

Opinion

Diamonds: A role model for technical adoption

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Taking place on the sidelines of last month's Kimberley Process intersessional meeting, DMCC organised a tangential event titled, "Provenance, Traceability and Technology (PTT) in the Diamond Industry". Conceptualised to expand on, and address the key developments and challenges of the global diamond trade landscape, the event's main aims were to illustrate the significant progress made in the industry's technical development, the value and role of technology in raising industry standards, and promoting a better understanding of the crucial role suppliers play in driving transformative, technological adoption.

As highlighted by Original-luxury co-founder, Margot Stuart, the diamond industry stands at a pivotal crossroads in its evolution. Faced with several key challenges ranging from changes in consumer behaviour, the growing popularity of lab-grown diamonds, and the recent import restrictions put in place by the G7, the pressure on industry stakeholders has certainly increased. With that being said, the outcomes of the PTT have also made it clear that not only can these challenges be overcome, but potentially swing the pendulum back towards a more favourable climate.

As mentioned by Prof. Felicitas Morhart who referenced Kelman's social influence theory, if an industry is given two choices in terms of how it is governed or regulated with one being blind compliance or through identification, i.e. the circumstances where an industry reacts to its own requirements for the best possible outcomes, identification is clearly the best option.

As reported by Reuters in May 2024, "The United States is re-evaluating the strictest elements of a ban on Russian diamonds from the Group of Seven major democracies, after opposition from African countries, Indian gem polishers and New York jewellers, seven sources said", with two sources describing the US presence as "there but not engaging". According to the same article, a US official said, "We need to do this in a way that takes into account concerns from African partners and African producers, takes into account Indian and UAE partners ... and makes sure we can also make it workable for US industry. Is there a traceability mechanism that satisfies all of that? We're still engaged, we haven't walked away from the idea." Not only do I agree with the source's sentiments on addressing global stakeholder concerns, but remain convinced that suitable traceability mechanisms are not only possible, but essential for the future security and credibility of the diamond industry.

Historically, the ideas of categorisation and traceability have been around for some time. With the GIA established in 1931, and its introduction of laser inscription in 1983, other traceability companies such as Sarine have been around for well over thirty years, however, as an industry, traceability has come to the forefront for three main reasons. Firstly, in order to stem the flow of conflict diamonds, secondly to support the identification of counterfeits, and thirdly for the political purposes of upholding government-related sanctions.



With regards to conflict diamonds and counterfeits, the establishment of the Kimberley Process in 2003 and the action taken by high-end luxury businesses have taken a respective lead on each issue, most notably through some of the traceability mechanisms which I'll come onto in a moment. When it comes to upholding sanctions without causing harm to upstream supply chains, this remains a topic under dialogue, however, for which the PTT was able to shed several constructive solutions.

As highlighted by Sarine Technology Group CEO, David Block, "I think it's important to understand that traceability and understanding the origin of the goods, and the journey along the pipeline didn't start with regards to the G7. It started many years ago."

Closer relationships needed

While governments have their political reasons for engaging in sanctions, the overall event emphasised that policy makers would do well to forge a closer relationship with the industry as a whole in order to understand how their objectives can be achieved, without negatively impacting those most vulnerable. As summarised by Ronnie van der Linden, vice president, World Diamond Council, and president, International Diamond Manufacturers Association, "We understand where the G7 wants to go - we'll work with them, but we'll work with them as a global industry, not individuals."

Echoing the sentiments of her colleague, particularly on the long-term objectives of the G7 and its initial proposal on managing sanctions, World Diamond Council president, Feriel Zerouki reminded attendees that "the objective here is to facilitate African production or North American production into the G7 countries, not obstruct it. We're here to help the G7 meet their objectives, and we know as diamond industry experts and supply chain experts what works and what doesn't."

As an example of how this form of collaboration could potentially

yield positive results, Authentia, a patent-backed traceability solutions provider recently signed a memorandum of understanding with the African Diamond Manufacturers Association to advance traceability efforts. As affirmed by António Oliveira, President of ADMA, Authentia's "technical team's open-minded approach with regard to what the African diamond industry truly requires is what provides this promising platform for natural diamonds and gemstones with a bona fide opportunity to thrive, survive and give prominence to provenance."

Not alone in its approach, each of the traceability and technology partners present at the DMCC event provided a comprehensive solution that tracked diamonds and or gemstones from the mine, throughout their journey to the customer and beyond. Whether through QR codes, physical tracers, synthetic DNA, laser microjets or nano identifiers, representatives from Provenance Proof, Sarine Technology Group, iTraceIT, Opsydia, Tracr, Lemon-DiaTech Group and Synova S.A joined Authentia in providing comprehensive, end-to-end solutions that offered complete transparency and accountability for a diamond's journey, while ensuring an optimised output courtesy of several, technological advancements.

As outlined by Thomas Moses, executive vice-president and chief laboratory and research officer, GIA, while the diamond industry has been famed for its four 'c's, consumers continue to place greater value of the three 'e's of equity, ethics, and environment. Further supported by consumer research that between 40 - 45 per cent of consumers include traceability and sustainability in their purchase-making decisions, the end-to-end provision of data appears to be an opportunity for both ends of the supply chain.

Intersecting with this fact is the rise of lab-grown diamonds in consumer purchases. According to data, 43.8 per cent of US engagement rings in the last financial

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year were lab-grown, however in provenance and traceability, there is now an opportunity for natural diamonds to reclaim the ESG-conscious market.

As highlighted by Vinit Jogani, director, Lemon-Diatech Group, "Unfortunately, we live in a time where the brand of natural diamonds is under fire. If you look at the discourse on social media, even traditional media, natural diamonds are consistently associated with child labour, slavery, environmental degradation, conflicts, and I think traceability is really about seizing back that narrative, correcting, and showing the world all the good the diamonds do. They employ millions of people worldwide directly and a lot more indirectly. This is where you can differentiate. Do lab grown diamonds provide education and hospitals? Today, we can prove you can buy a diamond and say by buying this diamond, you provided education for the full year for a hundred students in a producing nation. That's the power of traceability, and that's what we can extend to customers."

Aside from the massive scope of introducing verifiable ESG benefits, traceability might also address one of the other notorious pain-points for customers - the second-hand market. For those who are either forced, or wish to sell a diamond, finding a buyer or getting even a vaguely reasonable rate of return is near impossible. However, with traceability, you are no longer selling a random diamond, but the story that accompanies it. In this, many believe that

traceability could support a more resilient second-hand market, particularly for diamonds with a more colourful past.

In speaking to a close industry contact, I was reminded that the desire for diamonds, and any other high-value product starts with a story. The notion that a stone takes between one to over three billion years to form, before being extracted and turned into a work of art is not only romantic, but a unique journey for which there is no substitute. As sarcastically put by another contact, "we're not in the B2C business, but the M2M (Mine to Mistress) business. It is what is being presented to the fiancé, wife or loved one. It is the story of the journey, and how it came to be theirs to own. This is something lab-grown diamonds cannot compete with."

As affirmed by Vinit Jogani, "If today you look at war time diamonds, diamonds that have seen something, there's a story. They might have been passed through five generations. Imagine a future where two diamonds coming out of the same rough, where you can find your diamond twin globally. I think there's a story to it. I think there's a charm to it. For consumers, they don't want their diamonds to fall in value. This is one of the solutions that can address it."

From a technology standpoint, two crucial takeaways were the requirement of the early-stage implementation from the source. As highlighted by Klemens Link, director, Provenance Proof, "Nano marking, nano labelling, laser encryption, nano scanning, whatever it is, this is crucial for transparency because it is the physical anchor between any digital or paper certificate and the physical asset. This is the crucial part we have to even improve in my opinion." While rolling out this level of technology may seem like a massive challenge, several panellists reminded attendees that there are only ten, key mines producing 85 per cent of diamonds globally, meaning a great start can be made providing the mines are willing and able to

cooperate. As a second point, advances in technology are also able to help the notoriously fine margins between rough and polished, while providing customers with a greater choice of shape, as highlighted by Bernold Richerzhagen, founder and CEO, Synova S.A. "Our Da Vinci machine means a stone can be processed in one day, when compared to weeks for manual polishing. It means a shorter financing cycle and less inventory. When we calculate the total cost of ownership, it has fewer costs than traditional manual polishing. The quality and accuracy are consistent and it's very easy to use. Learning to polish a stone by hand takes years, with the machine, it can learn in one week, and one operator can manage up to five machines. It enables full traceability because everything is now concentrated in one place, in one step and it's very flexible. This means you can produce standard fancy shapes, as well as customised ones."

Work to be done

As the KP Chair in the "Year of Delivery", I will be the first to acknowledge that there is work to be done, however, I would also like to reflect that much more has been accomplished than the diamond industry is given credit for. In the UAE, for instance, it is worth pointing out that the UAE KP is the only KP participant country to hold ISO accreditation for its office, and recently renewed its ISO 9001-2015 certificate in 2024 for the second time. As highlighted by Nazia Haque, senior manager, UAE Kimberley Process, "The UAE Kimberley Process office was established in 2002 under Federal Law No. 13, which made the United Arab Emirates the first Arab country to join the Kimberley Process certification scheme. At present, UAE is one of the largest traders of rough diamonds in the world and certainly, its ISO accreditation has helped to improve business efficiency, sustainability, customer excellence and employee engagement."

In terms of the global industry, I echo the sentiments of Hans Schwab, co-founder, OriginAll, who said: "I spoke a little bit about being proud of where we are, and I come back to the Kimberley Process. I can't think of an industry that has something as powerful as the Kimberley Process where industry stakeholders united; countries, organisations - they sat down to solve the fundamental problem of making it clear as to where diamonds come from. As part of this journey, we've seen a huge amount of collaboration to get us to where we are. We need to use that as the foundation, the bedrock on which to build all of these technologies. I believe we can take great heart in that."

Equipped with the growing support of industry technology, most notably, through the companies who joined us last month, the diamond industry's demonstrable ability to collaborate and coordinate will continue to be its greatest asset. As such, I believe natural diamonds will not only retain their unique status as a sought-after commodity, but become an industry role model for stakeholder and consumer equity.

The writer is Executive Chairman and Chief Executive Officer of DMCC.

Sharjah Islamic Bank's \$500m sukuk oversubscribed three times

Sharjah Islamic Bank (SIB) successfully closed a \$500 million sukuk in the international capital markets on Wednesday. The issuance received tremendous response from international investors, attracting orders that peaked at \$1.5 billion, meaning that the issue was oversubscribed more than three times.

The sukuk has maturity of five years and was priced at spread of 105 basis points + five years US Treasuries. The sukuk will bear a profit rate of 5.25 per cent per annum with maturity on July 3, 2029. The bank was successfully able to tighten by 35 bps having announced initial price talk (IPTs) at 140 bps area due to the strong demand from international and Middle East investors.

Mohamed Abdalla, CEO of SIB, said: "This is our ninth foray in the international capital mar-

kets, having issued a sukuk as early as 2006. The bank remains strong under prudent management and that reflects in the ratings and pricing of our transactions."

The SIB delegation was led by Ahmed Saad, the deputy CEO along with Saeed Al Amiri, head of investments, treasury and financial institutions and Ali Wahab, head of investment banking. While presenting to international investors, Saad highlighted the strengths of the UAE banking system. "The sukuk's diverse geographical distribution was a key target of the issue. We were able to allocate diversely with Middle East getting 80 per cent while Asia and Europe getting 13 per cent and seven per cent respectively. The interest in the Middle Eastern credit story in general and SIB in particular was very strong," he added.

Pakistani expats urged to remit money via official channels

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Pakistan's ambassador to the UAE has asked his countrymen to use official channels for remittances and other financial transactions in order to support their economy.

During the launch of the online payments services platform KuickPay, Ambassador Faisal Niaz Tirmizi strongly urged community members to use formal banking channels as this will also ensure transparency in the economic system.

The UAE has traditionally been one of the largest sources of remittances for the South Asian country, thanks to 1.7 million Pakistanis living and working in the Emirates.

Official figures showed that workers' remittances posted a positive growth of 3.5 per cent from July to April this year on the back of



the recovery in the global economy and better economic performance in the main remit corridors such as the US, UK, and European Union.

The share of remittances from Saudi Arabia remained 24.2 per cent (\$5.1 billion), UAE 17.4 per cent (\$3.7 billion), UK 15 per cent (\$

3.2 billion), US 12 per cent (\$2.5 billion), other GCC countries 10.8 per cent (\$2.3 billion), European Union 12.2 per cent (\$2.6 billion) and others 8.4 per cent (\$1.8 billion).

Remittances from the UAE are expected to increase in the coming years, with more than 230,000 Pak-

istanis migrating to the country in 2023 in search of greener pastures.

The Emirates was the second top migration destination for the South Asian community last year, according to the Bureau of Emigration and Overseas Employment (BE&OE) and Overseas Employment Corporation (OEC).

Digital solutions make financial transactions easier for all, said Tirmizi, adding that the digitisation of the economy will be a game-changer for Pakistan.

The ambassador said such initiatives are rolled out to support the expat community.

Saqib Ali Kazmi and Arab Ali Khan, founders of Kuickpay, said the app was launched to help not only Pakistanis but also other residents of the UAE. This will enable the users to pay UAE and Pakistani bills using their UAE-issued cards.