

COMPLIANCE

The diamond sector is often viewed as an industry with big bling, shady actors and questionable practices in terms of money-laundering, corruption or tax evasion. Because of past scandals, media investigations or lawsuits, public opinion still believes our industry gets away with particularly lenient regulation and easily eludes control. That may to some extent be true for some diamond centers, but cannot be said for the Belgian diamond industry. As outlined below, registration, control and assistance make the Belgian diamond trade the most highly-monitored in the industry.

This is confirmed by the comparative study of diamond trading centers conducted by PwC and commissioned by AWDC in 2017, which claims the 'legal & regulatory framework' to be an important factor. Antwerp comes in third place, after Hong Kong and Singapore, due to its top position regarding transparency in the Kimberley Process and AML as well as cross-border trade, and in second place for both immigration laws and resolving insolvency.

Through its various actions related to compliance, AWDC wishes to contribute to the achievement of SDG 12: "Ensure sustainable consumption and production patterns" via:

- **Target 12.6:** Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

To SDG 16: "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels" via:

- **Target 16.4:** By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime.
- **Target 16.5:** Substantially reduce corruption and bribery in all their forms.



STRINGENT REGISTRATION PROCEDURE

Registration as a diamond trader is mandatory in Belgium, for the independent traders as well as for trade companies. There are detailed formalities to comply with before one can operate as a trader. On top of the procedures that are customary in the diamond business, Antwerp is subject to an additional compliance layer as a result of EU legislation and regulations.

The managers and executives are always known by name at the FPS (ministry) Economy, Diamond Office and the Diamond Bourses. This ensures that certain people who wish to exploit a legal entity will find access to the Belgian diamond industry more difficult.

Since 2012, the FPS Economy conducts targeted controls of diamond traders by using predefined risk criteria and has the authority to issue an official complaint. One risk can be suspicion of wrongful business practices. The results of these inspections are not publicly released.

TRIPLE CONTROL AT DIAMOND OFFICE

Diamond Office (DO) is the in-house customs office that streamlines the vast flow of all types of loose diamonds: polished and rough, industrial diamonds, diamond powder, natural as well as synthetic. The control system inside the DO is a collaborative effort between AWDC, the FPS Economy (Licensing Department) and the FPS Finance (Customs). It is the only customs office in Belgium where 100% of the diamonds can and must be checked and declared for import and export outside the EU. This is how the control works:

- ▶ 17 Sworn experts working under the supervision of the FPS Economy conduct physical checks of 100% of the parcels according to a number of parameters: documented origin or provenance, weight, value and classification of diamonds, compared with the information on their trade documents. This procedure does not exist anywhere else in the world. Most other countries work with targeted checks on the basis of a risk analysis.
- ▶ Customs conducts a control of all import and export declarations prepared by AWDC personnel in the DO. Since 2011, AWDC has the status of a full Authorized Economic Operator (AEO). This confirms that the FPS Finance (Customs) recognizes AWDC as a reliable partner in the field of customs procedures as well as security. AWDC also offers assistance in all import and export formalities to increase compliance.

RISK ANALYSES OF THE DIAMOND INDUSTRY

At the request of the CTIF - CFI (Financial Intelligence Processing Unit) and with the support of FPS Economy, AWDC performed a risk analysis of the Antwerp diamond industry which was finalized in 2017. This analysis determines the risks with respect to money laundering and terrorism financing. It contains a summary of factors reducing the risk of money laundering and financing of terrorism in the Belgian diamond industry, but also factors that increase it.

It contains a mapping of prevalent risks, such as trade with high-risk third countries, value fluctuations in diamonds in trade transactions and transactions with companies not connected to the diamond industry. It identified measures and factors that are already in place, mitigating those risks, e.g., Diamond Office, the Bureau Van Dijk database, AML seminars. Several recommendations have been made to further mitigate the risks of money laundering and financing of terrorism in the Belgian diamond industry, such as raising awareness about the risks in the sector and drafting practical guides to reduce the risks in companies' day-to-day business, in which AWDC continues to invest its time and energy.

Whereas AWDC has booked positive results in terms of anti-money laundering (AML) awareness and compliance (see below), it is impossible to warrant that every diamond trading company complies with the legislation. AWDC condemns these cases and distances itself from them. The reputation and license to operate of the industry are key, as the quote below illustrates. Even if only one company appears to be non-compliant,

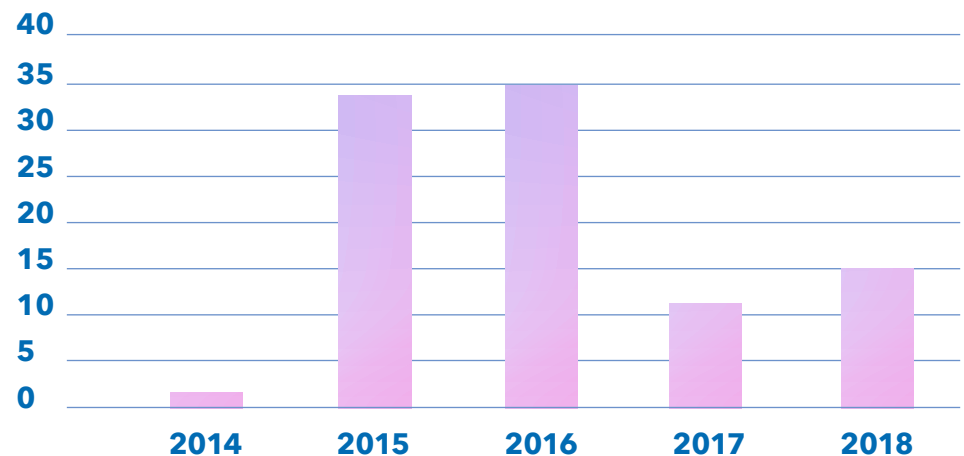
this has a negative impact on the perception of the Antwerp diamond industry as a whole. Past cases are still a burden today. It takes one day to lose your reputation, but twenty years to build it up again.

“Reputation risk is a big problem. As an industry, you cannot work by yourself, you need other industries (banks, insurance, transport, lawyers, bookkeepers, etc.) and their support. With a bad reputation, they will no longer want to provide services to the diamond industry because legal negligence is a risk for all of them with a high cost”, - H. Mahieu

One of the obligations of diamond traders is to make notifications of suspicious transactions to the CTIF - CFI. To lower the threshold, AWDC has established a SPOC where diamond traders can signal any suspicion, which the AWDC can pass on to the CTIF - CFI.

The success of AWDC's awareness raising is reflected in the number of notifications since the launch of the SPOC in 2014. In 2014, 2 notifications coming from the diamond sector were made; in 2015 there were 34 (of which 2 were transferred to the public prosecutor); in 2016 there were 35 (of which 5 were transferred to the public prosecutor); in 2017 there were 11 (of which 8 were transferred to the public prosecutor); in 2018 there were 15 (we have not been provided with the number of referrals to the public prosecutor yet). The high number of referrals to the public prosecutor indicates that the notifications which come from the diamond sector are qualitative and effectively contribute to the combatting of money laundering and financing of terrorism in the sector.

NOTIFICATIONS TO THE CFI



AWDC COMPLIANCE HELPDESK & TOOLS

The AWDC compliance mission is two-fold. Firstly, we make efforts to ensure a clean and compliant industry which is aware of potential risks and knows how to respond to them. AWDC has set up an AML & Compliance Helpdesk which assists traders with all their compliance questions and issues, ranging from the practical implications of their AML obligation, to the measures that need to be in place to be compliant with, for example, the General Data Protection Regulation (GDPR).

SEMINARS: basic and advanced AML & Compliance seminars, organized by the Helpdesk, provide a good understanding of the legal and self-regulatory frameworks which apply to diamond traders, as well as of related issues such as sanctions. They give practical guidance on how to carry out the legal requirements in the company's organization, business relationships, etc. The seminars are endorsed by the FPS Economy. The seminars are attended by traders and other interested parties such as the FPS Economy and banks. In 2018, 30 seminars reached 458 persons, 257 of which were diamond traders. Since 2013, 1,200 persons have attended over 70 seminars.

COMPLIANCE TOOLS & DOCUMENTS: The AWDC provides diamond companies with the right tools to implement measures ensuring compliance within the company. For example, in collaboration with Bureau Van Dijk, AWDC created a **customized software tool** for the diamond industry, through which traders can screen their clients and assess the potential risks related to the client before entering into a business relationship. This not only strengthens traders' quality of KYC work and risk assessments, but also transparency and vigilant practices in the industry.

Another tool is the new **MyKYCBANK**, a platform where diamond traders can register to upload all their KYC information and connect with other traders to share KYC information among one another (see more information under chapter "Integrity"). Safeguards built in the platform ensure that the information is correct, up-to-date and checked against PEP (Politically Exposed Person) and sanction lists. At the end of 2018, DMCC also joined.

AML & COMPLIANCE HELPDESK

*YOUR MULTITOOL FOR
AML AND COMPLIANCE*







KYC & COMPLIANCE
TOOLS



QUESTIONS ON
COMPLIANCE
TOPICS



BANK
ACCOUNT
HELPDESK



REPORT
SUSPICIOUS
TRANSACTIONS



ONLINE
AML-REPORT

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We have shared ready-to-use templates with the industry to ensure compliance with different legal frameworks.

- The AWDC Compliance department has developed a best-practices guide specifically for the diamond trade, which gives traders practical guidance in matters of contract law, trade law, accounting legislation, and so forth.
- We have drafted an AML policy document that traders can use as a template to make a customized document explaining the measures they have undertaken and continue to implement in practice, to comply with the AML requirements and remain vigilant for risks during business relationships.
- Hands-on GDPR guidelines and templates have been drafted specifically for the business of traders, to help them implement all requirements in practice.

Movie: The AWDC Compliance department made an educational movie: "What is compliance in the Antwerp diamond industry and how does it work?" [You can watch it here →](#).

Newsletter: The helpdesk sends out an AML & Compliance newsletter on a regular basis to over 1,000 registered members of the diamond community.

AWDC COMPLIANCE TEAM WINS "WOMEN IN COMPLIANCE" AWARD

More than 400 compliance professionals from around the world gathered in London on 28 March 2019 for the presentation of the international "Women in Compliance" awards, an honor that shines a spotlight on female compliance professionals. The AWDC Compliance team took home the award for "In-house Compliance Team of the Year".

The AWDC Compliance Team was competing with internationally renowned companies such as AB InBev, BBC Studios, Bayer Plc and Pearson, among others. They went home with the top award in the category 'In-house Compliance Team of the Year', a great honor. This award serves as recognition of the tremendous efforts the entire diamond industry has made in recent years.



CONSULTATION AND OUTREACH TO STAKEHOLDERS

Secondly, to back-up these efforts in compliance, AWDC performs outreach to and maintains dialogues with different actors (including governmental authorities, FATF, banks, foreign governments...) to increase their comprehension of the industry, and has implemented several measures to reduce risk levels and increase compliance. AWDC's compliance team takes an active approach and regularly speaks at conferences with various stakeholders, writes articles, holds meetings involving different parties, and so forth.

This combination of an internal focus on the market and an external focus on how it is perceived by entities outside the industry is needed. Both pillars are intrinsically related – the more compliant the sector is, the better its perception outside. And the better the sector is perceived, the more traders are encouraged to take compliance to the next level, as they notice it really does pay off.

One demonstration that it pays off, from a diamond trader's perspective, is that banks – many of which stepped out of the sector as they took a 'better safe than sorry' approach regarding the diamond industry being labeled as high-risk – are slowly opening up to the industry again, as they have regained trust on compliance and transparency in the industry. Barclays Bank, for instance, backs Ebury, a payment institution which has since this year entered the Belgian diamond industry. More about the banking aspects is to be found in the chapter "Banking and fiscality".

Even though public opinion remains skeptical, and even if we cannot vouch for all 1,600 diamond companies individually, the city is internationally recognized by its peers as the ethical benchmark and role model for the entire diamond and jewelry industry. AWDC contributes significantly to the current shift from perceiving compliance as something to abide by out of fear for repression, to something to do because it's the right thing to do – an internal norm.

