



February 18, 2016

Dear Bourse Presidents,

You may have seen the press release which the WFDB issued earlier today, and I would like to follow up with some additional information. The discoveries by our "forensic journalist" have already led to a number of different investigations. The GIA has called in U.S. law enforcement authorities, in addition to its own investigation, ALIBABA is dealing with this on the highest levels - and has immediately locked access to ALIBABA by the fraudulent vendor and, it is my understanding that Chaim and his team are planning a "follow-up" with more revelations next week.

Our interests are not necessarily fully aligned with those of others: we need to remove the fraudsters from our midst and stop the practice. Chaim has confided to me that the "mastermind" behind all of this is an external (i.e. not from the business) criminal gang, very professional, and are serial-fraudsters, i.e. they go from scheme to scheme. According to newspaper articles in India, these people have been involved before in a diamond fraud in an African producing country.

Our bourse community has many ways in which it can help the various investigations. In the investigation it has become apparent that genuine original certificates were used, many of which were acquired in Hong Kong. As we know, the Chinese market needs Chinese certificates and many H.K. exporters of polished have drawers full of GIA certificates - without diamonds. Chaim will disclose that around Sept-November 2014, which is about the time this fraud apparently started, there were operators in H.K. offering up to \$100 for a genuine GIA certificate. There are indications that this scheme has been operational since late 2014 and thousands of traders and consumers, holding genuine GIA certificates, may, in fact, be holding CVD diamonds.

Some of our members may remember parties who showed an interest in purchasing GIA certificates without diamonds - which is information that now has become crucial. The Diamond Intelligence Briefs documented a "purchase" made on Chaim's behalf, and before transferring the funds, a list of genuine natural diamond GIA reports with the numbers inscribed in the synthetics was requested from the seller. That list appears in the attached two pages.

As I noted in the WFDB press release, we have uploaded the list on our WFDB website and we urge member bourses to do likewise or post these pages on bourse bulletin boards. Diamantaires having such stones or certificates in inventory may most likely possess "the real diamond" and may not need to worry, but duplicate stones with the same inscription may nevertheless be in the market. The WFDB urges anyone who has acquired a stone with any of these numbers (either with or without a certificate) to contact GIA Senior Vice President Tom Moses directly (email: tmoses@gia.edu). The WFDB was informed that there is no reason to resubmit the stone itself - unless the GIA has reasons to make such request.



For those bourse presidents who may not have read the full story, I am attaching the issue of the DIB itself. **Because of strict rules prohibiting unauthorized distribution of this subscription based publication, it is understood that this is purely for the personal use of bourse presidents - and not for onward distribution. Please respect that (commercially valid) request.**

Looking forward to your feedback,

Best regards,

Ernie