

# **FRAUD REPORT: IMPLICATIONS AND DIRECTIONS FOR THE BANKING SECTOR**

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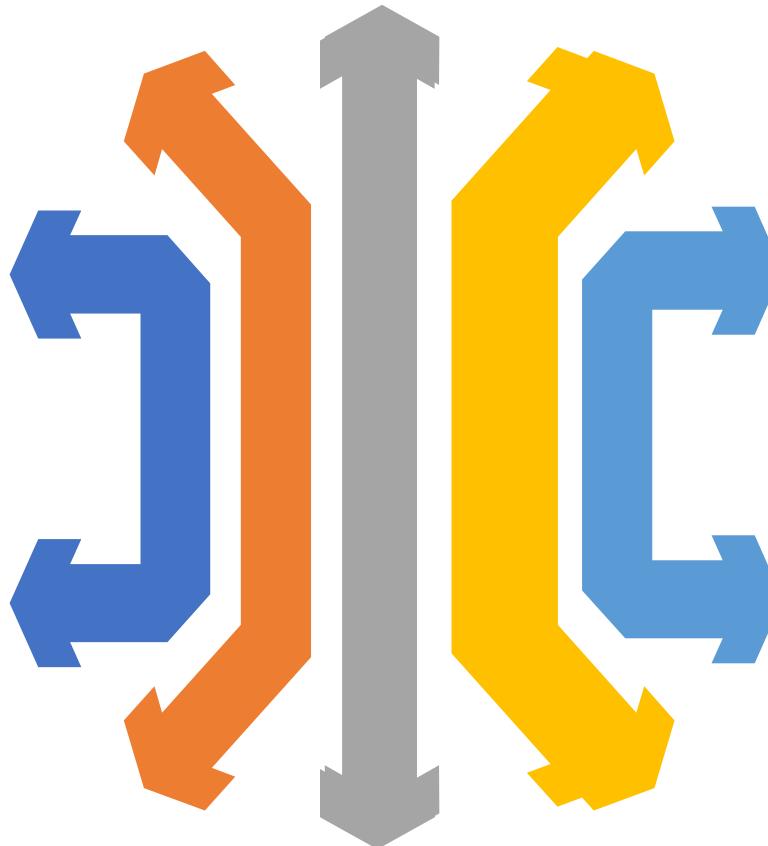
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# INTRODUCTION



Fraud has significant effects on the banking sector, impacting it financially, operationally, and reputationally. To start with, banks suffer direct financial losses from unauthorized transactions, stolen funds, and fraudulent loans. The costs of investigating fraud, legal proceedings, and implementing security measures also add to the financial burden. Further, fraud damages the reputation of banks, eroding customer trust and leading to a loss of clientele. Negative publicity surrounding fraud cases can have long-term consequences for a bank's profitability and market position.

Additionally, regulatory consequences arise, as fraud incidents trigger investigations, penalties, fines, and increased regulatory scrutiny, forcing banks to demonstrate effective fraud prevention measures.

Operational disruptions are another consequence of fraud in the banking sector. Responding to fraud incidents requires diverting resources and personnel from critical tasks to carry out investigations, freeze accounts, and implement security measures. These disruptions can inconvenience legitimate customers and impact the smooth functioning of banking operations. Moreover, the costs of fraud are often passed on to customers. Increased fees, higher interest rates, and reduced benefits on banking products and services may be imposed to offset financial losses caused by fraud, indirectly impacting customers.

# INTRODUCTION (Cont'd)

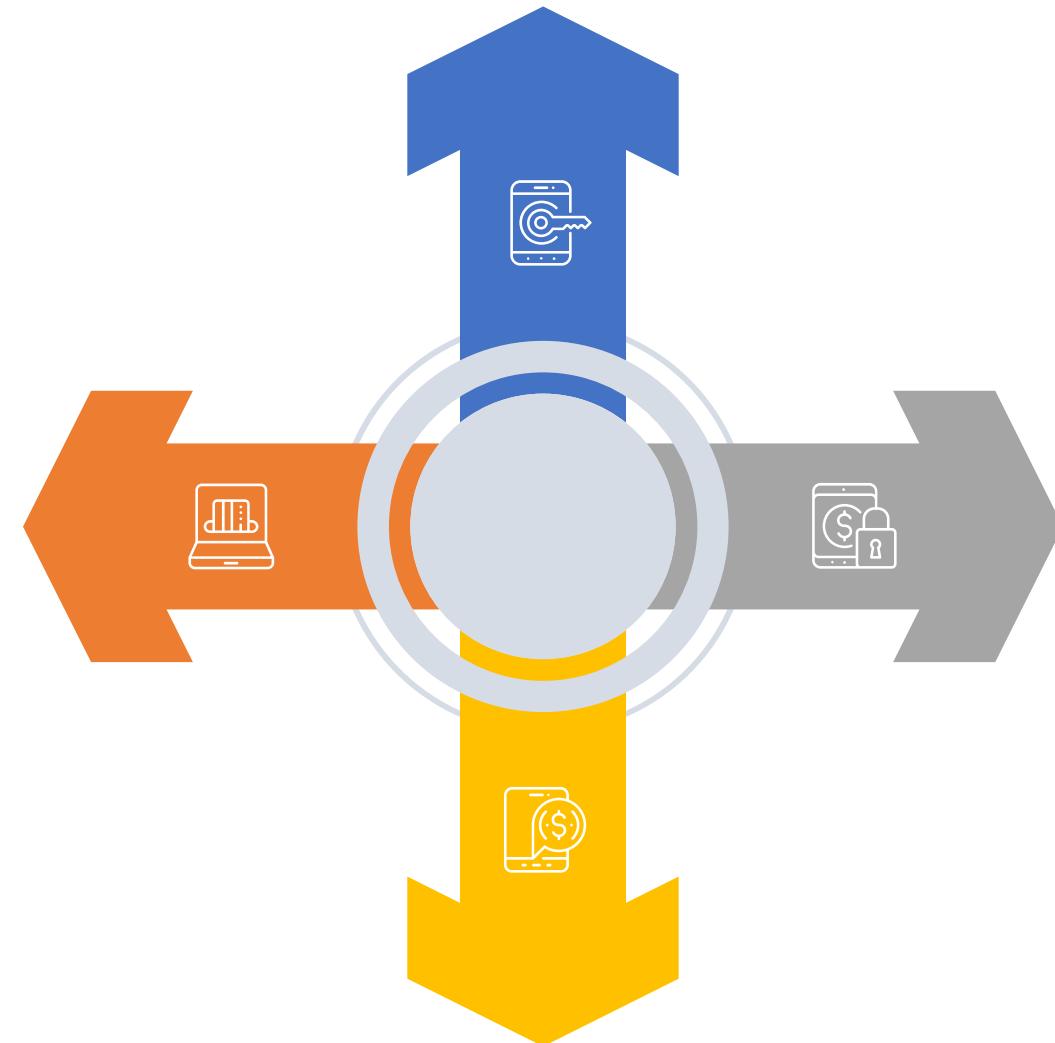


Lastly, the effects of fraud extend beyond the banking sector to the broader economy. Widespread and systemic fraudulent activities can undermine confidence in the financial system, influencing investment decisions, hampering economic growth, and posing risks to the banking sector's stability.

To mitigate the effects of fraud, banks employ measures such as robust security systems, improved customer authentication methods, regular risk assessments, customer education on fraud prevention, background check on employees, etc.

The above notwithstanding, bank fraud still pose a systemic threat to the banking industry and the entire financial ecosystem as banking activities are gradually transitioning from the traditional face-to-face banking to tech-driven platforms.

This particular report presents a systematic review on fraud reports from 2019 to 2022, taking into consideration key trends, forms, and the cost of fraud in the entire banking sector.



# **VARIOUS FORMS OF FRAUD IN THE BANKING SECTOR**

**01**

## **Suppression of Deposits**

the process of concealing and diverting cash deposits, cheque deposits, or cash received from a customer

**02**

## **Fraudulent Withdrawals**

Unauthorised access to the accounts and wallets of clients

**03**

## **ATM/POS Fraud**

fraudulent use of ATM cards or ATM Personal Identification Numbers (PIN) to withdraw money from another person's account or stealing directly from the ATM machine by breaking into the machine. It also involves the fraudulent use of another person's debit card number and PIN to withdraw cash from the victim's account or make unauthorised purchases.

**04**

## **Forgery and Manipulation of Documentation**

the falsification of an authorising signature on a genuine document, or the fraudulent alteration of a genuine document in order to inflate the original figure. Manipulation of Accounts and Negotiable Instruments refers to the alteration of negotiable instruments such as payment slips, payment orders, etc. or the diversion of fixed deposit proceeds into private investments. In other instances, staff fraudulently use their profiles to divert money from dormant accounts into private accounts for the perpetrator.

**05**

## **E-Money Fraud**

deception perpetrated with electronic money issuer platforms. Most especially, mobile money accounts

**06**

## **Cyber-email Fraud**

the act of tricking the email recipient into believing that the mail was sent from the actual sender

# VARIOUS FORMS OF FRAUD IN THE BANKING SECTOR (cont'd)

07

## Lending/Credit Fraud

refers to deception relating to the procurement or delivery of credit. Some of these situations may be where a borrower or a credit officer uses the credentials of another person to procure a loan; or where a credit officer falsifies a borrower's appraisal to enable him/her qualify for a loan.

08

## Cheque Fraud

refers to the unlawful use of cheques for the purpose of acquiring funds illegally

09

## Remittance

refers to the act of criminals manipulating the international money transfer systems to defraud others

10

## Burglary

refers to the illegal entry into a building with the intention of stealing.

11

## Impersonation

refers to the act of pretending to be another person for the purpose of fraud

12

## Others

this consists of frauds other than the ones mentioned earlier.

This report covers the general fraud cases in the financial sector and cases specific to the banking sector.

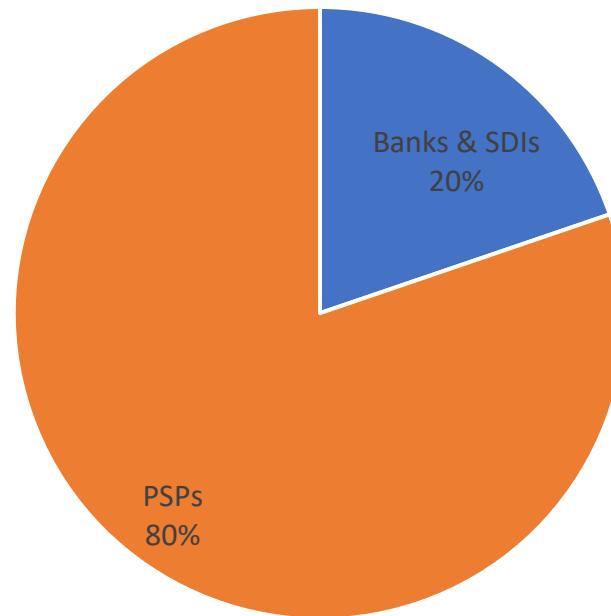
# **SUMMARY OF FRAUD COUNT IN BANKS, SDIs AND PSPS Sectors**

**01**

Total number of fraud cases for the year 2022 recorded by banks, Specialised Deposit-Taking Institutions (SDIs), and Payment Service Providers (PSPs) who are regulated by the Bank of Ghana is 15164. Out of the said number, PSP sector recorded 12166 cases representing 80% of the total fraud count whiles the banks and SDIs reported 2998 fraud cases which represent 20% of the total fraud count.

Figure 1: Fraud Count

Fraud Count: Banks & SDIs, and PSPs



# FRAUD TRENDS IN BANKING AND SDI SECTOR



Fraud in the area of suppression of deposits (cash theft) remained the predominant areas where most frauds are recorded. Cases in this area increased marginally by 6.01% to 1622 in 2022. Cases in cyber-email fraud ballooned from 50 cases in 2021 to 422 in 2022, posing a serious threat to banks digitisation and cashlite agenda. This is followed by an upsurge in withdrawal in fraudulent withdrawals which has the highest percentage increased in total count of fraud cases.

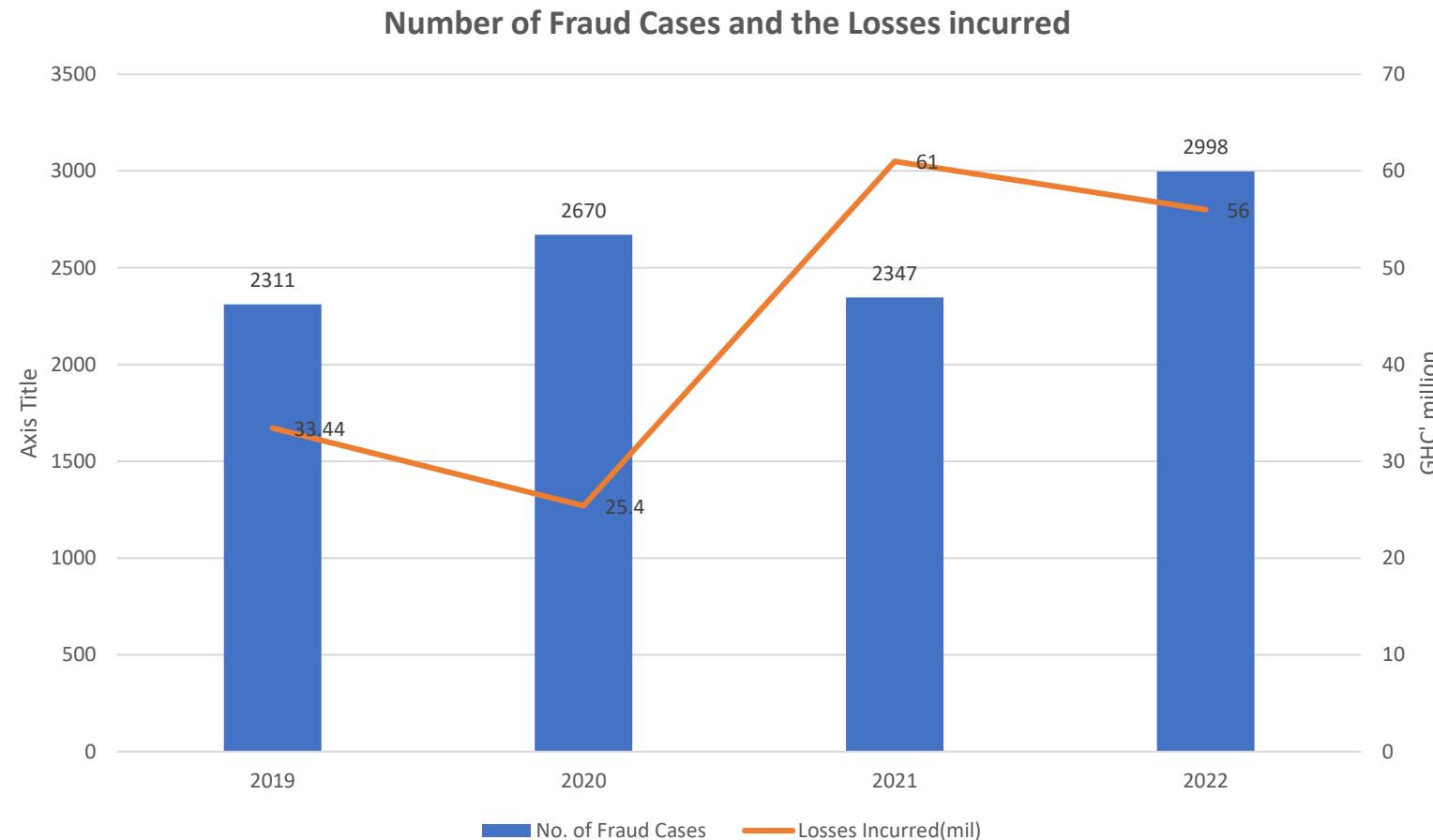
Table 1: Count of Fraud Cases

No	Fraud Type	2022	2021	2020	2019	Y-o-Y Change in 2021-2022 (%)	Direction of Change	Proportion of Fraud Type to Total Fraud Count in 2022 (%)	Ranking based on 2022 data	Ranking based on 2021 data	Ranking based on 2020 data
1	Suppression of deposits (cash theft)	1622	1530	1958	1774	6.01	▲	54.10	1	1	1
2	Fraudulent Withdrawals	347	19	177	16	1726.32	▲	11.57	3	12	2
3	ATM/POS Fraud	9	106	168	110	(91.51)	▼	0.30	11	5	3
4	Forgery and manipulation of documentation	62	255	151	157	(75.69)	▼	2.07	6	2	4
5	E-money	149	116	126	14	28.45	▲	4.97	5	3	5
6	Cyber - email fraud	422	50	28	112	744.00	▲	14.08	2	7	6
7	Lending/credit fraud	29	43	18	36	(32.56)	▼	0.97	8	8	7
8	Cheque Fraud	32	113	16	40	(71.68)	▼	1.07	7	4	8
9	Remittance	1	20	10	8	(95.00)	▼	0.03	12	10	9
10	Others	13	52	9	29	(75.00)	▼	0.43	10	6	10
11	Burglary	27	23	6	7	17.39	▲	0.90	9	9	11
12	Impersonation	285	20	3	8	1325.00	▲	9.51	4	10	12
	<b>Total</b>	<b>2998</b>	<b>2,347</b>	<b>2670</b>	<b>2311</b>	<b>27.74</b>	<b>▲</b>	<b>100.00</b>			

# FRAUD TRENDS IN BANKING AND SDI SECTOR (CONT'D)



Figure 2: Number of Fraud Cases and Losses incurred.



# TOTAL VALUE OF REPORTED FRAUD CASES



Total value of reported fraud causes increased by 45.09% to GHS165.4million in 2022. However, GHS109million (i.e. ~66%) has been recovered, which is a significant improvement compared to the previous year (2021) where only GHS52.9million (i.e. ~46%) was recovered. Though cyber & email fraud was the second highest of fraud cases reported, it however recorded the highest in terms of value, which amount to GHS68.7million. Fortunately, GHS64.3million (93.3%) has be recovered. The situation under forgery and manipulation is however worrying as it was only GHS1.4million (3.96%) was recovered from the total value of GHS34.4million. (see table 2 & 3 for details)

Table 2: Total Value of Fraud Cases

No	Fraud Type	Reported Fraud Values (GH₵'000 )					Y-o-Y Change in 2021-2022 (%)	Direction of Change	Proportion of Fraud Type to Total Fraud Count in 2021 (%)	Ranking based on 2022 data	Ranking based on 2021 data	Ranking based on 2020 data
		2022	2021	2020	2019							
1	Suppression of Cash	4,942.32	5,569.57	4,094.07	5,054.8	(11.26)		2.99	7	5	6	
2	Fraudulent Withdrawals	8,686.68	1,227.96	3,015.42	1,532.2	607.41		5.25	5	8	7	
3	ATM/POS Fraud	96.25	23,395.70	8,420.49	10,962.2	(99.59)		0.06	11	2	4	
4	Forgery and manipulation of documentation	34,438.68	53,256.32	8,551.99	37,283.2	(35.33)		20.82	2	1	3	
5	E-money	8,929.84	4,071.50	1,925.96	592.6	119.33		5.40	4	6	8	
6	Cyber - email fraud	68,699.83	3,251.78	273,880.58	50,542.0	2012.68		41.53	1	7	2	
7	Lending/credit fraud	342.99	10,125.04	680.14	1,401.9	(96.61)		0.21	9	4	10	
8	Cheque Fraud	5,345.36	473.57	6,106.80	3,084.2	1028.74		3.23	6	10	5	
9	Remittance	65.6	139.68	80.99	118.9	(53.04)		0.04	12	12	11	
10	Others	32,209.99	450.74	700,980.03	3,547.9	7046.02		19.47	3	11	1	
11	Burglary	266.96	596.91	1,354.59	709.3	(55.28)		0.16	10	9	9	
12	Impersonation	1,379.10	11,439.69	62.87	687.6	(87.94)		0.83	8	3	12	
	<b>Total</b>	<b>165,403.60</b>	<b>113,998.46</b>	<b>1,009,153.91</b>	<b>115,516.80</b>	<b>45.09</b>		<b>100.00</b>				

# TOTAL VALUE OF REPORTED FRAUD CASES

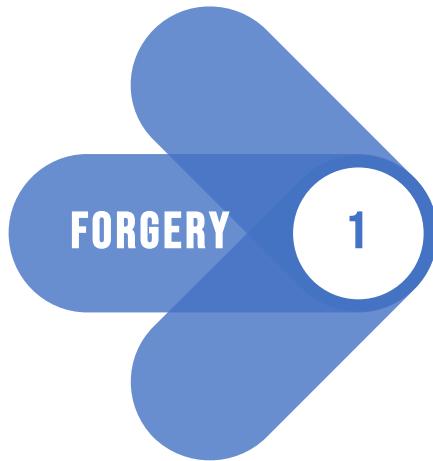


Table 3: Total Value of Reported Fraud Cases and the Recovered Values

FRAUD TYPES	Jan-Dec 2021			Jan-Dec 2022			Percentage Change in Loss Values from 2021 to 2022
	Reported Fraud Values (GH¢'000)	Recovered Values (GH¢'000)	Successful/ Loss Values (GH¢'000)	Reported Fraud Values (GH¢'000)	Recovered Values (GH¢'000)	Successful/ Loss Values (GH¢'000)	
ATM/CARD Fraud	23,395.7	545.04	22,850.67	96.25	61.93	34.32	(98.85%)
Cheque Fraud	473.57	101.35	372.22	5,345.36	303.81	5,041.55	1254.46%
Cyber & E-mail Fraud	3,251.78	596.8	2,654.98	68,699.83	64,304.51	4,395.32	65.55%
E-Money Fraud	4,071.5	827.38	3,244.12	8,929.84	8,142.46	787.39	(75.73%)
Forgery & Manipulation of documents	53,256.32	45,652.77	7,603.55	34,438.68	1,363.79	33,074.89	334.99%
Fraudulent withdrawals	1,227.96	605.93	622.04	8,686.68	1,601.13	7,085.55	1039.09%
Lending/ Credit Fraud	10,125.04	1,899.22	8,225.81	342.99	67.85	275.14	(96.66%)
Impersonation	11,439.69	1,117.44	10,322.25	1,379.10	39.91	1,339.18	(87.03%)
Cash Theft (Suppression of Cash)	5,569.57	1,302.51	4,267.06	4,942.32	978.96	3,963.36	(7.12%)
Burglary	596.91	23.5	573.41	266.96	5.25	261.71	(54.36%)
Remittances	139.68	25.95	113.73	65.6	-	65.60	(42.32%)
Others	450.74	164.99	285.76	32,209.99	32,184.37	25.62	(91.03%)
<b>Total</b>	<b>113,998.45</b>	<b>52,862.86</b>	<b>61,135.59</b>	<b>165,403.6</b>	<b>109,053.97</b>	<b>56,349.63</b>	<b>(7.83%)</b>

# SECTORAL FRAUD TRENDS AND ANALYSIS

## Banking Sector:



### Forgery and Manipulation

Total loss as a result of forgery and manipulation in 2022 stood at GHS33million (i.e. 34.4mil – 1.4mil). Out of this amount, universal banks booked a loss of GHS32million.



### Fraudulent Withdrawals

Out of a loss of GHS7million (i.e. 8.6mill – 1.6mil), Universal banks accounted for 98% of the said value while savings and loans sector accounted for 2%



### Cheque Fraud

Out of a total loss of GHS5.1million (5.3mil – 0.3mil), universal banks recorded a loss of GHS5million while rural and community banking sector incurred the rest of the losses

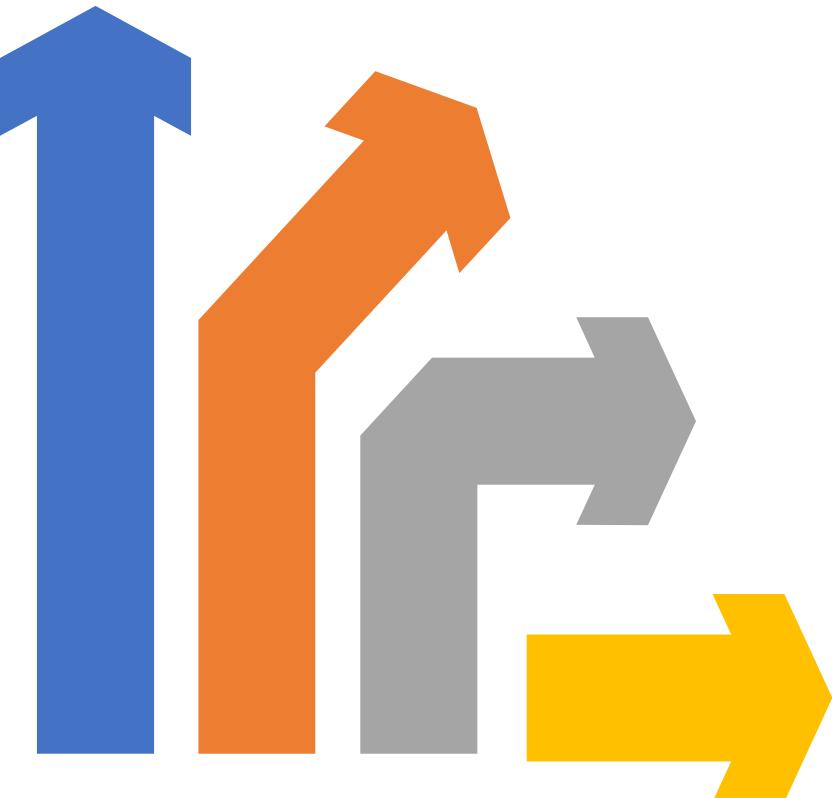


### Cyber/Email Fraud

Cyber/email fraud recorded a loss of GHS4.3million (68.6mil – 64.3mil), and universal banks were mostly affected by it. Considering the increasing nature of cyber/email fraud, the central bank has issued Cyber and Information Security Directive in 2018 to combat it.

# IMPLICATIONS OF FRAUD CASES ON BANKING ACTIVITIES

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## IMPLICATIONS ON BANKS' DIGITALIZATION AND CASHLITE AGENDA

Customers may now have the propensity to decline the usage of banks' digital platforms. This will inadvertently add up to the operational cost of banks, and the cost of transactions to the customer



## IMPLICATIONS ON DEPOSITS, SAVINGS CULTURE, AND ACCOUNT CLOSURE

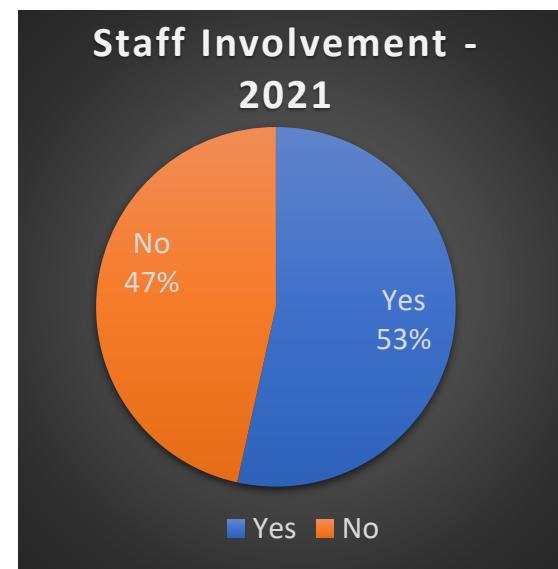
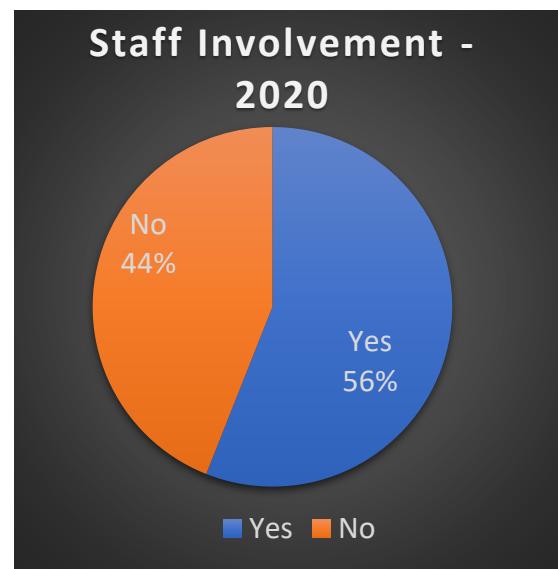
- 1) Increasing fraud cases will discourage savings, and this will cause deposits for asset transmutation to plummet.
- 2) Customers who are victims to fraud may have the proclivity to close their account, and also advise their friends, families, colleagues, etc. to do same. This has the potential of degenerating into a bank run

# STAFF INVOLVEMENT IN FRAUD CASES: IMPLICATIONS



The three most prevalent frauds in the banking and SDI space are Suppression of deposits(54.10%), cyber/email fraud (14.08%) and fraudulent withdrawals (11.57%). The aforementioned frauds constitute approximately 79.75% of the total frauds recorded among financial institutions. According to the Financial Stability Department of the Bank of Ghana, these frauds, especially suppression of deposits, and fraudulent withdrawals mostly have staff involvement. Figure 3 below presents the percentage of staff involvement in fraud from 2019 through 2022. Staff involvement poses a systemic threat to the sector and also dampens customers' trust and confidence in the sector. However, there has been a significant decline in staff involvement in fraud cases in 2022. This according to the FSD is as a result of the improvement in internal controls of Banks and SDIs, severe punishment of culprit, and background check of all prospective temporary and permanent employees.

Figure 3: staff involvement



# REMEDIAL MEASURES BY THE REGULATOR AND BANKS



## **Measures by BoG**

- Issuance of Cybersecurity Directive for banks
- Establishment of Financial Industry Command Security Operations Centre (FICSOC)



## **Measures by Banks**

- Stiff punishment of perpetrators
- Improvement in internal controls
- Background checks on employees
- Information sharing



# WAY FORWARD

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- Severe punishment to perpetrators
- Stringent Monitoring and Supervision
- Financial Education for customers
- Speedy adjudication of fraud cases.
- Staff training
- Multi-factor and advanced authentication
- Fraud detection systems
- Collaboration and information sharing
- Strong internal controls



# THANK YOU



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