



INTERNATIONAL EMERALD EXCHANGE'S GREEN REVOLUTION

International Emerald Exchange (IEEX) founder **GEORGE SMITH** and co-founder **RORY DYER** talk to **SMITHA SADANANDAN** about mine-to-market trading in investment-grade Colombian emeralds that are prized by leading jewellery houses around the globe.

Smitha Sadanandan is a journalist and jewellery writer, who enjoys tracking international trends in the industry. She lives in London, and is happiest when sharing her discoveries of new-found jewellery brands and the works of talented designers from around the world.





Having identified a gap in the industry for a dealer operating at source with involvement in every aspect of the supply chain, from the mines of origin through to the delivery to the end client, George Smith channelled his acumen to set up a viable business in the gem industry. He established his company, International Emerald Exchange (IEEX), in 2013, to cater to the increasing global demand for 'investment-grade' Colombian emeralds. Today, IEEX supplies and cuts gems to order. Their true skill, however, lies in procuring exclusive stones.

Since then, the business has grown largely through word-of-mouth and social media. A case in point is jeweller Michael Young, who discovered IEEX on Instagram. With his business based in Geneva, Hong Kong, London, and clients across the globe, Michael is always on the go. For his jewellery, he settles for nothing but the best. And IEEX is now one of his trusted sources for emeralds. "I am well aware that I will get the best price in the market. I can ask questions and their expertise is on the spot. I can commit to buying on the trust I have with them," says the designer.

Hinging on a "true mine-to-market approach," with a focus only on fine gems, the IEEX office in Bogota has a buying facility, where clients can visit and view emeralds from across the wholesale market in Bogota. "We have two in-house cutters, two gemmologists and a treatment specialist," says George, an advocate of responsible gem sourcing.

Certification

To ensure transparency in the trade, IEEX offers CDTEC certification in Bogota, along with Gubelin and/or SSEF in Switzerland. At IEEX, for important stones, certifications are done by globally recognised gemmological laboratories like Gubelin and SSEF – considered to be the finest graders of coloured stones in the world. Before the stones even arrive at a lab, they ideally would have gone through a stringent manufacturing and quality control process to ensure each gem is fit for its final destination.

"By being involved in each stage of the process, from rough stones to polished goods, we can feel confident that our emeralds are treated in the fashion we disclose, as backed up by certification. Cutting a stone from rough allows you

to know the stone's history and exactly what treatments have been applied to it. At IEEX, we only use cedar oil to treat our stones – unless otherwise instructed by a client," says George. For the majority of stones, IEEX adheres to traditional treatments (cedar oil), and on request they treat stones with modern methods.

Director of London DE Limited, Phil Spencer is a leading bespoke jeweller and gem dealer in the city. He sources gemstones from all over the world. It was Phil's quest for high quality emeralds that landed him at the doorstep of IEEX. So, what does he look for in his 'ideal' emerald? "The right depth of colour, amount and type of treatment. A 'perfect' emerald resembles the colour of a green wine bottle held up to the light and we only supply stones that have received no treatment or only light oiling with cedar oil. We then consider the amount, type and location of the inclusions and the quality of the cut and symmetry," he says. Having sourced a number of "fully certified emeralds" from IEEX, at a significant wholesale discount, Phil often takes time out to visit Colombia and get to know the key players in the emerald mining industry.

Lean business model

IEEX manages to control its trade process, ensures quality and competitive pricing largely due to its lean business model. Buying emeralds from an agency such as IEEX helps reduce add-on costs, as IEEX controls the mines of origin, manufacturing and export of the stones, and supply directly to the end consumer.

George steers clear of international trade fairs like the ones held in Hong Kong and Basel. "I have no interest in paying to attend these shows and passing on the cost to the clients and buyers. Ours is a much shorter supply chain than the industry is used to," says George, who oversees the operation, working closely with the Swiss labs and clients. "I do this by spending my time between Muzo, Bogota and where my clients are based – mainly Russia and China."

While maintaining close working relationships with many of the major mine owners, IEEX has directly invested in two operations. "Therefore, we have excellent access to rough material. I only select the purest which requires little to no treatment after cutting and polishing," says George. Additionally, most of the operations IEEX works with are in the heart of Muzo. "However, we particularly like the material from the Chivor area and,

as such, have dedicated some focus to that part of the region."

According to George, the emerald market has lacked sufficient transparency and disclosure for years on end. "I want to change that. Many of the fine jewellery houses have unwittingly purchased stones treated with artificial hardened resins on the basis that a certificate states 'minor indications of clarity enhancement.'

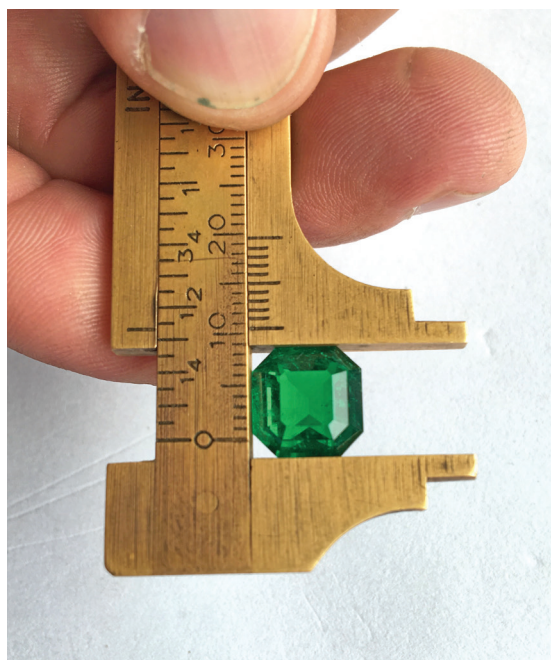
"There is an industry obsession with obtaining the term 'minor' on a lab report; the irony being few bother to understand what exactly has been used to clarify enhance the stone. I would estimate at least 60-70% of all goods in the wholesale market are resin-treated to some degree, and while some types of resin treatment are excellent, many in the long term are appalling.

"Our key strengths lie in the procurement of untreated stones (which comprise around 0.01% of the entire marketplace) and, on occasions, insignificant to minor," says George. Interestingly, IEEX provides photos and videos of the rough, the cutting process and the before and after treatment shots to ensure full transparency.

Founder of Qui Fine Jewelry, Chaoqui He has been sourcing emeralds for her



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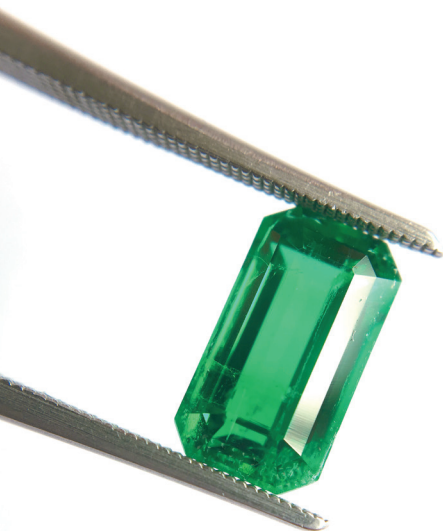




Jewellery by Qui Fine Jewelry.



Founder of Qui Fine Jewelry, Chaoqiu He.



collections from IEEX. They provide gems sourced from the mine directly to the designer and also manage to find the kind of gems she wants within two to four weeks. "I let them know what kind of gem quality I need, the size and treatment

level – no oil, insignificant or minor imperfections; those are three levels I usually work with. Buying emeralds from IEEX definitely gets me more access to the best quality emeralds from Colombia; besides, the gem prices are always reasonable. In fact, all the best quality emeralds for my 2016 collection were sourced through IEEX," explains Chaoqiu, who occasionally travels to the mines.

"I was at the Muzo mines last February and the IEEX team gave me a lowdown on how the emeralds are processed and the mining situation in the region – it was a truly meaningful experience," adds the Shanghai-based designer.

George states, "The Colombian emerald is a native product, mined, cut, polished, graded and sold by Colombians to the rest of the world. The only foreign aspect is the gem labs of Switzerland that we are required to use as these reports are mandatory for any jeweller, collector or investor."

Ricardo Jimenez, IEEX's main gem cutter, is considered the best in Bogota with over 40 years of dedicated emerald cutting experience. "So, we have no

reason to use anybody abroad. Unlike the multinational corporations that are beginning to move in, we believe in keeping the operation Colombian, for Colombians without repatriating profits abroad. This is quite simply because we believe that emeralds are fruits of the earth that belong to the people. We create value in the region by remunerating our staff very generously,” says George.

Oiling and pricing

Oiling and other artificial methods of treating an emerald, by fixing its internal fractures, considerably affects gem quality and price. Emeralds with no indications of clarity enhancement, that require no fracture filling to improve the look, command huge premiums over their counterparts, explains George. If a stone is graded as displaying ‘minor’ indications of clarity enhancement, prices could range from \$12,000 to \$18,000 per carat. If it belongs to the ‘moderate’ category, the values vary from \$8,000 to \$12,000 per carat. Finally, an emerald displaying ‘significant’ indications of treatment could be worth from \$4,000 to \$6,000 per carat, he adds.

“Disclosure is even more important than the treatment itself, as the type and quantity of treatment has a large part to play in the value of a stone,” says Rory Dyer, co-founder of IEEX. The process of oiling or treating stones has a stronger effect on the visual perception of the stone more than its value. All other measures being equal, it is the level of treatment that has to be applied to a stone to get the best out of it that is the determining factor for emeralds. “Most laboratories will not distinguish between modern and traditional treatments; there are exceptions and where the customer needs reassurance we send stones to these labs for confirmation,” he adds.

Quality assurance

“A stone that needs no treatment at all for it to be at its best is prized above all else, these stones are often referred to as ‘no oil’ stones and price-wise they command

the highest figures – \$100,000 per carat is not unusual for exceptional stones in this bracket. Usually, they fetch around a 50% premium over stones with treatment.

“Stones with ‘insignificant’ levels of treatment may only have a single surface-reaching fissure displaying a small amount of treatment; after no-oil stones these are considered to be the next benchmark of quality.

“‘Minor oil’ emeralds make up the vast majority of stones seen on the likes of Bond Street and 5th Avenue, and are widely accepted by even the best jewellers. Stones with a minor rating are likely to have three or more surface reaching fissures that have been filled with cedar oil or manmade resins,” observes George.

Modern treatment methods

Modern treatments include Opticon, Palm Oil (a trade name for Araldite 6010) and PermaSafe. Often, they are grouped together and called resins, but this can be misleading because cedar wood oil is called a resin in some industries. But it is a traditional treatment, clarifies Rory, adding, “It would be better to differentiate them as natural (traditional) and man-made (modern), with sub-sections of permanent and semi-permanent.”

What makes the treatment of emerald unique is the fact that in most cases it is reversible, with the exception of permanent hardened modern ‘resins’. “If these hardened resins deteriorate over time, then they can be extremely difficult to remove, as emeralds have only been treated with these kinds of substances within the last few decades. Thus, it becomes impossible to assess their lifespan, as important stones are often viewed as family investments or heirloom pieces,” says Rory.

The most universally agreed treatment for emerald is cedar oil, while man-made treatments like Excel and Opticon are gaining acceptance in some corners of the world. However, cedar oil remains the ‘gold standard’, thereby commanding a slight premium on a like-for-like basis.

“These treatments work by closely imitating the refractive index of the

host material, allowing light to pass through unhindered. The next level of emerald treatment you may encounter is a ‘moderately’ treated stone. With many surface-reaching fissures being filled to increase clarity these stones are considered to be the lowest level you would expect to see in a reputable jeweller. Many of these stones can possess remarkable character and colour and therefore they are prized for these features rather than the level of treatment applied,” says Rory.

The durability of cedar oil treatments depends on the conditions and environment the stone is kept in. Rapid pressure and temperature changes and excess humidity all play a role in its stability. But if treated well, it will last for many years. According to Rory, owing to the fact that it is easily cleaned and reapplied, it is still the most widely accepted treatment in the trade; many of the world’s high jewellery houses will accept only cedar wood oil-treated stones.

With limited information available to buyers, the IEEX team is on a mission to educate its clientele, besides spreading awareness on the need for fairness, transparency in the mining and emerald trade industry. ■

The levels or degrees of treatment are set out by the Lapidary Manual Harmonisation Committee (LMHC) and divided into categories: no oil/ insignificant and then minor, moderate and significant treatment. The stones in the first category (minor) often require a tiny amount of oil to make them reach their full potential. It may be the case that as little as one surface-reaching fissure has been filled.

– Oiling Research Report, IEEX