	0	6959	0	78	1,236,969,233.99	204,189,724.18	16.5
% of Total								
Theft of Cash	3	3	0	0	0	35,289,500.00	33,489,500.00	94.9
						0.03	0.33	

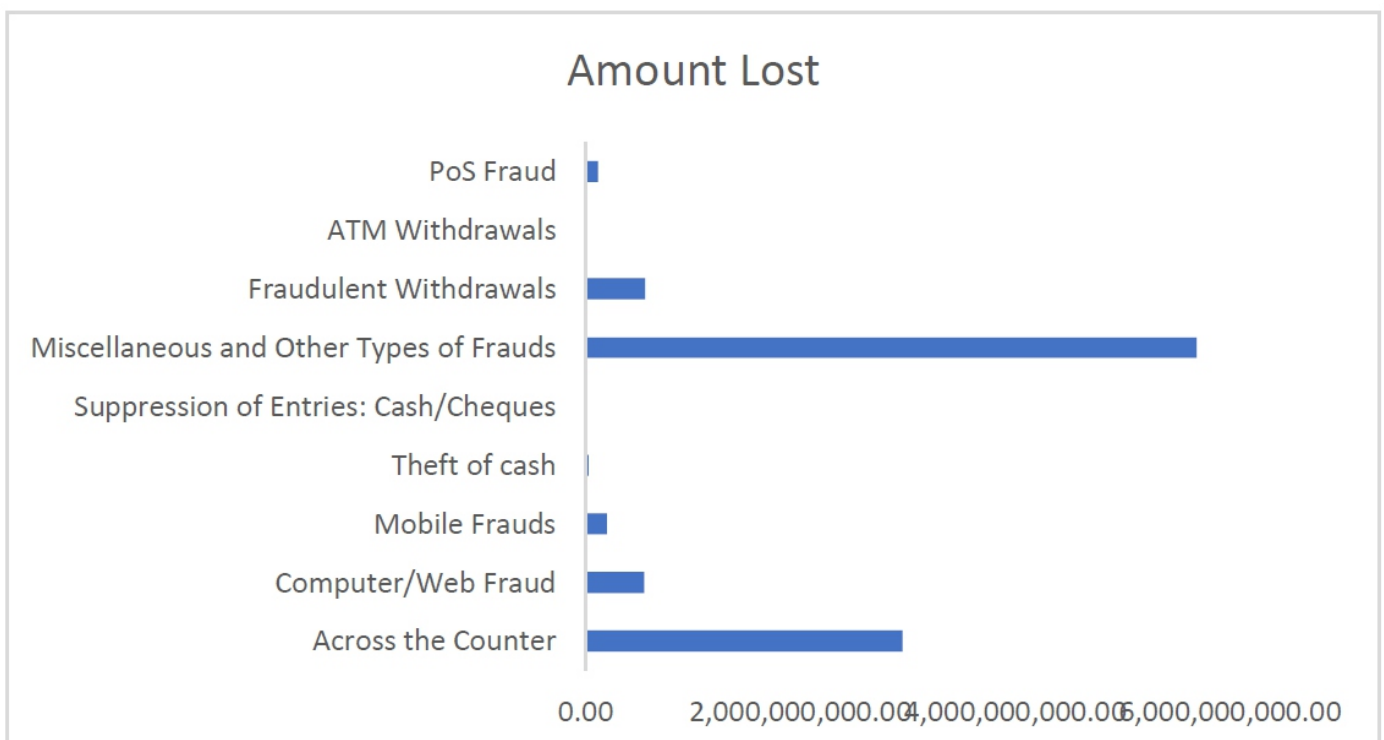
Appendix II (A): Frauds and Forgeries Activities in the Third Quarter, 2024

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:	4	4	0	0	0	1,255,000.00	202,000.00	16.1
% of Total						0.00	0.00	
Armed Robbery	2	0	2	0	0	218,000	-	0
% of Total						0.00		
Miscellaneous and Other Types of Fraud	459	50	400	1	8	7,242,458,916.17	5,698,239,224.47	78.7
% of Total						6.25	56.30	
Fraudulent Withdrawals	15	7	4	7	4	744,925,485.13	554,464,994.08	74.4
% of Total						0.64	5.48	
ATM Withdrawals	159	0	157	0	2	26,491,565.08	6,602,082.14	24.9
% of Total						0.02	0.07	
PoS Fraud	2524	0	2440	0	84	753,439,160.52	116,140,568.77	15.4
% of Total						0.65	1.15	
Total	19,007	90	18,635	16	275	₦115,909,154,625.86	10,121,799,988.96	100

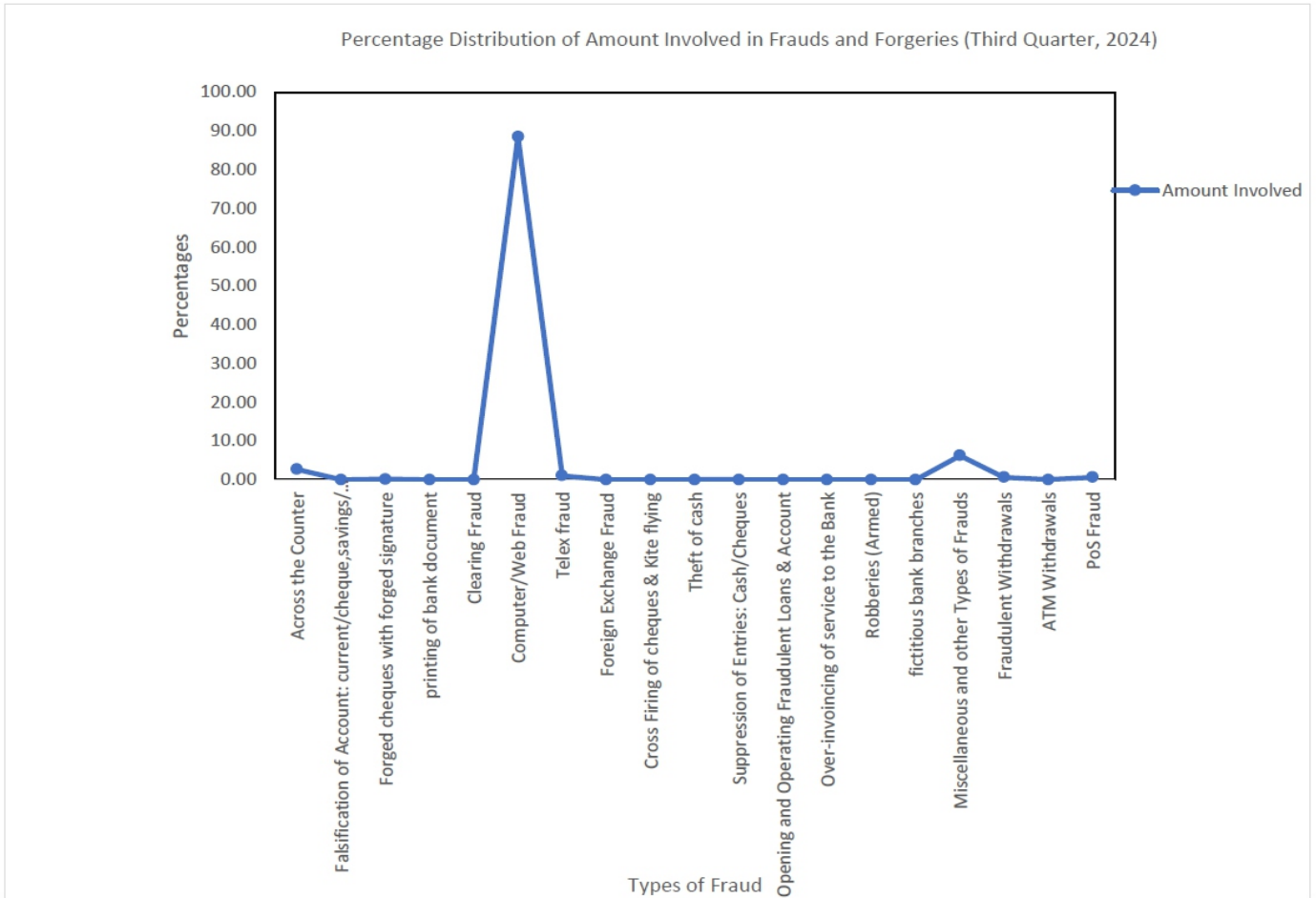
Appendix II (B)
Amount Involved in Frauds and Forgeries Activities (Third Quarter, 2024)



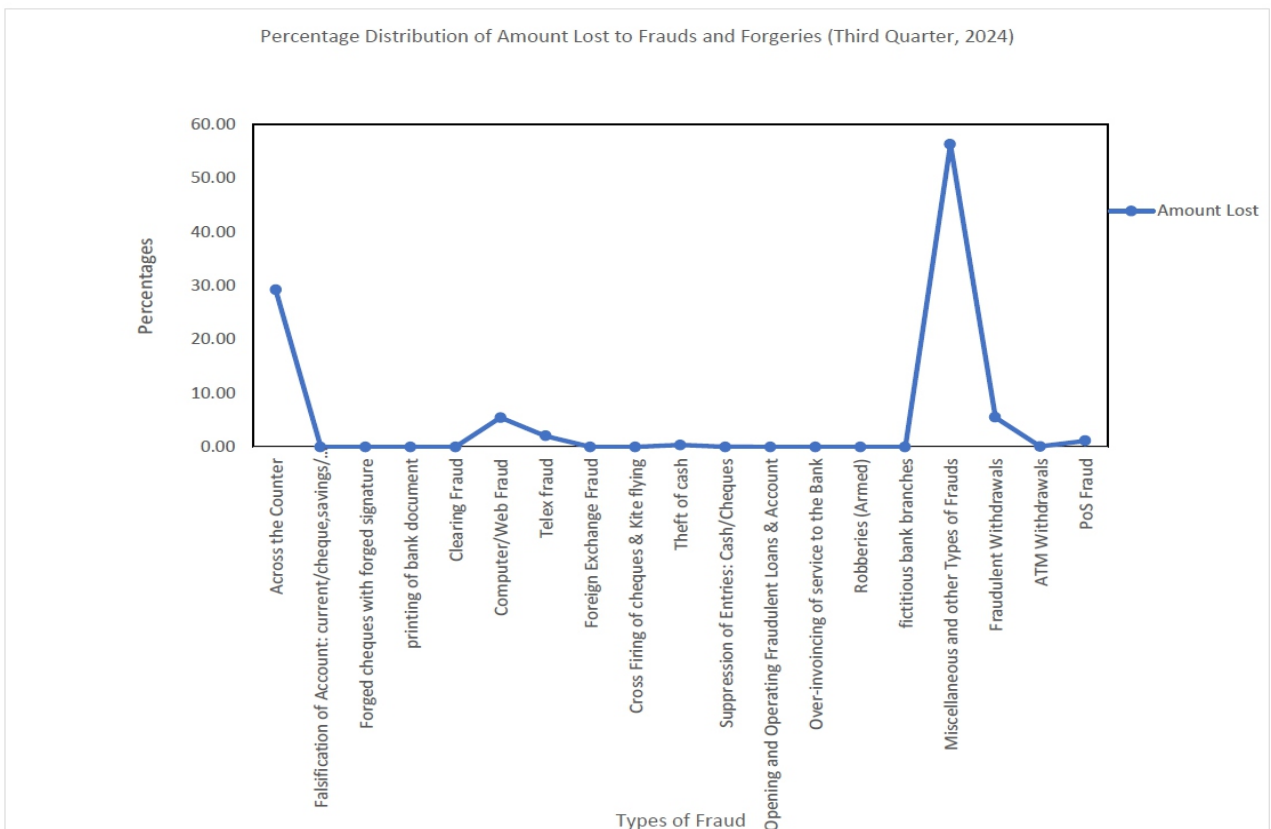
Appendix II (C)
Amount Lost to Frauds and Forgeries Activities (Third Quarter, 2024)



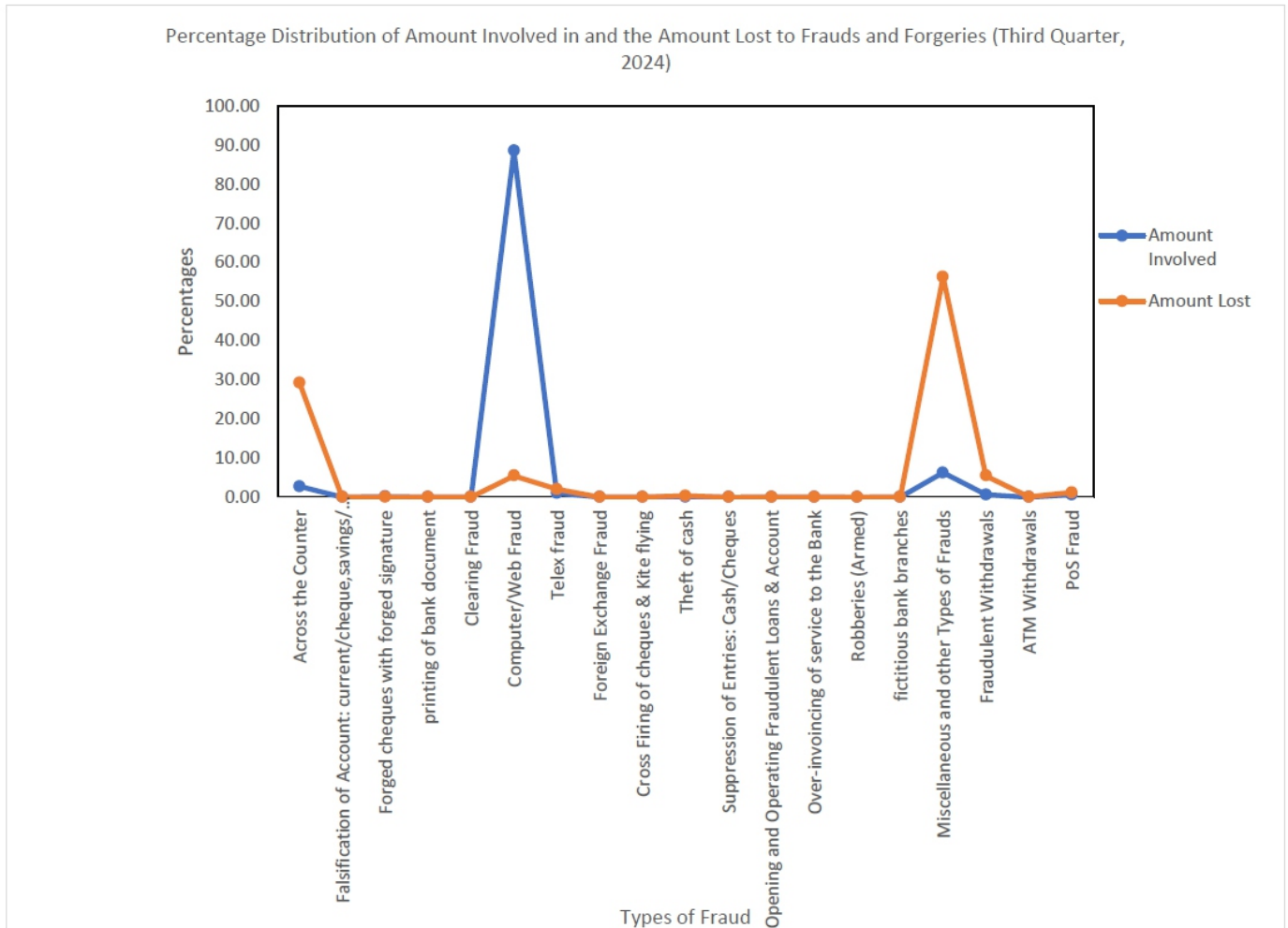
Appendix II (D) Percentage Distribution of Amount Involved in Frauds and Forgeries (Third Quarter, 2024)



Appendix II (E) Percentage Distribution of Amount Lost to Frauds and Forgeries (Third Quarter, 2024)



Appendix II (F) Percentage Distribution of Amount Involved in and Amount Lost to Frauds and Forgeries (Third Quarter, 2024)



Appendix III (A) Frauds and Forgeries through Various Payment Channels: A Comparison of Second Quarter 2024 and Third Quarter 2024

S/N	Channels	Cases: Second Quarter, 2024	Cases: Third Quarter, 2024	Percentage (%) change
1	Web	4367	8742	100.2
2	ATM	155	159	2.6
3	Bank Branch	271	545	101.1
4	Mobile	3169	7037	122.1
5	POS	3533	2524	(28.6)
Total		11,495	19,007	65.4

Appendix III (B) Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison between Second Quarter 2024 and Third Quarter 2024

Note: All figures in parenthesis () indicate decrease in percentage

S/N	Channels	Amount Involved, Second Quarter, 2024 (N)	Amount Involved, Third Quarter, 2024 (N)	Percentage (%) Change	Amount Lost, Second Quarter, 2024 (N)	Amount Lost, Third Quarter, 2024 (N)	Percentage (%) Change
1	Web	1,249,269,490.66	102,589,970,168.64	81.2	400,784,701.93	550,781,108.72	37.4
2	ATM	29,255,715.09	26,491,565.48	(9.5)	205,000.00	6,602,082.14	3120.5
3	Bank Branch	54,186,326,898.13	11,278,181,377.67	(79.2)	42,292,974,854.53	9,232,796,227.59	(78.2)
4	Mobile	547,478,161.48	1,235,622,228.99	125.7	88,678,888.36	203,571,474.18	56.4
5	POS	651,100,930.79	753,439,160.52	15.7	5,602,391.94	116,140,568.77	1937.1
	Total	56,663,431,196.2	114,771,704,501	103	42,788,245,836.76	10,109,891,461.6	(76.4)

Appendix IV (A) Frauds and Forgeries through Various Instruments: A Comparison between Second Quarter 2024 and Third Quarter 2024

S/N	Instruments	Cases: Second Quarter 2024	Cases: Third Quarter 2024	Percentage (%) change
1	Cash	228	517	126.8
2	Cheques	41	21	(48.4)
3	Cards	11,231	17,314	54.2
	Total	11,506	17,852	55.2

Note: All figures in parenthesis () indicate decrease in percentage

Appendix IV (B)
Amount Involved and Amount Lost to Fraud through various Instruments of Transaction:
A Comparison between Second Quarter 2024 and Third Quarter 2024

S/N	Instruments	Amount Involved, Second Quarter, 2024 (N)	Amount Involved, Third Quarter, 2024 (N)	Percentage (%) Change	Amount Lost, Second Quarter, 2024 (N)	Amount Lost, Third Quarter, 2024 (N)	Percentage (%) Change
1	Cash	53,859,653,488	11,274,181,378	(79.1)	42,292,974,855	9,232,796,227.59	(78.2)
2	Cheques	79,567,275	137,865,000	73.3	0.00	376,500	100
3	Cards	2,295,431,666.00	104,187,356,545.73	4438.9	487,428,320	733,228,314	50.4
	Total	56,481,758,564.13	115,619,853,623.40	105	42,780,403,174.42	9,966,401,041.87	(76.7)

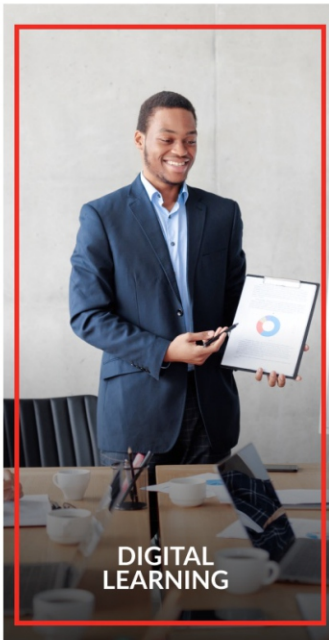
Note: All figures in parenthesis () indicate decrease in percentage

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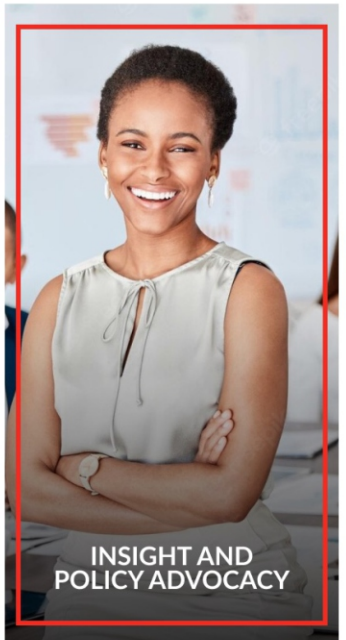
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