

# TRUST AND VERIFICATION

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**D**iamonds are a very complex product due to their high degree of quality and price differentiation. There are thousands of shape, size, color, clarity and cut combinations traded in markets with restricted price and availability information. In this environment, sellers are most often better informed than buyers. In many instances, sellers utilize the inherent lack of transparency to take advantage of buyers.

Essentially, there are two ways to cheat the customer: quality and price. While many sellers will not lie outright to customers, most avoid disclosing negative information. In many instances, buyers do not properly investigate the authenticity of the products they sell nor the integrity of their sources. They assume that the diamonds or jewelry products they buy and sell are legitimate, when in fact they are not. A culture of “don’t ask, don’t tell” has permeated the jewelry industry and evolved into a finger-pointing game of “I didn’t know I was selling a treated, synthetic or under-carat product” when the inevitable fraud, deception and misrepresentation is discovered.

Traditionally, the diamond industry has been built on trust. But it’s now time to ask the hard questions. Can we trust our fellow diamond dealers? Can we assume that the products we buy are legitimate? Can diamond companies operating at the edge of profitability afford to be honest?

Let’s look at the facts.

- In the past few months, International Gemological Institute (IGI) has confirmed that over 500 synthetic CVD diamonds have been traded by legitimate companies without disclosure. Many thousands more are undoubtedly in the market.
- Diamonds are being double and triple treated not just for enhancement, but to deceive grading laboratories that sometimes do not catch the treatments and grade the diamonds as natural.
- Diamond cutters are recutting lower-quality diamonds to match higher-quality grading reports and selling them in the trade.
- Marange diamonds are routinely sold in violation of Office of Foreign Assets Control (OFAC) sanctions along with other diamonds involved in human rights abuses.

It’s time to recognize the truth. Diamonds and the people who sell them have lost their “innocent until proven guilty” status. Diamond dealers and jewelers do not have the right to assume the legitimacy of the products they sell. It’s time for the jewelry trade to stop playing the “don’t ask, don’t tell” game of false legitimacy. Trust without verification is a scam.

The way forward requires implementation of the following principles:

- Everyone is responsible for what they buy and sell.
- Buyers must proactively investigate the legitimacy of their supply chain and verify the authenticity of the products they sell.
- Full and fair disclosure about product authenticity and legitimacy must be made in writing.

Responsibility requires that sellers provide an immediate, full, cash refund in the event of misrepresentation. Claims of “I did not know” are unacceptable and a sign that the suppliers did not properly verify the legitimacy of their supply chain and/or properly disclose limitations of authenticity.

Buyers are also responsible for what they buy and are well advised to require their suppliers to make a commitment of authenticity by writing “Natural Untreated Diamonds” on all invoices. While the invoice statement may shift the financial responsibility, it does not solve the ethical and reputational problem. What woman wants to hear that her diamond is synthetic, especially after paying full retail price?

Frankly, it’s time for buyers to be proactive and have “The Talk” with their suppliers regarding their supply chain. If your supplier is unwilling to investigate his supply chain for the products he sells to you and/or is unwilling to provide a written guarantee of the authenticity and legitimacy of the diamonds he is selling you, it’s time to get another supplier.

The Rapaport Group is moving forward with our efforts to support and enable an ethical jewelry supply chain. These efforts include our Campaign for Ethical Jewelry at [ethicalpledge.com](http://ethicalpledge.com) and plans for the ethical diamond certification. We will also be introducing new RapNet trading rules and identification procedures designed to enforce ethical trading and fair disclosure standards.

While advanced laboratory technology and procedures may help us verify the authenticity of some diamonds, they cannot prevent the thieves in our midst from coming up with new ways to cheat us and our customers. Many of us are excellent at sorting diamonds. It’s time we got excellent at sorting the people we do business with and separate the good people from the bad people. It’s time for you to call your supplier and find out where your diamonds come from.

The diamond business isn’t really about diamonds; it’s about the people in the diamond business. It’s about consumer confidence in the integrity of the trade. For in the end, after all is said and done, our diamonds are only as good as we are. ♦

