



07/11/07  
120.  
adopted

## Brussels Declaration

### Internal controls of Participants with rough diamond trading and manufacturing

Plenary Meeting of the Kimberley Process  
5-8 November 2007 .

#### **1. Existing recommendations on internal controls in the KPCS**

In accordance with Section IV(a) of the Kimberley Process Certification Scheme (KPCS) document, which comprises part of the minimum requirements for Participants, each Participant should "establish a system of internal controls designed to eliminate the presence of conflict diamonds from shipments of rough diamonds imported into and exported from its territory."

The Moscow Declaration, adopted at Plenary 2005, sets out a number of recommendations for effective internal controls over alluvial diamond mining.

The "Administrative Decision on Improving Implementation of Internal Controls (ADIC) in the KPCS" adopted at the Gaborone Plenary in 2006 urges participating countries to adopt a range of measures that are crucial to having an effective system of internal controls to prevent the trade in conflict diamonds.

Recommendation 36 of the 3 year-review of the Kimberley Process adopted by the KP at its 2006 Plenary in Gaborone mandated the Working Group on Monitoring to "identify any loopholes in the implementation of the KPCS in trading, cutting and polishing centres and make recommendations to address them as needed, in accordance with its mandate." The 3 year review also identified government oversight of the diamond industry as a key priority that should be addressed in 2007. To implement these recommendations, the Working Group on Monitoring created a "temporary Technical Experts Team for the Review and Assessment of Implementation of the KPCS in trading, cutting and polishing centres" (TET).

#### **2. Work of the TET group**

The TET group carried out an objective assessment and report of the implementation of the KPCS in participant countries with trading and manufacturing centres. In particular, the report presents an overview of how the "Administrative Decision on Improving Implementation of Internal Controls in the KPCS" is being implemented in 26 countries with significant trading and/or manufacturing centres, identifies best practices and further progress needed to ensure that there are sufficient controls over trading and manufacturing activities to prevent the trade in conflict diamonds.

The report from the TET shows that while most of the recommendations on internal controls and government oversight are widely implemented by Participants, others are partially implemented.

Participants and Observers, meeting in Plenary session in Brussels from 5-8 November 2007, welcome the report of the TET, and fully endorse the findings of the TET indicating that effective internal controls over the trade in rough diamonds are crucial to the overall!



effectiveness of the KPCS in preventing conflict diamonds from entering the legitimate diamond trade.

The report found that:

- 55% of Participants surveyed fully implement recommendation ADIC 16 for maintaining records containing all the indicated elements (names and licence number of clients, amount and value of diamonds sold, exported or purchased, stock controls, KP certificates and purchase and sales data).
- 36% percent of Participants fully implement the recommendation for carrying out spot checks to reconcile the full records outlined above.
- Half of Participants surveyed indicated that their local diamond industry had established a system of industry self-regulation, as recommended by ADIC 18.
- 63% of Participant countries surveyed by the TET have cutting and polishing entities that keep verifiable records of the overall volume of rough diamonds subject to cutting and polishing, and the amount of residual rough diamonds after processing, as recommended by ADIC 19.
- Where this record keeping is required, 45% of Participants have an authority which carries out spot checks on records of the volume of rough diamonds subject to cutting and polishing, and the volume of residual rough diamonds after processing.

### **3. Internal controls of Participants with rough diamond trading and manufacturing**

Plenary notes that several Kimberley Process review visits and annual reports have demonstrated the need to further strengthen internal controls, including government oversight of the diamond industry in Participants with rough diamond trading and manufacturing.

Widespread implementation of existing recommendations would improve efforts of each Participant to "establish a system of internal controls designed to eliminate the presence of conflict diamonds from shipments of rough diamonds imported and exported from its territory," in accordance with Section IV(a) of the KPCS document.

Participants and Observers recognise the need for further guidance on internal controls in trading and manufacturing centres. Plenary therefore urges every Participant to work towards implementing existing KP recommendations on internal controls, and the guidance in this Declaration, as appropriate.

### **4. Follow up through existing peer review mechanisms**

Plenary agrees that regular follow-up through existing peer review mechanisms is crucial for implementation of the guidance herein by Participants with trading and manufacturing, as appropriate.

- a) Annual reports and reporting to Plenary



Plenary requests the Working Group on Monitoring to include a provision for reporting on steps taken, if any, to implement the guidance herein in annual reports to be submitted by Participants regarding their implementation of the KPCS.

Plenary further requests the Working Group on Monitoring to report to Plenary in 2008 on the implementation of the guidance herein and the Administrative Decision on Improving Internal Controls.

b) Peer review visits and missions

Plenary requests that future peer review visits and missions assess implementation of all internal controls, including those established pursuant to the guidance set out herein.

**5. Applicants**

Plenary requests that the Declaration be brought to the attention of applicants for KPCS participation, and that the Participation Committee enter into such dialogue with any applicant designing a system of internal controls, to ensure that, as appropriate, this guidance is implemented.



## **Guidance on internal controls for Participants with trading and manufacturing**

In accordance with the report of the TET, all Participants with trading and manufacturing should carry out effective enforcement measures as part of their internal controls to ensure adequate government oversight over the trade in rough diamonds. Such measures would significantly enhance Participants' ability to eliminate the presence of conflict diamonds imported into or exported from their territories.

Consistent with national legislations and with the Administrative Decision on Improving Implementation of internal controls, all Participants should consider the implementation of the following guidance, as appropriate:

1. Require companies importing and exporting rough diamonds to keep verifiable records, including of rough diamond inventory, KP certificates, purchase and sales data of rough diamonds and the system of warranties.
2. Carry out periodic spot checks of trading companies importing and exporting rough diamonds to verify the records outlined above.
3. Carry out physical inspections of imports and exports of rough diamonds, including periodic checks and targeted, risk-based checks; such checks should include examination of the value and stated origin of diamonds, where possible.
4. Require rough diamond manufacturers with ownership interests in the diamonds to keep verifiable records of annual rough diamond inventory, as appropriate.
5. Carry out periodic spot checks of rough diamond manufacturers with ownership interests in the diamonds to verify these records of rough diamonds, where possible.

**Brussels  
November 2007**