



Reports on Fraud and Forgeries in Nigerian Banks

Q U A R T E R 2

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Reports on Fraud and Forgeries in Nigerian Banks

Second Quarter, 2023

Overview

In Q2 2023, a total of seventy-One (71) returns on cases of fraud and forgery were received by FITC from twenty-four (24) deposit money institutions¹. A closer analysis shows that twenty-four (24) returns were received in April, while Twenty-Three (23) returns were received in May, and twenty-four (24) returns were received in June.

Volume and Value of Fraud Cases

For the second quarter of 2023, a total of eleven thousand six hundred and seventy-nine (11,679) cases were reported and when compared to the twelve thousand five hundred fifty-three (12,553) cases recorded in the Q1 a 6.96 per cent decrease is noted. The data for the first quarter of 2023 indicates that mobile fraud, computer/web fraud, and POS-related fraud were the three most prevalent types of fraud, continuing the trend observed in the first quarter of 2023. Appendices I and II show all fraud activities that occurred throughout the period.

The data reveals a significant 276.98 per cent increase in the total amount involved in fraud cases during Q2 2023 compared to the previous quarter. The sum increased from N2.58 billion to N9.75 billion. Likewise, for amount lost there was a substantial increase of 1125.03% from N472 million in Q1 2023 to N5.79 billion in Q2 2023.. Appendix I (A) provides a representation of the amount involved and lost due to fraud activities between the two quarters.

In Q2 2023, there was a 6.40 percent decrease in outsider involvement in fraud cases, with the number dropping from 12,351 cases in the previous quarter to 11,561 cases. However, staff involvement in fraud increased by 22.22 per cent, rising from 72 cases in Q1 to 88 cases in Q2 2023. Conversely, the number of terminated appointments related to fraudulent activities decreased by 26.67 per cent, going from 15 cases in Q1 to 11 cases in Q2. In the review of Q2 2023, an analysis of the magnitude-based ranking of fraud categories reveals that Fraudulent Loans had the highest ranking, accounting for N6.03 billion (61.81 percent) of the total amount.

It was followed by the Computer/Web fraud category at N1.47 billion (15.10 percent). Mobile Fraud came next at N751 million (7.7 percent), and fraudulent withdrawals amounted to N663 million (6.79 percent). The alleged amounts involved in, and the actual amounts lost to frauds and forgeries during the second quarter of 2023 are displayed in Appendix II (A).

According to the data on the total amount lost to frauds in the first quarter of 2023, Fraudulent Loans accounted for the highest loss at 94.35 percent, with a value of N5.46 billion. Mobile Fraud represented 3.39 percent of the total, amounting to N196 million, while Computer/Web fraud withdrawals accounted for 1.03 percent, totalling N59.5 million. Appendices II (B), (C), (D), (E), and (F) provide graphical representations of the amount involved in and the actual amount lost to fraud and forgery operations throughout Q2 2023.

Channels, Instruments and Personalities Involved in Perpetrating Fraud

During Q2 2023, fraudulent activities were conducted through various channels, which included ATMs, online platforms such as web and mobile banking, bank branches, and point-of-sale (POS) terminals. In the second quarter of 2023, cash and card were the most frequently utilized instruments for fraud, while the use of cheques in fraudulent activities was relatively low. Appendix III (A) provides an analysis of frauds based on payment channels, revealing an increase in the usage of ATMs, bank branches, and POS terminals, but a decrease in web, mobile, and agent channels. Specifically, there was a substantial 108.87 per cent rise in fraud cases through ATMs, from 248 cases in the previous quarter to 518 cases in Q2 2023. Similarly, the number of fraud cases through bank branches significantly increased by 375.69 per cent, rising from 162 cases in Q1 to 769 cases in Q2 2023. The POS channel recorded 1994 cases, indicating a slight 0.45 per cent increase from the previous quarter's 1985 cases. However, web and mobile channels experienced a decrease of 9.45 per cent and 25.47 per cent respectively, with fraud cases dropping from

5173 to 4684 in the web channel and from 4982 to 3713 in the mobile channel.

Appendix III (B) represents a comparison between Q1 and Q2 2023 with regards to amount involved and amount lost due to fraudulent activities. With regards to the volume of money involved, an increase was recorded in Web, ATM, Bank Branch fraud amounts. The amount involved with web fraud witnessed a significant increase of 127.79 per cent, rising from N646 million to N1.47 billion. Similarly, ATM fraud experienced a substantial surge of 369.96 per cent, with the amount involved increasing from N23.7 million to N111.4 million. Bank branch-related fraud saw a remarkable increase of 1834.88 per cent, escalating from N361.2 million to N6.99 billion. On the contrary, mobile fraud and POS fraud witnessed a decrease in the monetary value involved, with a drop of 32.05 per cent and 4.09 per cent respectively. Mobile fraud decreased from N1.1 billion to N751 million, while POS fraud decreased from N450 million to N428 million. Additionally, agent fraud accounted for N924,000 in Q2 2023.

The analysis of the amount lost to fraud based on payment channels reveals various trends. There was an overall increase in the amount lost for the ATM channel, bank branches, POS, and mobile channels, while the amount lost via the web channel decreased. Specifically, the amount lost through the web channel decreased by 54.51 per cent, reducing the value to N59.49 million from N130.78 million in the previous quarter. In the case of ATM fraud, the amount lost increased significantly by 259.66 per cent, rising from N1.6 million to N5.75 million. Bank branches experienced a substantial surge of 3095.6 per cent, with the amount lost escalating from N172 million in the previous quarter to N5.5 billion in Q2 2023. Similarly, the amount lost in mobile fraud increased by 21.84 per cent, going from N160.9 million to N196.1 million. POS fraud also witnessed an increase in the amount lost, rising by 56.64 per cent from N6.4 million to N10.1 million.

In the second quarter of 2023, Appendix IV (A)

provides information on Frauds and Forgeries using different instruments. During this period, there was a rise in cases involving cheque and card fraud, while the number of cash-related fraud cases decreased. Specifically, cash fraud decreased by 59.29 per cent, going from 140 cases to 57 cases. Conversely, card fraud experienced an increase of 11.12 per cent, with the number of cases rising from 9,817 to 10,909 in Q2 2023. Additionally, there was a notable increase of 188.89 per cent in cheque fraud, which escalated from 9 cases to 26 cases.

Appendix IV(B) provides data on the monetary value involved in cash, cheque, and card fraud during Q2 2023. Across all three categories, there was a significant increase in fraudulent activities. Cash fraud experienced a surge of 2054.75 per cent, with the amount involved rising from N313.54 million to N6.76 billion. In the case of cheques, there was a noteworthy increase of 373.68 percent, bringing the figure to N162 million from N34.35 million. Similarly, card-related fraud saw a 30.06 per cent increase, with the amount involved rising from N2.02 billion to N2.63 billion in Q2 2023.

Appendix IV(B) provides data on the monetary value involved in cash, cheque, and card fraud during Q2 2023. Across all three categories, there was a significant increase in fraudulent activities. Cash fraud experienced a surge of 2054.75 per cent, with the amount involved rising from N313.54 million to N6.76 billion. In the case of cheques, there was a noteworthy increase of 373.68 per cent, bringing the figure to N162 million from N34.35 million. Similarly, card-related fraud saw a 30.06 per cent increase, with the amount involved rising from N2.02 billion to N2.63 billion in Q2 2023.

Upon analysing the losses incurred through different fraudulent instruments during the second quarter of 2023, it becomes evident that there were significant changes. The amount lost through cash fraud experienced a significant increase of 3276.51 per cent. It increased from N162.99 million in Q1 2023 to N5.5 billion in Q2 2023. However, there was a slight decrease of 6.84 percent in the amount lost through card fraud. It declined from N296.5 million in the previous quarter to

N276.2 million in Q2 2023.

In Q2 2023, deposit money institutions reported the termination of eleven (11) employees due to their involvement in fraudulent activities. This represents a decrease of 26.67 percent compared to the number of terminations in Q1 2023, where fifteen (15) bank staff members had their employment terminated for similar reasons.

Summary and Conclusion

In summary, during the second quarter of 2023, there were 11,679 reported cases, showing a 6.96 per cent decrease compared to the 12,553 cases in the first quarter. However, the data indicates a significant increase in the total amount involved in fraud cases. The amount rose from N2.59 billion in the previous quarter to N9.75 billion in Q2, representing a 276.98 per cent increase. Additionally, the amount lost also saw a substantial rise, increasing from N472 million in Q1 2023 to N5.79 billion in Q2 2023, which corresponds to a 1125.03 per cent increase. This increase might be attributed to the fact that banks were liable for the losses incurred and had to make refunds to customers.

Recommendation

Considering the rise in the total amount involved in fraud cases and the amount lost, Nigerian banks should strengthen their security protocols and systems to prevent unauthorized access to customer accounts and sensitive information. This may involve incorporating measures such as multi-factor authentication, implementing strong encryption techniques, and ensuring regular security updates are in place. Also ensuring that there is stability in the cybersecurity units while also equipping the unit members with relevant cybersecurity trainings that helps to mitigate, control and reduce fraud cases.

Also, banks should utilize advanced fraud detection systems and technologies that can analyse patterns, identify anomalies, and detect suspicious activities in real-time. These systems which employ Artificial intelligence (AI) and Machine Learning (ML) can help identify potential fraud incidents and trigger alerts for further investigation. It is also important to perform regular audits of

internal systems, processes, and controls to identify any vulnerabilities or weaknesses that could be exploited by fraudsters and bank staff. As well as conducting risk assessments to understand the potential risks faced by the bank and implement appropriate risk mitigation strategies.

Furthermore, considering the increasing instances of employees engaging in fraudulent activities, banks should exercise heightened vigilance when hiring new staff or contracting outsourcing firms for employment purposes. To prevent staff involvement in fraudulent behaviour, it is recommended to acknowledge and reward employees who have demonstrated exceptional integrity in situations where they could have acted otherwise. Recognizing and rewarding such individuals sends a positive message to other staff members, motivating them to strive for recognition and rewards through their own ethical conduct.

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 2023 and second quarter of 2023, as well as between the second quarters of 2022 and 2023 on selected parameters.

Notes:

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

Note2: Volume of fraud and forgeries.

Note3: Value of fraud and forgeries.

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

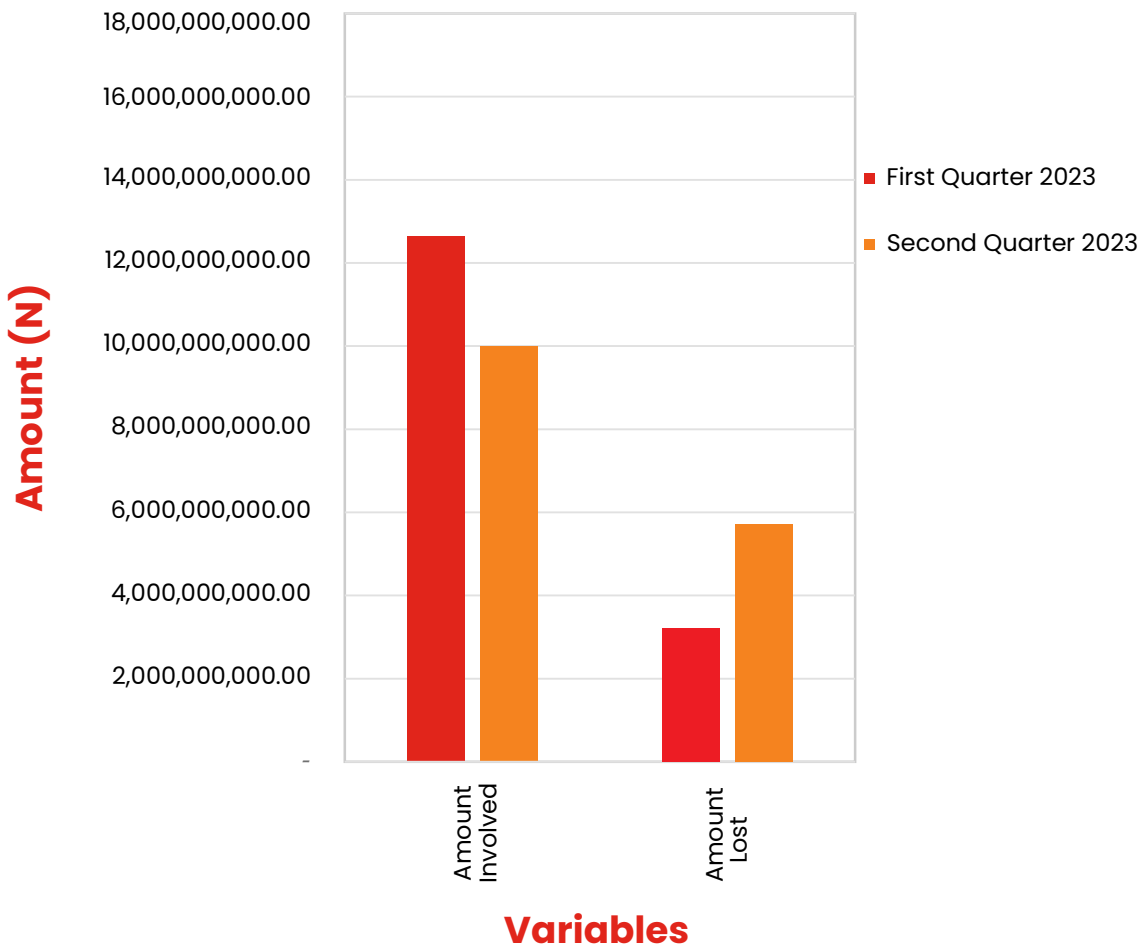
Appendix I(A)

A Comparison of Fraud Activities between First Quarter 2023 and Second Quarter 2023

S/N	Variables	First Quarter 2023	Second Quarter 2023	Percentage(%) Change
1.	Total Cases Reported	12,553	11,679	(6.96)
2.	Total Amount Involved	N2,587,382,677.55	N9,753,787,229.54	276.98
3.	Total Amount Lost	N472,283,127.29	N5,785,592,169.24	1125.03
4.	Outsider Involvement	12,351	11,561	(6.40)
5.	Insider (Staff) Involvement	72	88	(22.22)
6.	Appointments Terminated	15	11	(26.67)

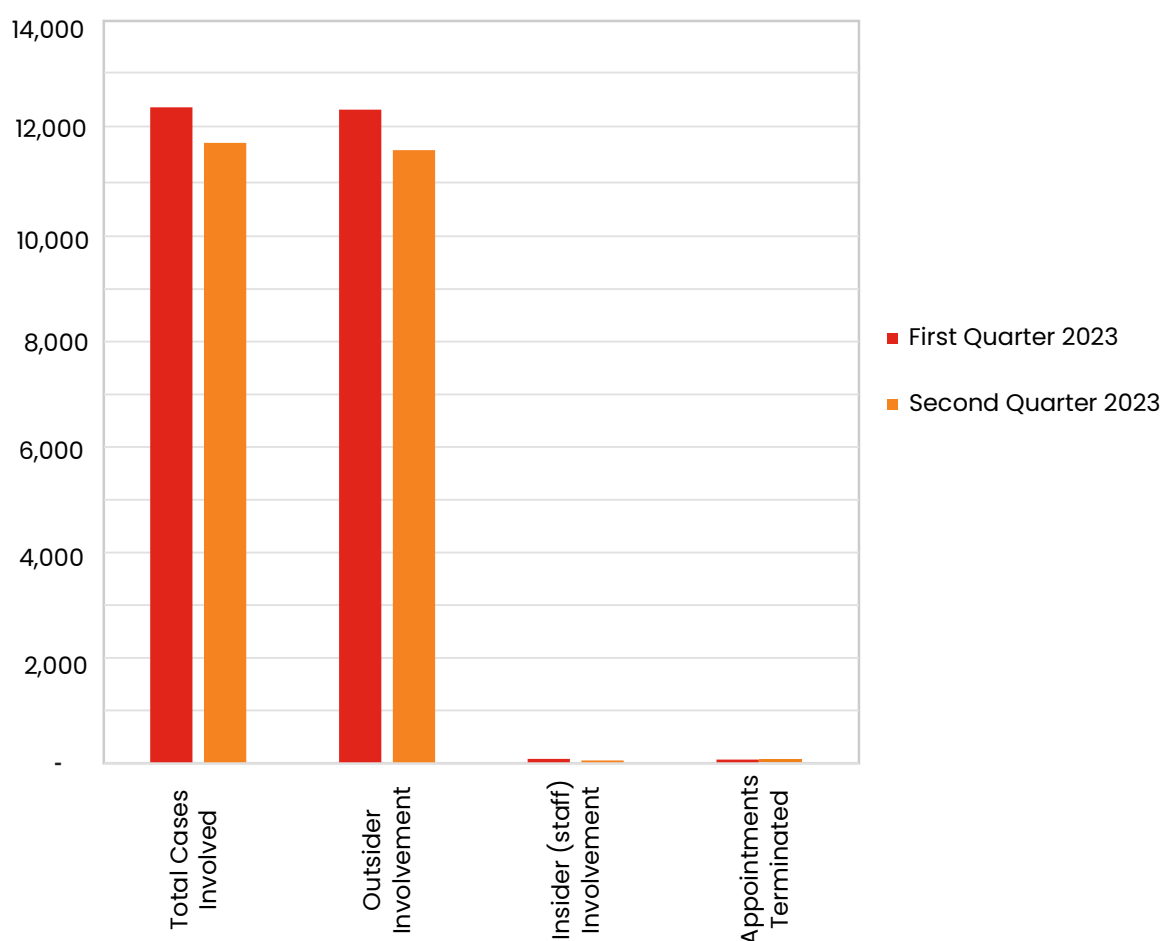
Appendix I(B)

A Comparison of Amount Involved and Amount Lost to Frauds between First Quarter 2023 and Second Quarter 2023



Appendix I(C)

A Comparison of Fraud Activities between First Quarter 2023 and Second Quarter 2023



Variables

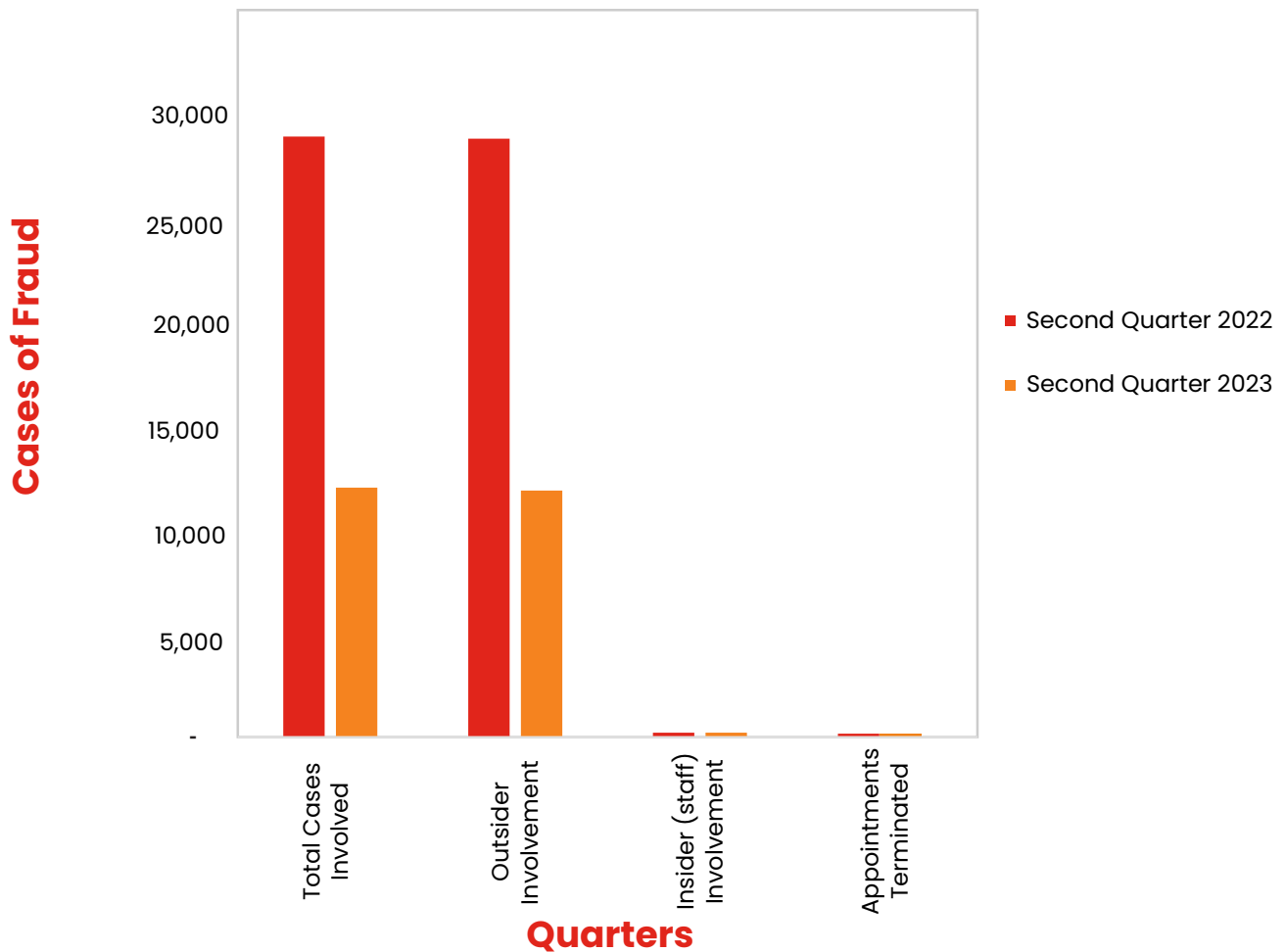
Appendix I(D)

A Comparison of Fraud Activities between First Quarter 2023 and Second Quarter 2023

S/N	Variables	First Quarter 2023	Second Quarter 2023	Percentage(%) Change
1.	Total Cases Reported	27,356	11,679	(57.31)
2.	Total Amount Involved	N8,784,587,569.59	N9,753,787,229.54	11.03
3.	Total Amount Lost	N1,176,131,800.42	N5,785,592,169.24	391.92
4.	Outsider Involvement	23,440	11,561	(50.68)
5.	Insider (Staff) Involvement	73	88	20.55
6.	Appointments Terminated	19	11	(42.11)

Appendix I(E)

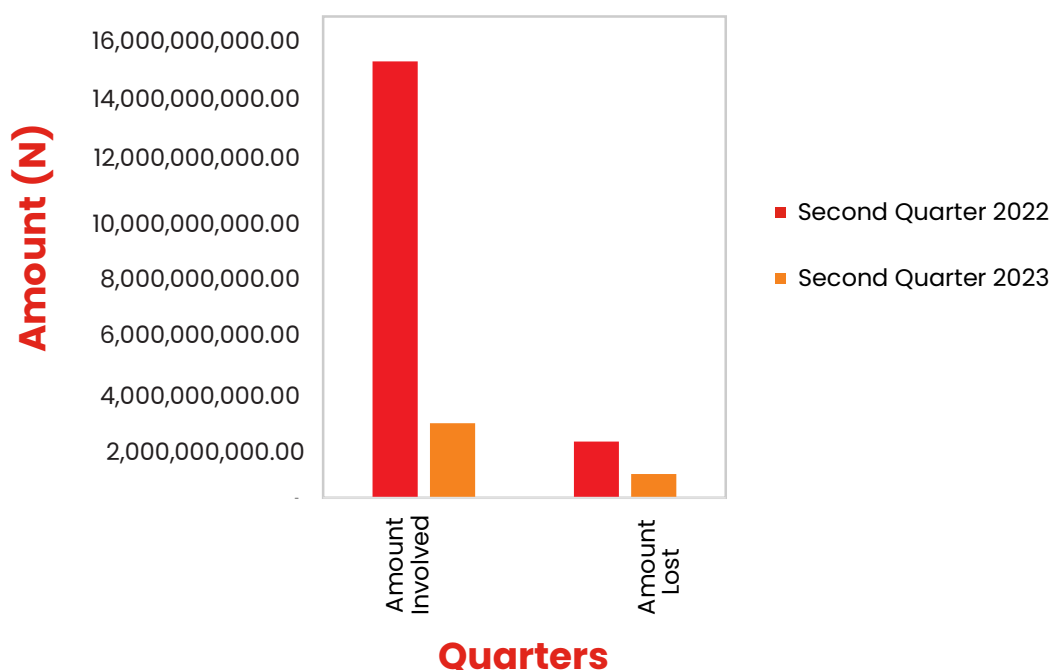
A Comparison of Fraud Activities between Second Quarter 2022 and Second Quarter 2023



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 Second Quarter 2022 and Second Quarter 2023



Appendix II(A)

Frauds and Forgeries Activities in the Second Quarter 2023

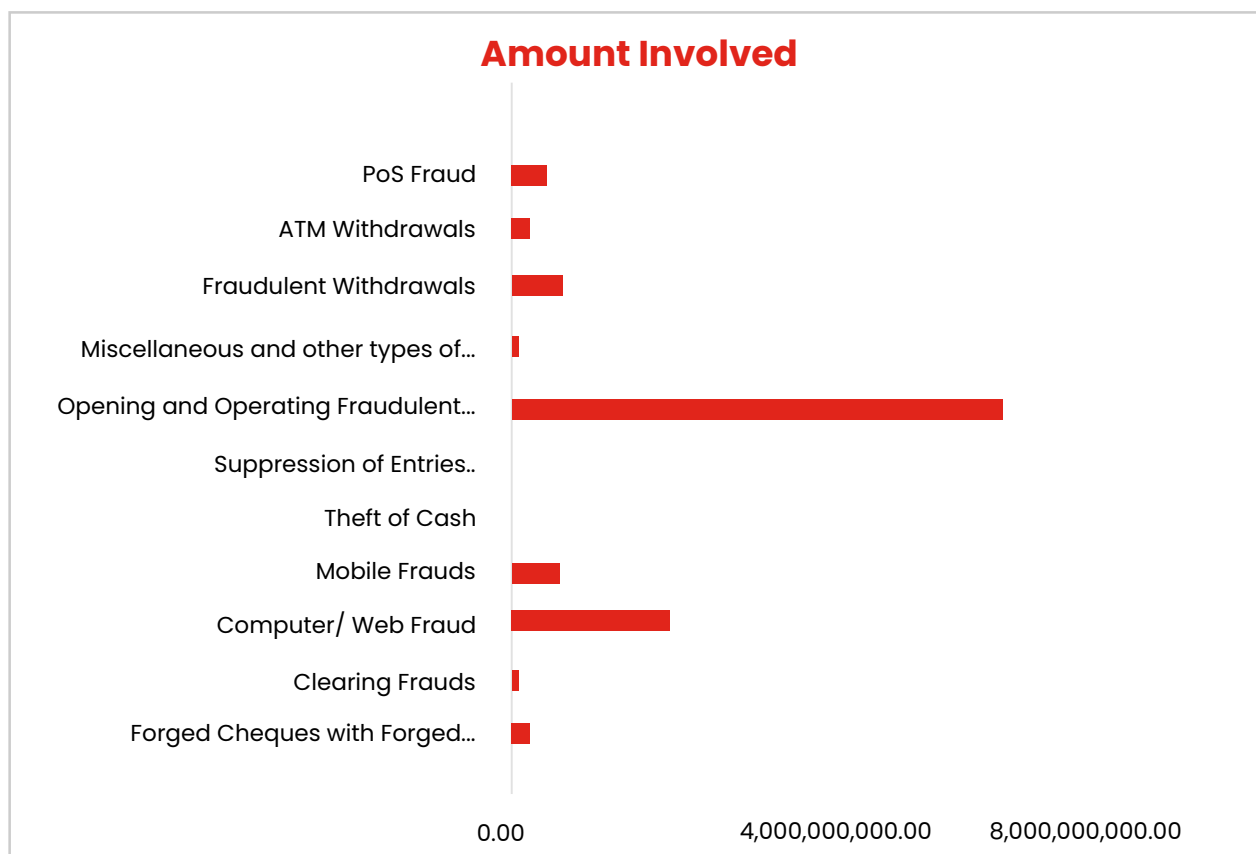
Types of Fraud	Total of cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (₦)	Actual/ Expected Loss (₦)	Expected Loss/ Amount Involved (%)
Teller Fraud	12 (0.10)	4 (4.55)	3 (0.03)	5 (50)	0 (0)	18,987,970 (0.19)	7,941,014 (0.14)	41.8
Falsification 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	260 (0.22)	0 (0)	26 (0.26)	0 (0)	0 (0)	162,224,044.06 (1.66)	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	672 (4.4)	0 (0)	672 (5.81)	0 (0)	0 (0)	0 (15.10)	2,695,395.00 (1.03)	4.4
Computer/ Web Fraud	4,684 (40.11)	9 (10.23)	4,658 (40.29)	0 (0)	4 (3.31)	1,472,790,314.78 (24.99)	59,488,176.59 (27.69)	4.0
Mobile Fraud	3,713 (31.79)	12 (13.64)	3,700 (32)	1 (10)	0 (0)	751,114,393.49 (7.70)	196,068,878.50 (3.39)	26.1
Foreign Exchange Fraud	1 (0.01)	0 (0)	0 (0)	1 (10)	0 (0)	924,000 (001)	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	2 (0.02)	2 (2.27)	0 (0)	0 (0)	0 (0)	964,500.00 (0.01)	144,500.00 (0.0)	15.0

Types of Fraud	Total 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: Cash/Cheques	17 (0.15)	13 (14.77)	2 (0.02)	0 (0)	2 (66.67)	8,155,611.00 (0.08)	5,243,404.50 (0.09)	64.3
Opening & Operating Fraudulent Loans & Accounts	4 (0.03)	2 (2.27)	1 (0.01)	0 (0)	1 (33.33)	6,028,403,914.44 (61.81)	5,458,800,785.43 (94.35)	90.6
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)	0 (0)	0 (0)	0 (0)	0
Miscellaneous and Other Types of Fraud	28 (0.24)	18 (20.45)	7 (0.06)	3 (30)	0 (0)	47,101,300.00 (0.48)	34,522,100.00 (0.60)	73.3
Fraudulent Withdrawals	8 (0.07)	7 (7.95)	1 (0.01)	0 (0)	0 (0)	662,676,000.00 (6.79)	4,865,000.00 (0.08)	0.7
ATM Withdrawals	518 (4.44)	0 (0)	518 (4.48)	0 (0)	0 (0)	111,428,163.31 (1.14)	5,754,548.08 (0.10)	5.2
PoS Fraud	1994 (17.07)	21 (23.86)	1,973 (17.07)	0 (0)	0 (0)	428,077,650.18 (4.39)	10,068,367.14 (0.17)	2.4
Total	11,561	88	11,561	10	3	9,753,787,229.54	5,785,592,169.24	59.3

Note: All figures in parenthesis () indicate percentages

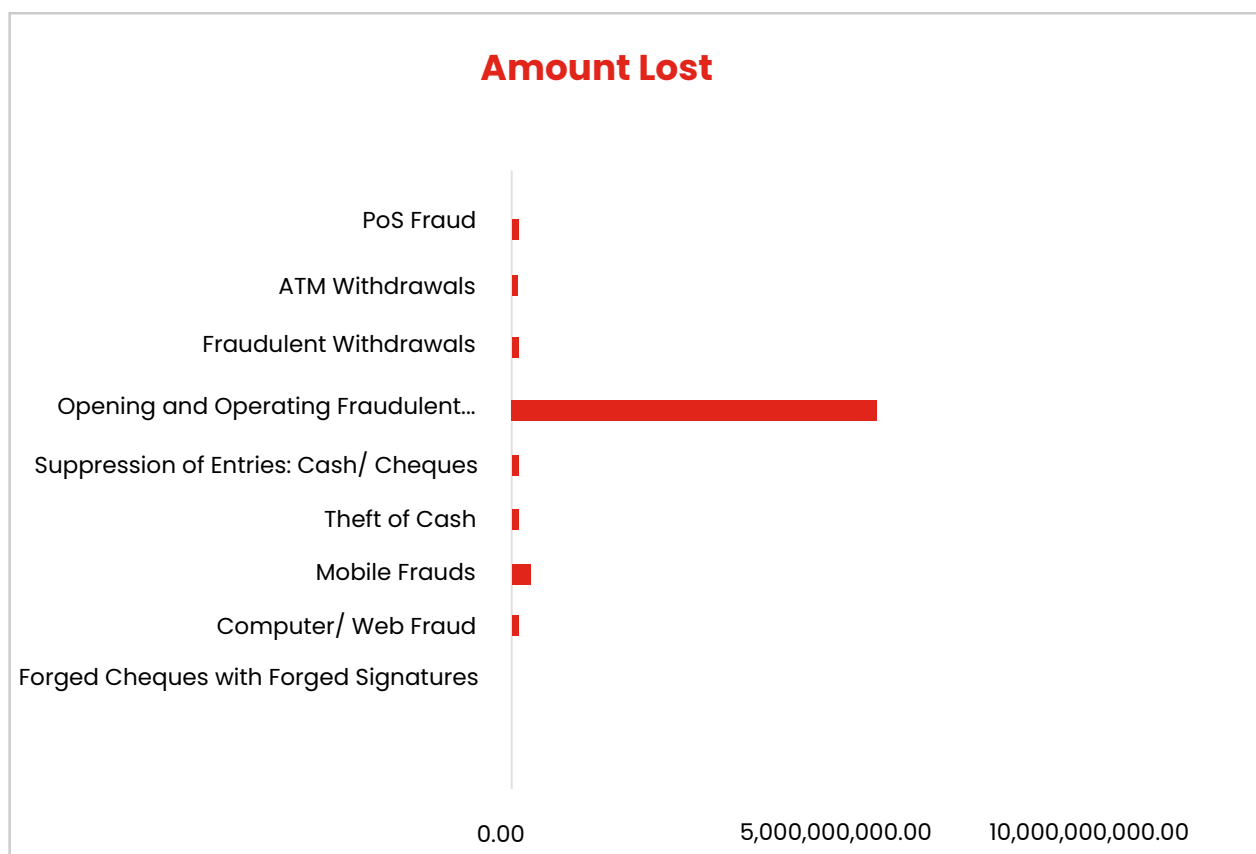
Appendix II(B)

Amount involved in Frauds and Forgeries Activities (Second Quarter 2023)



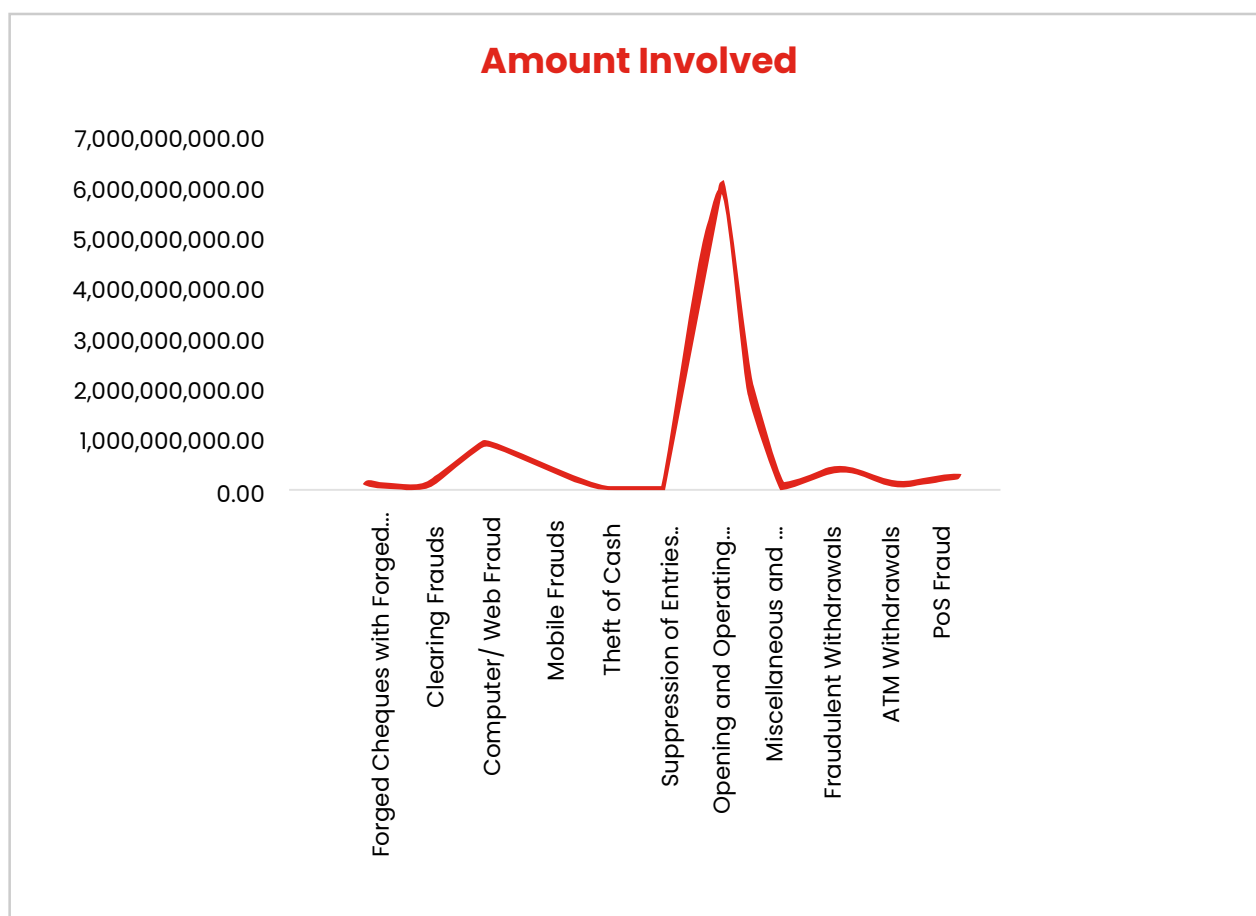
Appendix II©

Amount lost to Frauds and Forgeries Activities (Second Quarter 2023)



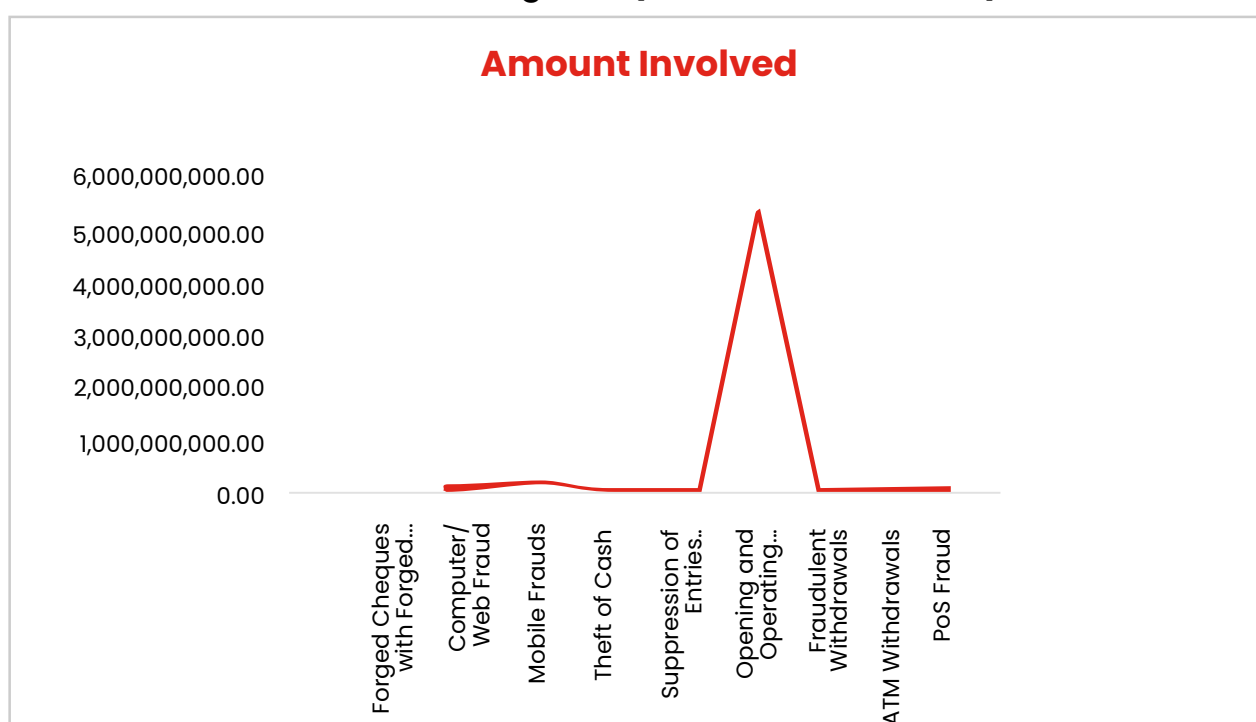
Appendix II(D)

Percentage Distribution of Amount involved in Frauds and Forgeries (Second Quarter 2023)



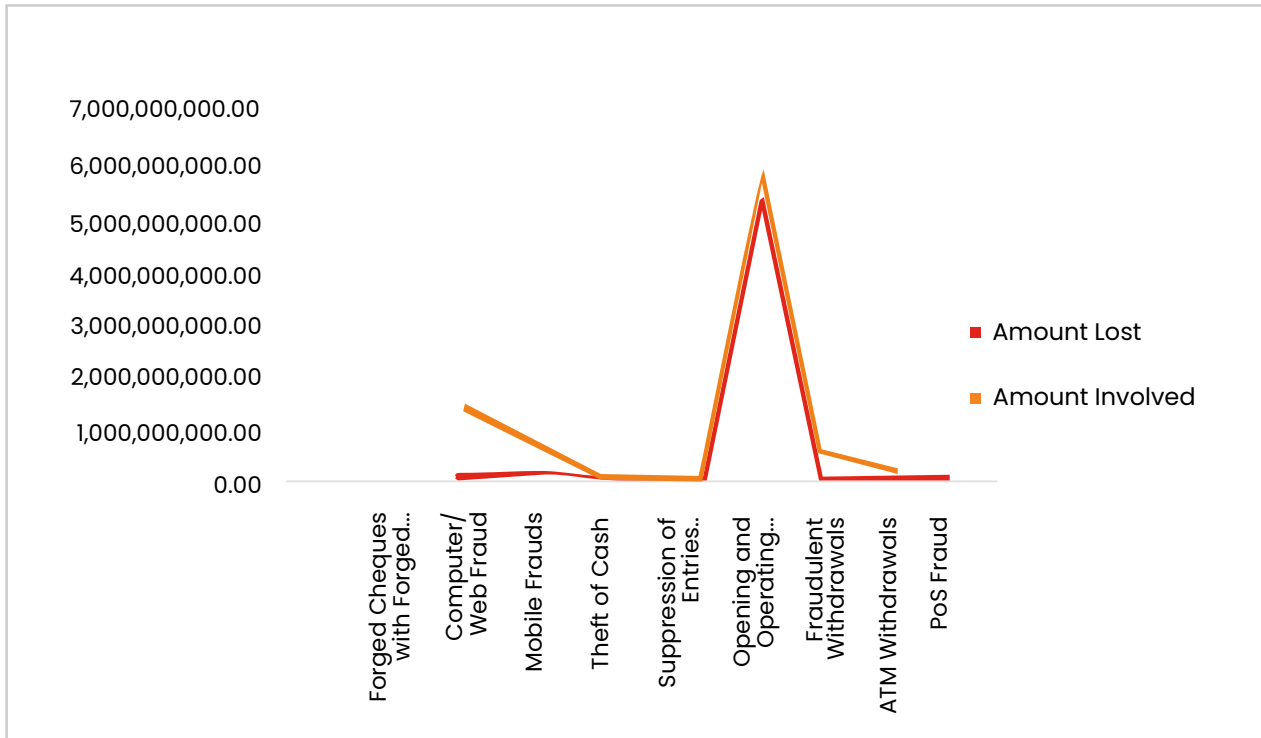
Appendix II(E)

Percentage Distribution of Amount lost to Frauds and Forgeries (Second Quarter 2023)



Appendix II(F)

Percentage Distribution of Amount involved in and Amount lost to Frauds and Forgeries (Second Quarter 2023)



Appendix III (A)

Frauds and Forgeries through various Payment Channels: A Comparison of First Quarter 2023 and Second Quarter 2023

S/N	Channels	Cases: First Quarter, 2023	Cases: Second Quarter, 2023	Percentage (%) Change
1.	Web	5173	4684	(9.45)
2.	ATM	248	518	108.87
3.	Bank Branch	162	769	375.69
4.	Mobile	4982	3713	(25.47)
5.	POS	1985	1994	0.45
6.	Van	0	0	-
7.	Agent	3	1	(66.67)
Total		12,553	11,679	(6.96)

Appendix III(B)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison between First Quarter 2023 and Second Quarter 2023

S/N	Channels	Amount Involved, First Quarter, 2023 (N)	Amount Involved, Second Quarter, 2023 (N)	Percentage(%) Change	Amount Loss, First Quarter, 2023 (N)	Amount Loss, Second Quarter, 2023 (N)	Percentage(%) Change
1	Web	646,566,768.45	1,472,790,314.78	127.79	130,779,850.74	59,488,176.59	(54.51)
2	ATM	23,710,231.91	111,428,163.31	369.96	1,600,000.00	5,754,548.08	259.66
3	Bank Branch	361,233,804.55	6,989,452,707.78	1834.88	172,555,850.97	5,514,212,198.93	3095.61
4	Mobile	1,105,324,936.42	751,114,393.49	(32.05)	160,919,876.85	196,068,878.50	21.84
5	POS	450,546,936.22	428,077,650.18	(4.99)	6,427,548.73	10,068,367.14	56.64
6	Van	-	-	-	-	-	-
7	Agent	-	924,000.000	-	-	-	-
	Total	2,587,382,677.55	9,753,787,229.54	276.98	472,283,127.29	5,785,592,169.24	1125.03%

Appendix IV(A)

Frauds and Forgeries through various instruments: A Comparison between First Quarter 2023 and Second Quarter 2023

S/N	Channels	Cases: First Quarter, 2023	Cases: Second Quarter, 2023	Percentage (%) Change
1.	Cash	140	57	(9.45)
2.	Cheques	9	26	188.89
3.	Cards	9,817	10,909	11.12
4.	Slips	0	0	0
Total		9,966	10,992	10.30

Appendix IV(B)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison between First Quarter 2023 and Second Quarter 2023

S/N	Channels	Amount Involved, First Quarter, 2023 (N)	Amount Involved, Second Quarter, 2023 (N)	Percentage(%) Change	Amount Loss, First Quarter, 2023 (N)	Amount Loss, Second Quarter, 2023 (N)	Percentage(%) Change
1	Cash	313,545,492	6,756,130,295	2054.75	162,995,900	5,503,575,790	3276.51
2	Cheques	34,247,361	162,224,044.05	373.68	0	0	0
3	Cards	2,021,441,873	2,629,070,415	30.06	296,536,166	276,244,970.31	(6.84)
4	Slips	0	0	0	0	0	0
	Total	2,369,234,726.32	9,547,424,754	302.98	459,532,066.03	5,779,820,760	1157.76