

RAPAPORT

To: President
Diamond Bourse

From: Martin Rapaport
Chairman
Rapaport Group
Via Email: Martin@Rapaport.com

September 11, 2023

Rapaport Statement to the World Federation of Diamond Bourses (WFDB)

1. The WFDB and its member organizations must reject the World Diamond Council (WDC) G7 Diamond Protocol. This protocol will severely damage the international diamond, gem, and jewelry trade. Compliance with the protocol is beyond the capabilities of small to medium size members of our trade. Furthermore, requiring traceability from rough to polished for all polished transactions within a G7 country will enable mining companies to extend their market power into the polished markets and reduce competition.
2. WFDB member bourses should provide an alternative protocol to the G7 governments. The G7 Diamond Protocol should start and end with national Customs authorities based on documented Declarative Statements made by the importer and their foreign supplier.
3. The Declarative Statement will require a declaration to Customs from importers and their foreign suppliers that “to the best of their knowledge the diamonds imported do not originate from Russia or other G7 sanctioned entities.”
4. G7 nations must clarify their position regarding the status of “Russian Source” polished diamonds, purchased from Russia as rough but manufactured or substantially transformed outside of Russia by non- sanctions entities.
5. Once imported into a G7 country diamonds should be free to change hands without any statements or invoices.
6. It is the role of government, not the trade, to enforce sanction regulations. They can do so by auditing the flow of money through the diamond pipeline.
7. The role of the WFDB is to represent the legitimate interests of bourse members. This includes the maintenance of freely competitive markets that support small and medium sized companies in all sectors of the diamond distribution pipeline.

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Rapaport Comments:

The WDC G7 protocol is heavily biased in favor of large companies. Smaller and medium size companies (SME) do not have the human and financial resources to meet the extensive filing and auditing requirements of the WDC G7 protocol.

The WDC G7 proposal requires auditable tracing of diamonds from rough to polished. The mining sector will be able to control the polished diamond markets by selective distribution of auditable rough diamonds. They will extend their market power from the rough to polished markets. Smaller companies that do not have access to auditable rough controlled by larger companies will be forced out of business.

The WDC G7 proposal has negative distribution effects; it not only segregates diamonds — by auditable vs non-auditable — it segregates people into large companies vs small companies.

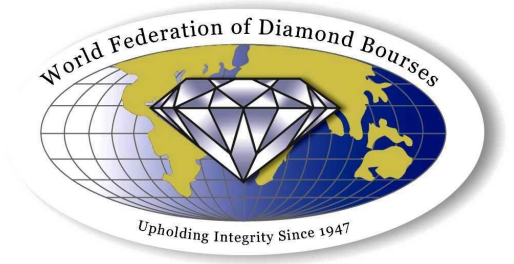
The elimination of small and medium sized companies will reduce market competition and destroy existing efficient markets.

Thank you for your time and consideration,

Yours truly,

Martin Rapaport
Chairman
RAPAPORT

INPO **WFDB** IVZW
WORLD FEDERATION OF DIAMOND BOURSES



September 5, 2023

Dear Presidents

Please find attached a copy of the G7 Diamond Protocol along with the support document.

The background to this proposal rests in the statements made by the G7 countries to stop the movement of Russian Diamonds into the G7 countries.

The G7 have been clear in stating that this will take place with further sanctions on Russian diamonds. Those sanctions will take the form of Customs Procedures that will affect both rough and polished diamonds from all countries.

Members of the executive of the WFDB lead by Yoram Dvash with Moshe Salem, Mehul Shah, Molefi Letsiki, Alan Cohen & Luigi Cosma met with Ferial Zerouki, Udi Sheintal & Elodie Daguzan of the WDC in mid-August, and discussed the G7 Diamond Protocol.

Mr Anoop Mehta (President of the BDB, Treasurer of WDC) and his team have been deeply involved in the negotiations of this Protocol on the Indian side and are in agreement with its aims. Mr Boaz Moldawsky, Mr. Ahmed Bin Sulayem and Mr. Martin Leake had already been briefed prior to our meeting.

It was agreed among the executive that we would support the protocol as it would be to the benefit of the entire industry.

The support would be given in one of two ways.

- 1- Sign up as a supporter of the Protocol. (Your members do this)
- 2- Sign up as a supporter & Assurance provider for the Protocol. (Bourses can do this) *

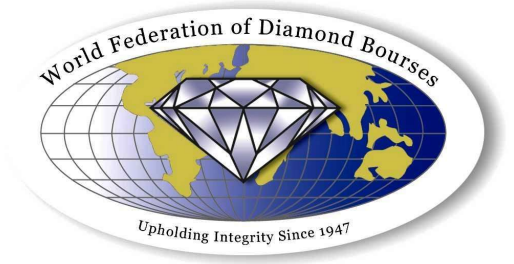
*For the bourses this would mean that you would have to check that your members are following the protocol. This would be very similar to the information you take from your members every year for the Kimberly Process Certification Scheme.

If you are unsure about your Bourse being an Assurance Provider – then just sign up as a Supporter. Once we have the Support from the Bourses, we will set up to start taking the support from your members.

At this time, it would be prudent for each bourse to collect and hold the support documents and then send the secretariate an e-mail with the total number of Supporters they have.

Alan Cohen
Executive Committee member

Yoram Dvash
President



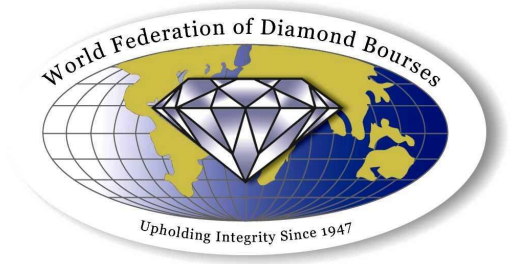
G7 Statement, February 24, 2023

“(iv) Given the significant revenues that Russia extracts from the export of diamonds, we will work collectively on further measures on Russian diamonds, including rough and polished ones, working closely to engage key partners.”

<https://www.whitehouse.gov/briefing-room/statements-releases/2023/02/24/g7-leaders-statement-5/>

G7 Statement, May 19, 2023

“In order to reduce the revenues that Russia extracts from the export of diamonds, we will continue to work closely together to restrict trade in and use of diamonds mined, processed or produced in Russia and engage with key partners with the aim of ensuring effective implementation of future coordinated restrictive measures, including through tracing technologies” <https://www.whitehouse.gov/briefing-room/statements-releases/2023/05/19/g7-leaders-statement-on-ukraine/>



September 12, 2023

Dear Presidents,

I am sure you have all received Mr. Rapaport's letter regarding the G7 Diamond Protocol.

In February of this year the G7 first made its statement regarding Russian Diamonds.

In March approaches were made to both the US State Department and representatives of the G7, asking if a statement, similar to the SOW on rough diamonds, would be acceptable?

The reply was categorical; a declaration would NOT be acceptable.

The WFDB welcomes any solution to this problem that would be acceptable to the G7.

There has been talk that there are other solutions being discussed, but so far, none of them have been put forward.

The G7 Protocol does not require additional audits and is written to support small players and artisanal miners.

Very Best Regards,

Alan Cohen
Executive Committee Member

Yoram Dvash
President