

Michael Atingi-Ego: Launch of the Banking Industry Guidelines for Mitigation of Fraud and the Revised Code of Conduct

Remarks by Mr Michael Atingi-Ego, Deputy Governor of the Bank of Uganda, at the launch of the Banking Industry Guidelines for Mitigation of Fraud & the Revised Code of Conduct, Kampala, 19 February 2024.

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Chair, executive director, and members of Uganda Bankers' Association; distinguished guests; ladies and gentlemen, good morning.

Thank you for inviting me to the launch of the Banking Industry Guidelines for Mitigation of Fraud and the Revised Code of Conduct. This initiative is a critical stepping stone towards restoring the bedrock of trust and confidence that underpins our financial institutions.

"A Typology Study On Internal Frauds In The Banking Sector In Uganda", by the Financial Intelligence Authority in June 2022 showed that fraud was rampant and increasingly sophisticated, with cyber fraud accounting for over 50% of all high-value fraud cases under investigation and annual fraud losses more than doubling from 2020 to 2021.

The banking industry has always faced the pervasive threat of fraud, a shadow that stains its reputation and erodes public trust. This threat manifests in diverse forms, from deceptive schemes by external attackers to criminal activities perpetrated by insiders and outsiders.

Fraud in the banking system fundamentally undermines the trust principle it relies on. When customers entrust their hard-earned money to financial institutions, they expect it to be safeguarded responsibly. However, when fraud occurs, it erodes this trust, leaving individuals feeling exploited and vulnerable.

Furthermore, the far-reaching consequences of fraud in the banking industry extend beyond immediate victims. It distorts market mechanisms, diverts crucial resources from productive investments, and can even cascade across entire communities, leading to economic hardship and social unrest.

Fraud is a termite that relentlessly eats into the foundation of trust upon which banks are built. And today, this threat is more widespread and sophisticated than ever before. Cyber / internet-related frauds are rising in Uganda, alongside loan scams, impersonation, identity theft, forgeries, and cash suppression. Just look at the numbers.

Globally, losses topped a shocking USD 11 billion last year, led by the growing threat of account takeover (ATO) frauds. Account takeover fraud, where thieves steal login credentials to access victims' accounts and wreak havoc, is increasing in Uganda, causing significant financial losses and emotional distress.

Globally, what's making it even more concerning is the rise of "synthetic identity fraud," where criminals stitch together bits of real information from various individuals to create entirely fake identities.

This makes impersonation easier and allows attackers to bypass security measures to detect suspicious activity. With ATO cases on the rise, staying vigilant and practising strong cybersecurity is crucial. Consider using multi-factor authentication and avoiding sharing personal information online to protect yourself.

Machine learning, generative AI, predictive analytics, and other advanced technologies empower businesses with speed and intelligence. However, their proliferation also offers opportunities for fraudsters.

Unfortunately, malicious actors utilise these tools to their advantage. For instance, scammers leverage ChatGPT to craft phishing emails that mimic the professionalism of legitimate businesses, enabling individuals without coding expertise to engage in hacking activities by generating functional malware.

Last year, in response to the escalating threat of fraud within the digital financial landscape, a forum convened by Stanbic Bank identified the necessity of a collaborative approach. Participants from the banking industry unanimously agreed to establish a fraud-sharing platform aimed at exchanging information and implementing best practices for fraud management. I am pleased this resolution has materialised with the platform's launch today.

If customers lose faith in banks' ability to safeguard their hard-earned life savings, where can they turn to? As pillars of the economy, we simply cannot allow fraud to erode public trust in the banking system.

This is not just about profits or numbers - it is about upholding a social contract and protecting the financial well-being of millions of Ugandans.

We must educate citizens on emerging digital threats; we must enforce oversight mechanisms to high standards; we must collaborate between banks to track ever-evolving fraud types. And most crucially, we must lead by example - holding ourselves up to the highest benchmarks of transparency, integrity, and accountability.

Leaders should demonstrate integrity through their own actions and ensure accountability at all levels of the organisation. They must create an ethical culture where employees feel psychologically safe to question practices or report suspected misconduct without risk of retaliation.

Effective "speak-up" arrangements and whistleblower protections empower people to voice concerns so issues can surface early before harm is done. Ultimately, leadership behaviour sets the tone - if we want ethical business conduct, it starts with those at the top walking the talk.

I urge all of you - the banking sector's captains, architects, and conductors - to dig in your heels. Let us work urgently and in unison to root out malpractices, punish wrongdoing, and build robust safeguards.

Let us act decisively with a multi-pronged approach, tackling systemic weaknesses and individual misconduct. We owe this to the customers who rely on us, the economy that trusts in us, and the nation that looks to us to power its transformative growth journey while keeping people's money safe.

As the banking industry regulator, the Bank of Uganda (BoU) has taken steps to combat financial fraud. We require banks to allocate capital to cover potential operational losses from fraudulent activities. This incentivises institutions to invest in rigorous risk management systems, thorough employee training programs, and strict internal controls designed to prevent fraud from occurring in the first place.

Also, the BoU promotes increased collaboration between public and private sector entities to facilitate information sharing about emerging fraud trends, jointly identify risks, and coordinate impactful responses.

By strengthening oversight mechanisms and pushing the banking industry to prioritise fraud prevention, detection, and deterrence, the BoU aims to uphold the integrity of financial institutions and maintain public trust in the banking system.

The Banking Industry Guidelines for Mitigation of Fraud and the Revised Code of Conduct we launch today are important milestones. But they mark just the beginning. The real test lies in their effective industrywide implementation. I assure you that the BoU will stand shoulder-to-shoulder with you in this mission-critical endeavour.

Together, let us entrench an atmosphere of ethics and consumer protection and make our banking sector the gold standard of trust. This will foster public confidence and pave the way for a more resilient banking system that protects depositors, stimulates economic growth, and benefits everyone. Collective responsibility and action are our greatest strengths.

Thank you for listening to me.

God bless!