

**Licensing and Supervision of Banking Business  
Fraud Monitoring  
Directives No. SBB/59/2014**

**Whereas**, the form, causes and impact of fraud inflict actual and potential risk on banks;

**Whereas**, detection and prevention of fraud contributes to the soundness of financial system in general and banking sector in particular;

**Whereas**, the National Bank of Ethiopia has found it necessary to require banks to take the necessary measures to detect, prevent and take remedial actions on fraud;

**Now, therefore**, in accordance with article 59(2) of Banking Business Proclamation No. 592/2008, the National Bank of Ethiopia hereby issues these directives.

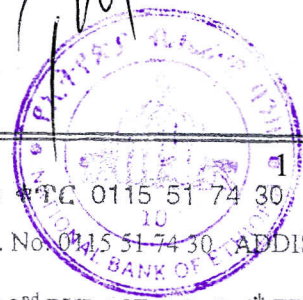
**1. Short Title**

These directives may be cited as “**Fraud Monitoring Directives No. SBB/59/2014**”.

**2. Definitions**

For the purpose of these directives, unless the context provides otherwise:

- 2.1 “**cases closed**” means settlement of fraud cases with police or court, recovering or writing off the amount of the fraud;
- 2.2 “**detection of fraud**” means discovering that actual or attempted fraud has been taken place;
- 2.3 “**director**” means any member of the board of directors of a bank by whatever title the person may be referred to;
- 2.4 “**employee**” means a chief executive officer, a senior executive officer, or any other employee who is appointed or hired by a bank to carry out its day to day operational activities;
- 2.5 “**fraud**” means an act or omission by shareholders, directors, employees, customers committed with the intention of gaining dishonest or unlawful advantage for the party committing fraud or for other parties;
- 2.6 “**National Bank**” means the National Bank of Ethiopia.



**3. Scope of the Directives**

The provisions of these directives shall be applicable to all banks operating in Ethiopia.

**4. Requirements**

- 4.1 A bank shall have a well-defined fraud monitoring and control policies, approved by the Board, and procedures for fraud detection, mitigation and reporting.
- 4.2 Policies and procedures stated under sub-article 4.1 of this article shall be submitted to the National Bank and be appropriately communicated to employees.
- 4.3 A bank shall ensure that the organizational structures and systems are designed to facilitate communication on actual or attempted fraud to the board of directors, management members and other concerned staffs.
- 4.4 A bank shall provide anti-fraud training to all employees and members of the board of directors whenever necessary.
- 4.5 A bank shall maintain fraud register that shall at a minimum contain detailed records of the fraud including:
  - a) name and complete address of the suspected fraudster;
  - b) description or type of fraud(embezzlement, cheating, forgery using fake instruments or others);
  - c) causes of the fraud;
  - d) position or profession of the suspected fraudster (director, employee, customer, or other party);
  - e) amount of actual or estimated fraud;
  - f) date of occurrence of fraud;
  - g) date of detection of fraud and reason for the delay (if any);
  - h) place and area of operation where the fraud has occurred;
  - i) technique and/or technology used to commit the fraud;
  - j) action taken or proposed to be taken to avoid such incidents;
  - k) amount recovered, if any;
  - l) in case of attempted fraud, state reason for the failure of the fraud action; and
  - m) any other relevant information.



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**National Bank of Ethiopia**

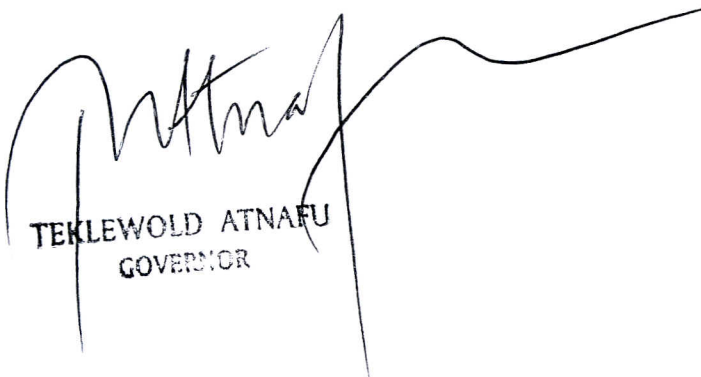
- 4.6 A bank shall report any attempted or actual fraud to the National Bank within 15 working days from the date of detection of the fraud in the form prescribed under **Annex I**.
- 4.7 A bank shall submit quarterly progress report on fraud outstanding to the National Bank within four weeks from the end of the reporting quarter in the form prescribed under **Annex II**.
- 4.8 Where no new fraud occurred or progress has not been made on the outstanding fraud cases during the quarter, the bank shall submit to the National Bank a report by putting a word “**Same**” within four weeks from the end of the quarter.
- 4.9 The obligation of the bank to report fraud to the National Bank under these directives shall not exempt it from the obligation to report the case to a pertinent authority under any other law.
- 4.10 Internal auditors shall assess the fraud cases at least once in every quarter and report the findings and status to the board of directors.

**5 Sharing Fraud Information**

The National Bank, where necessary, may share the fraud information, in its general form and context, guaranteeing the anonymity and confidentiality, to other financial institutions including banks using appropriate means of communication.

**6 Effective date**

These directives shall enter into force as of the **1<sup>st</sup> day of January 2015**.

  
**TEKLEWOLD ATNAFU**  
**GOVERNOR**



Annex I

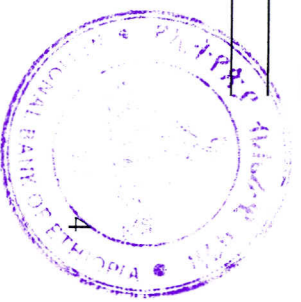
Actual or Attempted Fraud Cases

Name of bank: \_\_\_\_\_  
Date: \_\_\_\_\_

No.	Items	Description	Remark
1.	Name and complete address of the suspected fraudster		
2.	Description or type of fraud (embezzlement, cheating, forgery using fake instruments or others)		
3.	Causes of the fraud		
4.	Status or profession of the suspected fraudster (director, employee, customer, or other party)		
5.	Amount of actual or estimated fraud		
6.	Date of occurrence of fraud		
7.	Date of detection of fraud and reason for the delay to detect (if any)		
8.	Place and area of operation where the fraud has occurred		
9.	Technique and/or technology used to commit the fraud		
10.	Action taken or proposed to be taken to avoid such incidents		
11.	Amount recovered, if any		
12.	In case of attempted fraud, state reason for the failure of the fraud action		
13.	Any other relevant information		

Prepared by: \_\_\_\_\_  
Signature: \_\_\_\_\_  
Date: \_\_\_\_\_

Approved by: \_\_\_\_\_  
Signature: \_\_\_\_\_  
Date: \_\_\_\_\_



Annex II

Quarterly Summary Report on Fraud Outstanding

Name of bank: \_\_\_\_\_  
Date: \_\_\_\_\_

No	Category <sup>1</sup> /Type of Fraud (1)	Cases outstanding as at the end of the previous quarter		New cases reported during the current quarter		Cases closed during the current quarter		Cases outstanding at the end of the quarter		Total amount recovered (10)	Provision held for cases outstanding as at the end of the quarter <sup>2</sup> (11)	Amount recovered during the current quarter (12)	Amount written off during the current quarter (13)
		No (2)	Amount (3)	No (4)	Amount (5)	No (6)	Amount (7)	No (8) = (2+4-6)	Amount (9) = (3+5-7)				

Prepared by: \_\_\_\_\_  
Signature: \_\_\_\_\_  
Date: \_\_\_\_\_

Approved by: \_\_\_\_\_  
Signature: \_\_\_\_\_  
Date: \_\_\_\_\_

Note:  
<sup>1</sup> For consistent reporting, category includes cash, deposit, loan, forex, interbank accounts, clearing, off-balance sheet, check/DDS, others, while type of fraud includes embezzlement, cheating, forgery/using fake instruments, and others.

<sup>2</sup> The provision shall be calculated using the classification and minimum provisioning requirement specified under articles 7 & 8 of Directives No. SBB/43/2008 and SBB/52/2012.

