“WHAT MORE CAN BANKS DO TO STOP THE GROWING THREAT OF BANK FRAUDS”

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Banks deal in money and many other lucrative financial products, making them targets for criminal exploitation and attacks. You would have heard the adage that “crime follows opportunity” and since banks deal in lucrative financial products, there is a possibility to be targeted by criminals either from within or without as we have recently witnessed. With the spate of recent Bank frauds in Uganda, oversight agencies cannot sit back, they have a lot of leg work to reverse to ensure safety of bank assets and shareholders equity. One thing for certain is that criminals invest resources before they can raid banks and the banking system. Uganda Bankers Association (UBA) website provides information on how to stave off the growing threat of financial crimes. Other oversight agencies have also shared information via their websites on how to safeguard against financial crimes. However, it needs to be noted that there is no single safeguard measure that is a silver bullet. Banks and other financial institutions need to enhance their capabilities in real-time fraud-detection and to provide instant solutions once an attack has happened.

One suggestion is the use of blockchain technology to leverage the financial institution’s ability to improve the way data is originated and fed into the banking regulatory system. This will make investigations and transaction monitoring easy since the system is designed with safeguards to stave off attacks from criminals. The inherent advantage of blockchain lies in its transparency nature with regard to origination of data, how it is fed into the system to see who the beneficiaries of financial transactions are. Blockchain technology provides an added layer of security to prevent fraud and those with a perverted mindset to engage in financial crimes. The Blockchain, (notwithstanding some of its shortcomings) can leverage oversight agencies to easily investigate and monitor financial transactions against the growing threats of financial crimes today. It can also enhance compliance of firms with their regulatory safeguard by easily linking entities to each other and creating a common source of digital identity. One shortcoming with blockchain technology has been that it undermines the efforts already registered by countries financial crimes.

Banks will need to sensitise customers on how to safeguard against financial crimes, not least not to share essential data with strangers who in turn can potentially use it against them. On many ATM machines, I have found gullible unsuspecting customers asking security guards to withdraw money for them. Banks will need to devise means on educating customers about their potential vulnerabilities in using debit cards and measures to take against potential fraud. This should include communication with customers in a language free of terminology and technical jargons to sensitize them against fraud. I one time entered an ATM booth to get some money, I found this old unsuspecting old woman asking for help to withdraw money from her Bank Account. I certainly did not accept to help but I doubt if someone else would not have declined help her and to keep her bank details. The issue here is that this bank customer had no idea about the dangers of sharing her bank details with a stranger who could later perpetuate a fraud against her.

One question that springs to mind, are banks well supervised, can it always be business as usual or it is time changes have been implemented? Bank supervision is a practice carried through a number of mutually self-supporting processes, generally based on regular returns, meetings, regular or *adho*c visits, reports and investigations in individual banks." It uses internal measures such as checking the robustness of Know Your Customer (KYC), Suspicious Activity Reports (SARs)/ Suspicious Transaction Reports (STRs), Customer Due diligence (CDD), Enhanced Customer Due Diligence (ECDD) and others. This will bring in an element of public-private partnership to provide effective regulatory oversight of banks and protection of shareholders equity. The bank has a stake in the way financial institutions are regulated and the government is the guardian of Citizens interests and will have to come in to pick the pieces when things go wrong. There is therefore a shared responsibility between banks and oversight agencies.

In a situation where bank frauds are on the uptake because of insider dealing, treating shareholders equity as personal property, using banks assets as they please in disregard of regulatory safeguards, reminds us (stakeholders) that more needs to be done. There are certain lines bank employees cannot afford to cross—to know that ultimately the truth bubbles to the surface. Could the nine employees of Stanbic Bank have ever foreseen that the long arm of the law would eventually catch up with them.

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