



WFDB

World Federation of Diamond Bourses

**Presentation by World Federation of
Diamond Bourses President Ernie
Blom to the SAIMM:**

‘Thriving in Difficult Times’

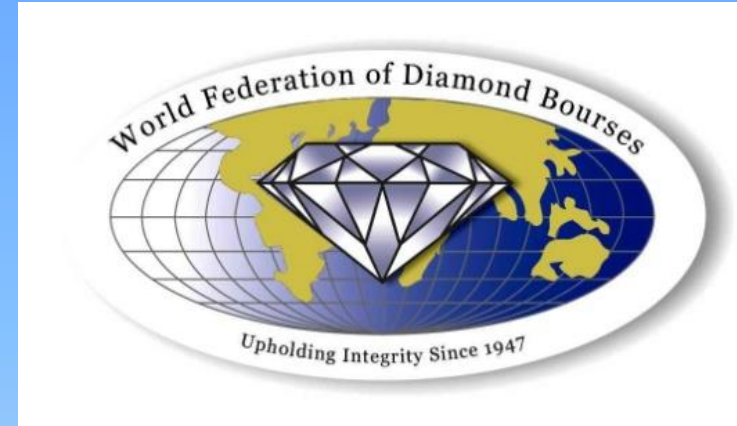
30 Bourses, 21 Countries



What Is The Role Of The WFDB?

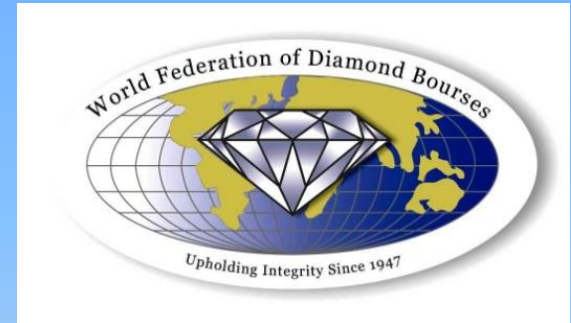
A BRIEF OVERVIEW OF THE WFDB:

- International body representing 30 bourses worldwide
- We are the largest global diamond body
- To protect the interests of affiliated bourses and their individual members
- Settlement or arbitration of disputes between individual members of the affiliated bourses and/or between affiliated bourses
- Transgressors can be banned from trading in all of the WFDB's 30 bourses worldwide
- Participates in the promotion of world trade and encourages the establishment of new diamond bourses
- Members of affiliated bourses pledge to uphold the traditions, principles of mutual trust, consideration and friendship which prevail among the members of the bourses



What Is The Role Of The WFDB?

- Beyond this, the WFDB aims to:
 - Be the go-to voice of the diamond sector for the trade and the outside world
 - Be the authoritative trade organisation in the diamond industry
 - Increase membership to include diamond-producing countries and bodies deriving their income from diamond related business
 - Work with the industry and members to grow profit
 - Develop relations with producers, banks, governments and NGOs
 - Strengthen industry standards relating to reputation and due diligence
 - Run a global communications strategy



The Relationship Between Diamond Producers And The Trade

- There is a symbiotic relationship between diamond producers and buyers – each side needs the other in order to thrive
- We maintain a clear line of dialogue with the producers
- In the past, there were relatively few diamond producers, making the contact between buyers and sellers easier
- The last decade or so has seen a move towards tenders of diamonds rather than one company being predominant. The tenders are carried out by the miners themselves or firms who specialise in them. Tenders provide a snapshot of the prices of the particular goods

Diamond Producing

- With around 65% of the world's rough diamonds mined in Africa, the continent plays a huge role in the diamond trade
- The main African diamond-producing states are:
 - Botswana
 - Angola
 - South Africa
 - Zimbabwe
 - Namibia
 - DRC (overwhelmingly diamonds for industrial use)
- Other producers include: Sierra Leone, Liberia, Ghana, Guinea, Lesotho

Industry Self-Regulation

- We have taken the opportunity to represent the good work that the WFDB is doing in encouraging regulation in the diamond industry by presenting to internal and external agencies
- We are in close contact with the Financial Action Task Force to provide reassurance that the diamond industry is not involved in money laundering
- There is still an idea in some quarters that diamonds are being bought and sold under the counter and the money illegally used to acquire other assets in order to clean up the money Nothing could be further from the truth



Synthetic Diamonds

Our concerns

- Undisclosed synthetics being mixed with diamonds
- Machines developed to detect synthetics, but battle continues
- Disingenuous advertising by some lab-grown diamond firms - claim their diamonds are eco-friendly but that diamond mining destroys the environment
- Lab-grown diamond firms use huge amounts of electricity in creating diamonds because of the need for high temperature and pressure – that's clearly not environmentally friendly

Synthetic Diamonds (Cont'd)

- It is critical that the correct nomenclature is used. We talk about diamonds. Stones that are not mined from the ground are synthetic or lab-grown
- WFDB, the International Diamond Manufacturers Association and CIBJO last year reached agreement on harmonisation of nomenclature with the International Diamond Council's guide
- De Beers in September will launch a line of jewellery set with lab-grown diamonds that it makes. This will drive home the differentiation between synthetics and diamonds in the minds of consumers
- Diamonds and synthetics are two different markets

Synthetic Diamonds (Cont'd)

- The WFDB helped in formulating ISO International Standard 18323: *Jewellery - Consumer confidence in the diamond industry*
- It provides a series of definitions which aim to provide further clarity for traders and to maintain consumer confidence in the diamond industry as a whole
- The ISO ruling defines a diamond as something that was "created by nature"; it also says that "the denomination 'diamond' without further specification always implies 'natural diamond'"

The Diamond Producers Association (DPA)

- Created in 2015 by the 7 leading diamond producers, including De Beers, Russia's ALROSA, Rio Tinto, Petra Diamonds and others
- Creates generic advertising of diamond jewellery
- An initial budget of \$6M, was boosted to \$57M in 2017 and \$80M in 2018
- DPA has taken the lead in generic advertising campaigns aimed at Millennials – the next major market and combating negative advertising by synthetics producers
- Started in US, expanded to India and China
- DPA's work is breathing new life into advertising aimed at consumers
- Using social media to connect with today's generation

Industry Financing

This is a critical issue for our members

- We hold ongoing meetings with producers, banking and finance sector representatives on the issue
- The WFDB is always considering and debating new financing methods for diamond industry players since credit is the 'oxygen' we need to expand
- It is critical for diamond manufacturers and traders to have access to a stable source of finance
- We are looking to bring more banks into the industry, as well as alternative financing such as from investment funds



Industry Financing (Cont'd)

- Diamond industry incorrectly regarded by parts of the banking community as high-risk
- That creates serious problems in accessing finance, particularly SMEs who are the bulk of our industry
- We hold regular meetings with the banking community to stress that our members run their businesses completely transparently



Anti-Money Laundering

- The diamond industry unfortunately suffers from a poor image in this respect which is unfounded
- Diamond companies understand the need to be transparent
- We are in compliance with international Anti-Money Laundering laws

Blockchain in the Diamond Industry

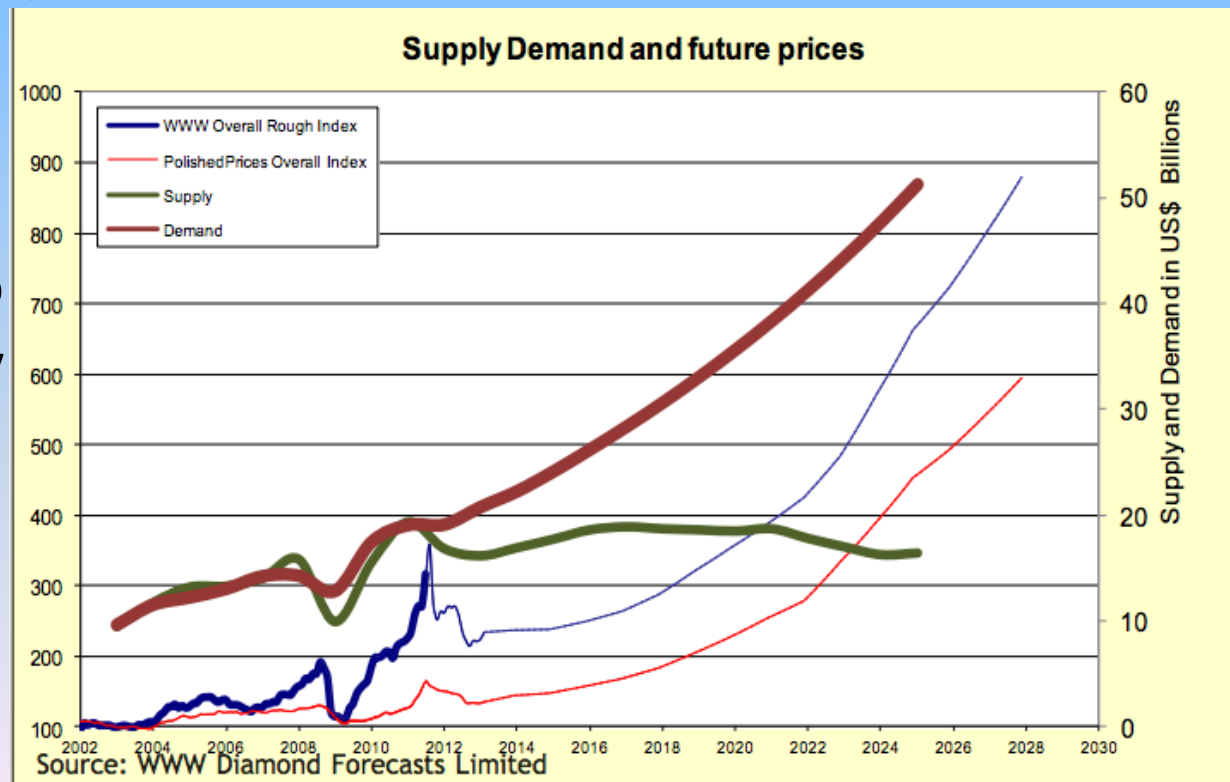
- A blockchain is a digitized, decentralized, public ledger of all transactions. It constantly grows as 'completed' blocks (the most recent transactions) are recorded and added to it in chronological order
- As with other industries, the diamond industry is looking into how to use Blockchain to create a clear, tamper-proof way of tracking diamonds from mine to polisher to retailer
- De Beers is currently leading the way in this field. Its Tracr™ platform is expected to be launched later this year and will be open to the industry

Blockchain in the Diamond Industry (cont'd)

- Tracr aims to provide consumers with confidence that registered diamonds are natural and conflict-free, improve visibility and trust within the industry, and enhance efficiencies across the diamond value chain
- As the diamonds travel along the value chain, a unique Global Diamond ID is automatically created on Tracr, which stores individual diamond attributes such as carat, color and clarity through integration with the participants' existing record-keeping systems.
- This allows Tracr to consolidate the data into an immutable digital trail for each physical diamond, assuring its provenance and traceability from rough to polished.

The Supply-Demand Shortfall

- It is predicted that demand will outpace supply in the coming years due to the rise in sales to the USA, China and India
- This chart by Statista shows the extra demand beyond production in the coming years up to 2050 where supply likely to be static at around 130 million carats annually



Challenges in S. Africa

- South Africa – which led the way in beneficiation – faces not a few challenges
- Unfortunately, the diamond industry has not developed as intended in terms of cutting and polishing
- South Africa, the world's fifth-largest rough diamond producer where De Beers and Anglo American were started, has a manufacturing industry that employs no more than about 300 workers
- We are struggling to find an economic model that can justify diamond cutting and polishing at home

Challenges in S. Africa (Cont'd)

- Although diamond producers in South Africa are required to offer 10% of their run-of-mine production to the State Diamond Trader, in reality the Trader buys much less because beneficiators are unable to make use of run-of-mine goods – they need specific items not run of mine
- Producers are suffering under the burden of export levies which is not the right way to bring about sustainability
- Need a fair and logical tax regime that is in line with international standards. More than that, a business environment has to be created that encourages local beneficiators to buy and polish stones

Thriving in Difficult Times

- Thank you for your time and attention
- The diamond industry faces no shortage of challenges
- But it is used to looking for creative solutions in order to continue thriving
- Above all we remain optimistic: after all, we work with the world's most beautiful product that brings joy to people as they mark life's milestones