



2011 Annual Report

SOUTH AFRICA

**Kimberly Process
Certification Scheme**



A. INSTITUTIONAL FRAMEWORK

1. Designated Authority

The designated authority responsible for the implementation of the Kimberley Process Certification Scheme is the South African Diamond and Precious Metals Regulator.

<i>Physical address:</i>	<i>Postal address:</i>
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2. Focal Point

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 Chief Executive Officer
 South African Diamond and Precious Metals Regulator
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3. Authorised KPC signatories

Banyana Moloisane	Chief Diamond Inspector	banyanam@sadpmr.co.za
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B. LEGAL FRAMEWORK

The South African Diamond and Precious Metals Regulator came into effect on 1st July 2007, following the implementation of the Diamond Amendment Act, Act 29 and 30 of 2005. The institution regulates both the diamonds and precious metals in South Africa and its functions include:

The implementation of the amendment Acts brought about the promotion of beneficiation of South Africa's mineral resource as well as the equitable access to its diamond resources to the previously disadvantaged persons.

The Diamond Amendment Act, 2005 addresses among others the following:

1. The extent of powers of both the South African Diamond and Precious Metals Regulator (SADPMR) as well as the State Diamond Trader (SDT)
2. The requirement that diamond producers should offer 10% of all diamonds produced in a production cycle to the State Diamond Trader for the purpose of redistribution/resale to local manufacturers.
3. The requirement that unpolished diamonds must first be offered to the local market at the DEEC before they can be exported.
4. The DEEC is the only institution in the country that can process the import and export of rough diamonds
5. Only synthetic diamonds are exempted from export duty
6. Unnatural or enhanced or synthetic diamonds are required to be disclosed as such before they can be sold.

C. IMPORT AND EXPORT REGIME

South African Diamond and Precious Metals Regulator facilitates the import and export of rough diamonds through its Diamond Exchange and Export Centre (DEEC). The DEEC was established in terms of section 59(b) of the Diamond Amendment Act no.30, 2005 and has been in operation since 2008. Its core function is to facilitate the buying, selling, exporting and importing of diamonds.

It is a secure and controlled environment where diamonds are offered on tender to other licensees. It plays a vital role in ensuring that unpolished diamond tenders are facilitated fairly to the local market.

Rough diamonds are brought to the DEEC to be offered to the local market for a minimum of 4 working days before they can be exported. All licensees are informed either by fax or email of all the diamonds brought in for tender. Licensees are then allowed to view the diamond parcels that they are interested in and put offers to purchase them.

Requirements for placing unpolished diamonds at the DEEC:

1. A valid South African diamond license or permit.



2. A broker's note (a note of purchase or receipt) in respect of local unpolished diamonds.
3. A declaration by the license or permit holder that their reserve price is the fair market value of unpolished diamonds.
4. A Kimberley Process Certificate in the case of imported diamonds.
5. A purchase certificate which serves as proof that Producers offered 10% of their production to the State Diamond Trader.

Role of Government Diamond Valuator (GDV)

Government diamond Valuator is appointed under the Diamonds Act, 1986 (as amended) to ensure that diamonds are traded at Fair Market Value (FMV). Its key responsibilities are:

- i. *Diamond Exchange and Export centre*: The GDV is required to value each parcel submitted for export to ensure goods are exported at FMV.
- ii. *Temporary Exports*: All temporary exports need to be checked and verified by GDV to ensure that the same goods are returned to South Africa.
- iii. *Rough Imports*: The GDV is required to value each parcel being imported to ensure the FMV thereof as clients receive import credits from South African Revenue Services.
- iv. *State Diamond Trader (SDT)* : Verify and value all goods offered to the SDT from all producers in order to determine the FMV thereof.
- v. *South African Police Services*: All confiscated objects are brought to the office of the GDV for an expert opinion on value. Testimony is given in court as and when required.
- vi. Provide technical advice regarding the value of diamonds to all Stakeholders.

E. STATISTICS

Statistics for all the quarters 2011 have been submitted to WGS.