



## THE 2019 BANKING INDUSTRY FRAUD REPORT

### EXECUTIVE SUMMARY

In 2019, the banking industry reported a total number of 2,295 fraud cases as compared to 2,175 fraud cases reported in 2018. The marginal increase in the number of fraud cases reported may partly be attributed to the improved efforts by the Financial Stability Department to identify, monitor and to ensure compliance with reporting of fraud cases in the industry. Also, in recent times, the various forms of advanced technologies adopted by financial institutions have made the banking sector more susceptible to various risks such as phishing, identity theft, card skimming, vishing, email fraud and more sophisticated types of cyber-crime.

Similar to the year 2018, in 2019, suppression of cash and deposits accounted for the largest portion (77 percent) of the total number of fraud cases reported to the Bank of Ghana. It is important to stress that about 94 per cent of the fraud cases reported as suppression of cash and deposits were perpetrated by staff (either contract or permanent) of the financial institutions. The alarming rate of involvement of bank staff in the perpetration of fraud in the banking sector, calls for significant reforms in the engagement, remuneration and disengagement processes of employees and contractual staff of financial institutions.

In 2019, the industry reported a total fraud value of approximately GH¢115.52 million. Approximately 28.96 per cent (i.e. GH¢33.44 million) of this amount was reported as losses and 71.04 per cent (i.e. GH¢82.06million) was unsuccessful or

recovered. The reported total loss value is made up of GH¢10.35million and remaining balance of GH¢23.09million (as at the end of December 2019).

## 1. INCIDENCE OF FRAUD

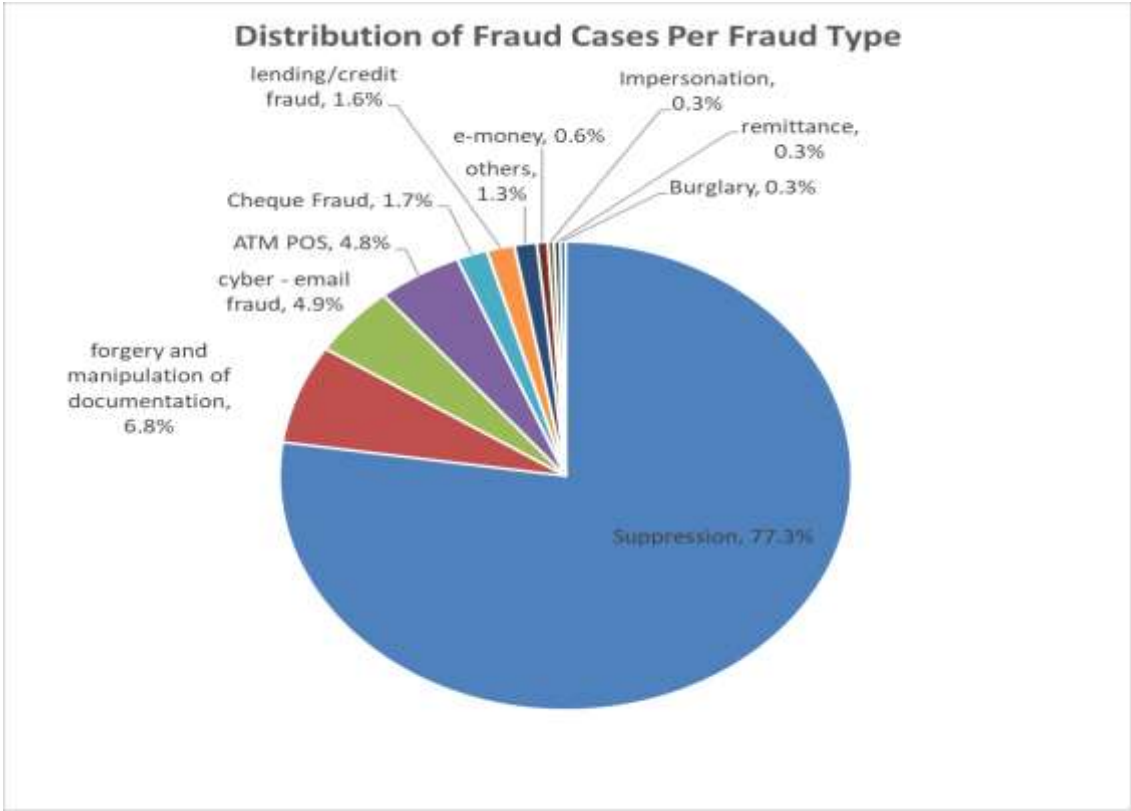
The Bank of Ghana recorded a total of 2,295 cases of fraud representing a 5.4 per cent increase in cases reported in 2018. Rural and Community Banks reported 55 per cent of the total cases, and commercial banks and savings and loans institutions reported 23 per cent and 22 per cent of the cases respectively. In total, eighty-three (83) institutions reported cases in 2019, as compared to seventy-two institutions (72) in 2018. The various fraud types that contributed to the total number of fraud incidences reported to the Bank of Ghana, are illustrated in the table and graph below:

**Table I – Count of Fraud Cases**

Fraud Type	Number of Cases		
	January to December 2018	January to December 2019	% Change (2018-2019)
<b>Suppression of cash/deposits</b>	1,239	1,774	43.18
<b>Forgery and Manipulation of Documentation</b>	136	157	15.40
<b>Cyber / email fraud</b>	174	114	-34.48
<b>ATM/POS Fraud</b>	114	110	-3.51
<b>Others</b>	454	92	-0.80
<b>Cheque Fraud</b>	39	40	2.56
<b>Remittance Fraud</b>	19	8	-57.89

<b>Total</b>	<b>2,175</b>	<b>2,295</b>	<b>-35.44</b>
--------------	--------------	--------------	---------------

Chart I- Graphical Representation of Fraud Cases Per Fraud Type



**2. FRAUD TYPES AND VALUES**

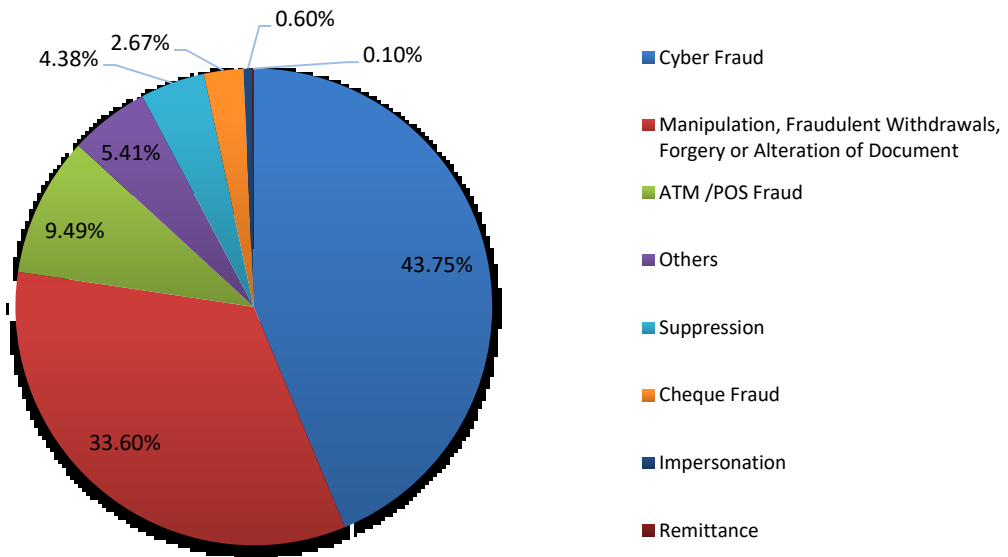
The Banking Industry reported approximately **GHC115.52 million** as fraud to the Bank of Ghana. Of the total values reported, approximately **GHC 33.44 million (28.96%)** was reported as losses incurred, while approximately **GHC 82.06 million (71.04%)** was recovered. The driving fraud trends responsible for the total values reported are illustrated in the graph and table below:

**Table II-Fraud Values Reported**

Chart II-Graphical Representation of Fraud Values

<b>Fraud Type</b>	<b>Total Reported Fraud Values (GH¢)</b>	<b>Successful/ Loss (GH¢)</b>	<b>Unsuccessful/ Recovered (GH¢)</b>
<b>Cyber - email fraud</b>	50,542,043.92	14,312,023.93	36,230,019.99
<b>Forgery and Manipulation of Documentation Fraud</b>	38,815,378.07	5,752,809.49	33,062,568.58
<b>ATM/ POS Fraud</b>	10,962,203.15	1,263,911.36	9,698,291.79
<b>Suppression of cash and deposits</b>	5,054,763.69	4,077,723.62	977,040.07
<b>Others</b>	3,547,863.95	3,269,481.31	278,382.64
<b>Cheque Fraud</b>	3,084,175.27	2,395,290.72	688,884.55
<b>Lending/Credit fraud</b>	1,401,879.63	1,183,612.79	218,266.84
<b>Burglary</b>	709,265.75	685,265.75	24,000.00
<b>Impersonation</b>	687,568.15	96,018.15	591,550.00
<b>E-money Fraud</b>	592,551.16	374,392.92	218,158.24
<b>Remittance Fraud</b>	118,914.68	38,499.86	80,414.82
<b>Total</b>	<b>115,516,607.42</b>	<b>33,449,029.90</b>	<b>82,067,577.52</b>

### Distribution of Reported Values per Fraud Type



### 3. HIGH RISK FRAUD TYPES

The Bank of Ghana identified the following fraud types as some operational risks financial institutions faced in relation to carrying out effective banking operations;

#### 3.1 Cyber Fraud

Fraud cases relating to cyber-crime involved email fraud, crime perpetrated through internet banking and other localized payment and mobile banking platforms. During the year under review Cyber fraud cases decreased by 34.48 per cent from 174 cases in 2018 to 114 cases in 2019. However, despite the decrease in 2019, cyber fraud accounted for the highest value of attempted fraud amounting to GH¢ 50.54 million (with actual loss of GH¢14.31 million).

### **3.2 Cheque Fraud**

The number of cheque fraud cases increased marginally by 2.56 per cent from 39 cases in 2018 to 40 cases in 2019. This includes fraud incurred as a result of cloned cheques, stolen cheque leaflets and cheque alteration. Notable however, is the increase in the number of cases reported as cheque cloning, which originates from the operation of syndicates involving staff of financial institutions, telecommunications companies and cheque-printing houses.

### **3.3 Suppression of Cash and Deposits**

Suppression of cash and deposit reported in the year 2019 increased by 43.18 per cent from 1,239 cases in 2018 to 1,774 cases in 2019. In 2019, the total value of reported cases under this fraud type was GH¢5.05 million, with a loss amount of GH¢4.07 million. Approximately 93.7 per cent of total reported fraud cases (Suppression of cash and deposits) were committed by staff (contractual or permanent) or other insiders. Staff who suppressed cash or deposits were usually 'frontline staff', particularly tellers, mobile bankers or sales agents.

### **3.4 Manipulation and Forgery of Documents**

Fraud cases reported by financial institutions regarding manipulation of accounts and negotiable instruments resulted in attempted fraud values of approximately GH¢38.81 million, of which GH¢33.06 million was recovered and GH¢5.75 million was lost. Over 80 per cent of perpetrators for all cases reported on manipulation of accounts and negotiable instruments were staff of the financial institutions. Staff in question mostly manipulated the internal accounts and dormant salary accounts of customers.

#### **4.0 SUMMARY STATISTICS**

- a. In 2019, 2,295 fraud cases were reported, as compared to 2,175 cases reported in 2018.
- b. 83 Institutions reported fraud cases in 2019 as compared to 72 Institutions in 2018.
- c. Email Fraud had the highest attempted value in 2019 (GH¢ 20.00 million)
- d. The fraud case with the highest loss value involved a cyber-attack which amounted to (GH¢ 6.91 million).
- e. A 72 per cent decrease in value of attempted fraud was reported in 2019, compared to 2018.
- f. There was a 56 per cent decrease in values reported as successful/loss in 2019 compared to 2018.
- g. Loss as a percentage of reported values increased from 18 per cent in 2018 to 29 per cent in 2019.
- h. In 2019, losses incurred from cybercrime increased by 193 per cent compared to 2018.
- i. Losses incurred from cheque-fraud, mainly arising from cheque-cloning increased by 219 per cent from 2018. Losses arising from suppression of cash deposit values, reduced by 93 per cent from 2018.

#### **5.0 DIRECTIVES AND RECOMMENDATIONS**

##### **5.1 Directive to Banks, Special Deposit-Taking Institutions, Electronic Money Issuers & Cheque Printing Companies.**

- a. Contract or temporary staff of banks and specialized deposit-taking institutions must be adequately vetted by the Police Service in order to curtail the practice of employing fraudsters in the industry. Licensed institutions are required to strictly monitor staff (including contractual staff)

and every transaction executed by staff by implementing appropriate internal controls.

- b. Remuneration and working conditions of contract staff and mobile bankers in banks and specialized deposit-taking institutions should be reviewed and aligned to that of permanent staff since they are often found to be involved in suppressing the value of cash and deposits.
- c. The KYC/CDD systems of banks and specialized deposit-taking institutions should be strengthened in order to facilitate the detection of suspicious or unusual transactions initiated on customers' accounts. Banks and specialized deposit-taking institutions are required to file suspicious transaction reports (STRs) and cash transaction reports (CTRs) in line with the BoG and FIC Guideline on anti-money laundering and combating the financing of terrorism and proliferation of weapons of mass destruction (AML/CFT & P). Banks and specialized deposit-taking institutions are required to install a system that will be able to collate data on the trends of transactions in all customers' account so that an alert can be triggered if transactions deviate from the customer specific trends. Banks specialized deposit-taking institutions could thus contact account owners and cardholders to check whether a suspicious transaction is genuinely theirs.
- d. Staff of banks and specialized deposit-taking institutions when undertaking transactions relating to special cheque-clearing must be very diligent, since most cloned cheques come through that channel.
- e. Consumers are to be encouraged to use efficient electronic payment methods that keep an audit trail of fund movements, even as banks and specialized deposit-taking institutions enforce directives and due diligence on "over the counter" payments.
- f. Electronic Money Issuers (EMI's) are required to improve their KYC/CDD systems in line with the BoG and FIC's AML/CFT Guidelines for registering



- mobile money customers. This will help in locating and arresting fraudsters who use the mobile money platform in perpetuating their criminal activities.
- g. Licensed cheque printing houses are required to comply strictly with the BoG's requirement in printing cheques in order to limit cheque pilferage, cloning or counterfeiting.

Banks, specialized deposit-taking institutions and other institutions in the eco system such as the electric money issuers and cheque printing houses are hereby directed to implement the directives above and also strictly comply with Bank of Ghana's Guidelines to curb the recurrence of fraud in the banking industry. Failure to comply with these directives shall attract appropriate sanctions.

## **5.2 Recommendations to the Telecommunication Industry**

- a. Telecommunication companies are strongly encouraged to enhance their registration and monitoring processes in order to significantly reduce incidence of fraudulent call diversion, chip swaps and number porting.
- b. It is also recommended that Telecommunication companies enhance their cyber security infrastructures to prevent unauthorised access in line with the regulator's requirements.

**ISSUED BY BANK OF GHANA**