



# **RJC Code of Practices 2013**

## **Grading and Appraisal**

**Training Module November 2013**

# Outline

1. Grading and Appraisal Provision – Recap

2. Implementation risks and potential audit issues





## Grading and Appraisal - COP 28

New provision, established through the 2013 revisions to the Code of Practices

Consultations raised concerns about lack of a provision addressing grading and appraising, which are important parts of the jewellery industry and play a key role in consumer confidence.



## Certification Scope, Applicability

The Grading and Appraisal provision will be applicable to RJC Members who:

- Generate independent Diamond Grading Reports or Appraisal Reports for end consumers; or
- Use Appraisal Reports as part of the selling process for end consumers

# Grading and Appraisal Provision



## 28. Grading and Appraisal

28.1 Members that generate independent Diamond Grading Reports shall identify whether detection of Synthetics and/or any Treatments are part of the assessment.

28.2 Members that generate independent Appraisal Reports for end consumers shall include the name of the consumer to whom the report is given and a statement of the purpose of the appraisal.

28.3 Members that offer Diamond Grading Reports or Appraisal Reports to end consumers that might reasonably be construed to be independent shall disclose any relevant vested interests in the sale of the Jewellery Product held by the grader or appraiser.

28.4 Members shall not use price-inflated independent Appraisal Reports as a strategy to mislead end consumers about the attractiveness of the selling price of Diamonds, Synthetics, Gold and/or Platinum Group Metals Jewellery Products.

# Terminology

## **Diamond Grading**

Diamond Grading is classifying a diamonds characteristics, in terms of cut, colour, clarity and carat weight.

## **Diamond Grading Report**

A report on the grading of a diamond's physical characteristics, usually in terms of cut, colour, clarity and carat weight.

## **Appraising**

Generating and opinion of monetary value based on the identity, composition and qualities of a jewellery item. Can be generated for different reasons, such as insurance, probate, or market assessment.

## **Appraisal Report**

A documented opinion of monetary value based on the identity, composition, and qualities of a jewellery item.

## Detection of Synthetics or Treatments

### **Risk of inadequate disclosure of information about detection of Synthetics or Treatments**

Consumers should understand whether the assessment included tests for Synthetics or Treatments

#### **Risk indicators:**

- Information is not clear
- No information about testing is directly provided in the report or certificate
- General statements are provided about testing, but not all types of assessments include it

## Purpose and Name on Appraisal Reports

**Risk of Appraisal Reports not including the name of the consumer to whom the report is given, and a statement of the purpose of the appraisal**

Absence of this information leaves Appraisal Reports open to misuse

“Insurance replacement cost estimate” should be used where applicable

Risk indicators:

- Use of appraisal documents in the selling process
- Appraisers lack of professional qualifications or recognition by relevant professional bodies
- Lack of qualifications to determine composition and quality of a jewellery product
- Lack of policies regarding the provision of insurance replacement cost estimates



## Disclosure of Vested Interests

### **Risk of the grader or appraiser having a vested interest that is not disclosed to the end consumer**

It would be unethical for an appraiser that might reasonably be construed to be independent to fail to inform the end consumer that they have an interest in the sale of the Jewellery Product

#### Risk indicators:

- Retailer's Employees engaged in generating Appraisal Reports
- Engagement of the Appraiser facilitated by the Retailer
- Appraiser has a non-arm's length relationship with the Retailer

## Price-inflated Appraisal Reports as a Selling Tool

### **Risk of price-inflated Appraisal Reports being used to mislead consumers about the value of a jewellery product**

It is unethical and deceptive to present consumers with appraisal reports that do not reflect the market price for the item, as a strategy to mislead consumers about the attractiveness of the selling price

#### Risk indicators

- Appraisers lack of professional qualifications or recognition by relevant professional bodies
- Use of appraisal reports to facilitate sales to end consumers
- Differences between the appraisal and the selling price are not clearly explained to the consumer
- Failure to inform the consumer if the appraisal is not independent
- Use of appraisals that do not show the name of the client and the purpose of the appraisal