Synthetic Diamonds – Promoting Fair Trade

In the recent past, a few cases of undisclosed mixing of synthetic diamonds with natural diamonds were reported. In view of India's position as a leading diamond hub and in order to eliminate this undisclosed mixing and ensure confidence of the international trade in the Indian industry, the Natural Diamond Monitoring Committee (NDMC) was formed. NDMC consists of representatives from the GJEPC, BDB, GJF, GIA and other Trade Bodies in the Gems & Jewellery sector. NDMC has in the past few months undertaken a study to effectively address the issue of undisclosed mixing.

This has been one of the most comprehensive studies ever undertaken in the sector – spanning 8 countries across 3 continents over a period of nearly 4 months and incorporating inputs from a wide variety of players including manufacturers, retailers, equipment firms, testing laboratories, global Trade Bodies, legal firms, consultants and industry experts. Based on this study, NDMC has developed solutions that will ensure fair trade practices to curb the issue of undisclosed mixing and ensure full and fair disclosure to the purchaser.

Contrary to some previous publications, our research shows that the current production technology, gem-quality synthetic diamond rough production is less than 350,000 Carats compared to over 125 Mn Carats of natural gem-quality rough. With this production quantity, we find that undisclosed mixing today has a fairly small scale.

Today, several firms including De Beers, GIA, and HRD etc. make different models of machines ranging from portable standalone desktop machines to large spectroscopy-based machinery to segregate diamonds. All these machines are highly effective and have been in use for several years within the Trade – though not on a systematic basis.

Given this landscape, we have developed solutions to safeguard against accidental or intentional mixing. Our solutions have covered four key solution areas – Regulatory, Commercial, Process and Technology.

Regulatory: These solutions will target greater traceability of goods in the value chain and penalties for those found to be indulging in undisclosed mixing. The two most significant solutions we have proposed are to firstly have a more granular HS Code system to track the global flow of synthetic diamonds and secondly, to empower and encourage Trade bodies to make modifications in their Articles and Constitutions to clearly outline undisclosed mixing as an unfair practice and to outline and implement strict penal measures against players found to be indulging in such activities. Apart from these measures, we also propose a change to the Consumer Protection Act to give greater protection to purchasers.

Commercial: These solutions have been designed to ensure greater accountability and trust within Trade. We have worked with WFDB on these mechanisms and already put in place suggested standard declarations to accompany Trade invoices globally, which would provide clarity to buyers on the nature of the goods being purchased.

Process: We have designed solutions for players to minimize potential for undisclosed mixing. These include rigorous testing protocols for goods as well as a thorough KYC process in line with the Prevention of Money-Laundering Rules. These measures will be supported by putting in place adequate machines for testing and systems for tracking and storing all transaction data – including test logs and invoices – and accompanying declarations.

Technology: NDMC will take the lead in driving more sophisticated, rapid and scalable technology to assist players in segregation of diamonds. To this end, a centralized testing laboratory has already been

set up within the BDB premises which can be utilized by any player wishing to test parcels or individual diamonds. More such laboratories will be setup soon. In parallel, NDMC will drive technology symposiums, seminars and interactions with technology players at an individual and group level to rapidly drive forward scalable and affordable solutions for the industry.

We are confident that these measures will go a long way in safeguarding the interests of all value-chain participants, each of whom has a large stake in ensuring a transparent ecosystem. Moving forward, the NDMC will also continuously monitor solution implementation.

We have involved Trade bodies and players at a global level in all our efforts and have outlined key actions that each stakeholder will undertake in implementing these solutions. The final report containing details of these solutions can be found on the GJEPC website. We would like to thank all those players who have cooperated in this study – including GJEPC, BDB, WFDB, AWDC, GIA, GJF, MDMA and also several players in the natural and synthetic diamonds ecosystems that have been forthcoming, cooperative and supportive of our initiative.