SMOKING GUN:

Winsome Case Evidence Buried in Lloyd’s Insurance policy

A few years ago, Kroll investigators uncovered an important detail about the Jatin Mehta-controlled Winsome Diamonds and Jewellery Ltd.’s allegedly fraudulent $1.25 billion banking default in India. The investigative firm claims that part of the missing money may have been invested in Jatin and Sonia Mehta’s synthetic diamond companies – Gemesis which later was renamed IIa Technologies in Singapore. Gemesis is also a precursor to Pure Grown Diamonds which markets the synthetic polished output in the United States. To be precise, Kroll reportedly stated that “Winsome could not satisfactorily disprove this diversion of funds to the Gemesis company.”
Whether Kroll has hard evidence, I wouldn’t know. Banks have demanded information on the source of the unsecured loans appearing in the 2012 and 2013 financial reports of the synthetic producer. However, if such a connection was positively confirmed, all the synthetic gem-quality diamonds produced by IIa Technologies and/or marketed by Pure Grown Diamonds (or others) could be considered the “fruits of laundered money.” This means that these diamonds could be confiscated in the United States, alongside other acquired assets. The anti-money-laundering laws there are very specific on this. Today’s revelations in Diamond Intelligence Briefs provide an additional angle that may assist law enforcement, the banks and the Indian government to get to the bottom of this affair.

The Dubai Link

The “link” is in Dubai. The Indian police investigators of the defrauded 15-bank consortium and our journalistic sleuthing have focused on the same goal: to identify the “real” beneficial owners of the 13 Dubai companies that all simultaneously defaulted on their payments for the diamond and gold jewelry they had purchased from Winsome in India. These shipments had been financed with moneys borrowed from the banking consortium. The debts of these 13 Dubai companies to Winsome (and a subsidiary) have already been confirmed by UAE’s Sharjah Court of First Instance.

However, the expert reports prepared for the court concentrated on proving the debts, not on uncovering the beneficial owners of the companies. Incredibly, all 13 Dubai companies were controlled by one person, a Jordanian national residing in Dubai named Haytham Ali Salman Abu Obidah. (Some documents translated his name to Haitham Sulaiman Abu Obadiah.) Obidah is not just the owner of Italian Gold FZE, one of the group’s defaulters, he is, apparently, also 100% owner of several other companies in this group of defaulters. In addition, it is Obidah who represented all of the defaulters throughout their talks with lenders.

So it seems that Obidah is the defaulter – or at least that is what we are led to believe. There is mounting evidence that he is mostly a front acting on behalf of others...

Evidence is in Insurance Policies – in Belgium

Winsome maintains that the 13 Dubai defaulting companies are genuine third parties, not related to Winsome or to its promoter, Jatin Mehta. We have now discovered otherwise!

A few of these defaulting companies had been listed and issued as subsidiaries and associated companies in Suraj Diamonds’ (later Winsome Diamonds’) global insurance policy issued in Belgium.

According to several impeccable sources, this policy had been issued by the Driesassur Insurance Brokers, one of the most prominent brokerages in the diamond world, specializing in insurance products for the diamond and jewelry trade. The principal of Driesassur is Alain Spruyt. It has offices in the nine leading diamond markets, including, of course, Mumbai.

Several of these companies have been insured in the Winsome block policy as early as 2005 (and probably earlier). But the real giveaway of alleged criminal intent and careful planning of the defaults comes from a rather innocuous fact we discovered: The sudden removal of some companies from the insurance policy just before their defaults!

The massive Dubai companies’ defaults took place in February-March 2013. In the case of three specific defaulters, Italian Gold FZE, Al Mufied Jewellery FZC – which both had been on these policies for many years – and Al Alam Jewellery FZE, these names were stricken off the policy just a year earlier, at the policy renewal time for the 2011-2012 period.

How can Winsome claim that some of these defaulters are genuine third parties if in its duly signed insurance proposals these companies were listed as group-owned or associated firms?
proposals these companies were listed as group owned or associated firms? What led them to decide to strike them off the policies just when the purchases on which the companies eventually were to default were in fact made? Just “coincidence”? And, beyond that, did anyone check on the insurance policies of the “newly set up” companies?

Not a sane, honest, decent businessman would run a business in the tens or hundreds of millions of dollars without insurance. Unless, of course, the gold and jewelry, upon receipt, is immediately handed over to another party… Then why waste money on insurance?

It will not be very difficult for law enforcement authorities to put their hands on the Jewellery Block Policies from Driesassur Insurance Brokers… and it may well become a “game changer” in the investigation.

Sonia Mehta Served as Director of Al Alam Jewellery

Let’s take a closer look. According to documents originating from the Canara Bank, the Punjab National Bank and other defrauded banks, Al Alam Jewellery, which is registered in the Ras Al Khaisma Free Zone, has as sole shareholder a Bahamas company called Herald International Limited (HL). Al Alam was founded in 2010.

Mrs. Sonia Mehta was one of the directors of the company. Moreover, Rajen Farikh and Dilip Thakkar, mentioned in documents as former shareholders (and founding subscribers) of Winsome, also served as directors of Herald International. The fact that Al Alam appears as a group company in Su-Raj Diamond’s (Winsome’s) block policy provides important additional confirmation on Al Alam’s status. Al Alam defaulted on $171,218,757 payments due on March 21, 2013. Based on the insurance policy, it was a Winsome Group company.

DIB is in the process of gathering more information on Al Alam’s default of $171,218,757. When, some time ago, we checked with the Company Registrar of the Bahamas, we were informed that the company was dissolved. But since then the offshore company data leaks, better known as the “Panama Papers”, were released. From
this it appears that **Herald International Ltd.**, a company established on July 31, 1992, was in fact dissolved and liquidated on December 31, 2012 – just a few months before the default.

Thus when the default occurred, Al Alam no longer had a mother company... It had become an orphan.

At the time the company was dissolved, it had **four shareholders**, three of them trusts or companies of which the natural beneficial owners are unknown. However, there is one natural person who appears as shareholder - **Salman Lufti Ali Hussain Alharmouzi**. He is a principal in a well-known legal firm in Dubai. He may be able to shed some more light on the default Al Alam, provided that the Canara Bank’s documentation is correct.

According to the records of the **Sharjah Federal Court of First Instance** in the UAE, **Italian Gold defaulted on $142,221,327 in payments**, which had a payment due on March 21, 2013. Meanwhile, **Al Mufied Jewellery defaulted on a $15,707,073 debt**, which came due on February 6, 2013. These three “erstwhile” Winsome Group companies had been suspiciously removed from the Winsome insurance policy just ahead of its mysterious default to the tune of $329,147,157.

**Only Group-Owned Companies in Policy**

Details on specific clients’ insurance matters are confidential – and journalists will get nowhere with **Alain Spruyt**. His lips are sealed. But can they remain sealed if any of the Government agencies or the Indian Banks were to ask specific questions? Jatin Mehta and the Winsome directors have a lot of explaining to do.

Our sources say that within the **Winsome Group**, it was only **Jatin Mehta** who dealt with the global insurance policies. We asked whether, theoretically, there could be a possibility that a name on the global insurance policy might be of a client and not of a company owned by the group.

The answer was unequivocal: “The insurance policy we had – and the policy on which some of the Dubai defaulters appear – was only applicable to group companies. Only Group Companies could be insured in our specific policy. For clients, we needed separate credit insurance,” says a Winsome insider.

Adds the source: “In our specific insurance, it didn’t really matter whether it was for one, two, three or more companies. **The premium paid was for value of goods insured – and not as per specific company.**”

A Jewelers Block insurance expert we consulted confirmed this: “If they all appear under ASSURED’s name [as we understand is the case] then on the face of it, this means that they are all under same umbrella. In most cases, it means that at least they have joint interest. So, bottom line: if all those companies appear under assured’s name, then investigators have great evidence.”

As journalists, we can only write stories and bring issues out into the open. It is now up to the authorities to take the next steps. It is up to India’s **Enforcement Directorate (ED)**, which is that country’s law enforcement agency and economic intelligence agency responsible for enforcing...
economic laws and fighting economic crimes such as tax evasion and money laundering. They should also take a closer look at Haytham Ali Salman Abu Obidah – the man behind each and every one of the 13 defaulting entities.

What’s the Real Story?
A Ponzi Scheme?

In the past three years, close to a million words have been published in Indian and overseas newspapers about this second-largest, and allegedly fraudulent willful default in the history of India. There is little about Obidah (or “Mr. Haytham” as the banks refer to him), who is not just the major shareholder of Italian Gold FZE and Al Noora FZE, but in fact he is 100% shareholder in 10 of the defaulting companies and 90% in two other defaulters registered in the Sharjah Airport International Free Zone.

He apparently “introduced and recommended these companies as potentially good distributors to Winsome in 2012.” It was never mentioned to the banks that these companies were only established in 2012 and had no performance history.

Reportedly, before this date, Winsome had only four Dubai customers; to this list, nine new ones were added. It wasn’t immediately apparent to Winsome’s bankers that all of these companies were directly or indirectly connected to Obidah himself.

To get answers, we flew to Dubai and, over a period of four days, conducted hours-long meetings with a few individuals close to both Jatin Mehta and Haytham Obidah. A report on these meetings will be published separately. Let it be sufficient to say for now that Haytham Obidah has been working for Jatin for the past eight to nine years. He has posed as a UAE buyer for Jatin and his companies, completely under Jatin’s control.

Documents of what appears ostensibly as a gigantic Ponzi scheme were presented to us. According to documents, the Punjab National Bank discovered this already in 2013 when “it had discovered round-tripping and white smuggling of goods were being carried out, in essence simply the underlying invoices were processed in the Winsome office in Mumbai, but no shipments of goods were made.”

Said one of my sources: “Don’t ignore that both Winsome/Forever [Forever Precious is a subsidiary that also defaulted, C.E.Z.] as such did not have any serious international customers and their international business turnover was just to satisfy banks and get more money out of them by showing good performance.”

The Planning of the Default Commenced in 2011

The planning for the fraudulent default commenced in earnest in 2011, we were told. The then Winsome Finance Director, Ramesh I. Parikh, recalls in a remarkable testimonial that “Jatin Mehta relinquished Winsome’s Managing Directorship in April 2011 to join as President of one of the wholly owned subsidiaries of the company, namely Su-Raj Diamonds DMCC in the UAE so as to give impetus to the company’s business globally.”

For the purpose of the planning of the default, nine UAE companies were formed somewhere in April/May 2012. These were companies that were mainly postal addresses or one-room offices with no gold or jewelry storage facilities, no customer base, and no secured facilities to hold hundreds of millions worth of gold and diamonds.

They were clearly just “window-dressing” fronts. Nine out of the 13 companies that defaulted in February and March 2013 had not yet been “in business” for a year – and they had received Winsome’s gold and diamond jewelry on long supplier credit terms just a few weeks or months after company formation.

As Winsome’s former Finance Director Ramesh Parikh informed the consortium of banks:

“All decisions with regard to due diligence, trade references and selection of customers, deciding on the extent of exposure, credit terms, pricing and security (against LC or clean credit) were always of Mr. Jatin Mehta and/or the company’s wholly owned overseas subsidiaries, and none of us ever had any involvement in this area. We were shocked to notice subsequently, that 10 out of 13 defaulting customers had been added to the list of clientele only after Mr. Mehta had relinquished Managing Directorship.”

The full details on how the elaborate Ponzi scheme operated, and how moneys were siphoned off, will have to wait for another day and issue of DIB. But they will come.
diamond-jewelry retailers must know their customers and suppliers. They must know who the ultimate beneficiaries are of the corporations with whom they are dealing. Above all, they must satisfy themselves that the sources of moneys used in the production of the product are proper sources. When in doubt, the anti-money-laundering and anti-terrorist-financing laws require the filing of “suspicious activities reports,” and in many countries, a few months ago, the President and CEO of a large diamond-jewelry retail chain, who had announced a pilot program retailing lab-grown diamond jewelry, was asked whether a proper due diligence had been done on the supplier. The (indirect) answer given was that this wasn’t required (yet). This was a disingenuous reply. It was legally (partly) correct but morally and ethically unwise. Was it an excuse to avoid having to discover uncomfortable findings? A preference to look the other way? Maybe not.

Industry players, in general, have trouble documenting suppliers’ ownership. This problem is especially so with Pure Grown Diamonds (PGD)

one is not allowed to proceed with the contemplated transactions without getting clearance from the respective Financial Intelligence Unit (FIU).

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Who Owns Pure Grown Diamonds?

Industry players, in general, have trouble documenting suppliers’ ownership. This problem is especially so with Pure Grown Diamonds (PGD), the U.S. marketing arm of synthetic-gem-diamonds producer Ila Technologies from Singapore, controlled and presumably owned by the Jatin Mehta family. PGD has a dominant market position as the distributor of the world’s largest producer of lab-grown diamonds. Does anyone really know who the Ultimate Beneficial Owners are? Having management control, or even having a controlling stake in a company, doesn’t necessarily mean that these companies or persons are also the beneficial owners. Who owns Pure Grown Diamonds?

There is a short and a long answer. Bryant Glazer, the long-time Public Relations executive of PGD is one of the people that should know – because that’s part of his job. He didn’t – and I discovered that even some employees of the company don’t know either.

In a recently filed court action against both Pure Grown Diamonds, Inc. and Ila Technologies Pte. Ltd. in the U.S. Southern District Court of Florida, Glazer states “both defendants are owned by, and part of, Ila Holdings Group.” In a 2014 company press release, PGD is called “a sister company” to Ila Technologies, implying that both have a common sister or parent company – or some formal link. Glazer was wrong!

The Iron Gate behind Pure Grown Diamonds...

Surprisingly, in this court action, the lawyers for the defendants took great issue with the generalization that...
PGD belongs to the IIa Holdings Group. They retorted: “Whether Pure Grown Diamonds and IIa Technologies are ‘owned by, and part of’ IIa Holdings Group is a legal conclusion and is denied.” Forced to somehow lift the corporate veil, PGD’s lawyers subsequently filed a “corporate disclosure statement” about PGD’s true ownership. They revealed that “Pure Grown Diamonds, Inc. is a Delaware corporation the stock of which is 100 percent owned by Iron Gate Property Limited, a British Virgin Island (BVI) corporation. The ultimate owners of Pure Grown Diamonds, Inc. are non-United States individuals.”

We contacted the BVI Financial Services Commission. Yes, indeed, a company by the name of Iron Gate Property Limited was established on March 19, 2013. [See box on “Due Diligence Report.”] The registered agent is identified as Nerine Trust Company (BVI) Limited. There were no readily (publicly) accessible records of names of directors, identity of shareholders, names of possible holding companies or subsidiaries. No mentioning of PGD.

DIB has written well over a dozen articles about the Mehta Family’s synthetic diamond empire. The name Iron Gate has never come up. I wonder how many PGD executives have ever heard of it before. Of course, PGD’s financing institutions and banks will know and will have asked for evidence as to the Ultimate Beneficiary Owners (UBO) – at least if they have done their jobs.

...and the Sungate of IIa Technologies

It’s probably a coincidence, but the Nerine Trust Company has another “gate-named” company, called Sungate Oriental Limited. Sungate appears in the financial reports of IIa Technologies as a 100% subsidiary incorporated in the British Virgin Islands. Indeed, it was established on July 12, 2012. Its formal description is: “investment holding company.”

Of course, one cannot discover what, exactly, this Sungate Oriental may be holding, but one of the companies is Helios International Pte. Ltd., a Singapore-based business of assembly construction and sale of Chemical Vapour Deposition (CVD) machines. For both Sungate and Helios, the ultimate holding company is JRD International Ltd. in the Bahamas.

The Enigma: JRD International Limited

Often the players in the diamond jewelry business myopically consider our industry as the “center of the world.” To them, we are indeed. But in reality, this is a tiny sector – and what happens in the outside world also happens to us – and not the other way around. Greater transparency, corporate ownership disclosures, identification of ultimate beneficiary owners aren’t just “privileges” imposed solely on diamonds and jewelry.

Pure Grown Diamonds’ “promoter” and director Suraj Mehta may have heard at the Las Vegas JCK Show, which he attended, the unequivocal statement by Rio Tinto Diamonds on the growing importance for consumers to know the mining source of diamonds. Consumers increasingly seek “tracked jewelry collections with a clear and transparent chain of custody, from the mine to the market.” That is as true for lab-grown diamonds as it is for mined diamonds.

Behind the scenes, several initiatives are under way to bring gem-quality synthetic diamonds under the very same regulatory disclosure rules that are applicable to mined diamonds. What is true for all the diamond and jewelry players is, basically, true for IIa Technologies as well. In a situation where the beneficial owners of PGD are practically invisible, clients will look at the source – IIa Technologies.

In the case of IIa Technologies, the immediate shareholders are known – Sonia Mehta, Vishal Mehta, and a few shares for the in-house scientist Misra Devi Shanker. (Recently, Vishal has become the largest shareholder, as his mother Sonia’s holdings are declining.) Nevertheless, the financial records of IIa Technologies unequivocally claim: “The company is a subsidiary of JRD International Limited, a company incorporated in the Bahamas Island, which is also its ultimate holding company.”

DIB searched all the records at the Company Registrar
Offices at the Bahamas – we couldn’t find any JRD International Ltd. In fact, we couldn’t find any “JRD” company whatsoever. This is problematic for any person that wants to do a Know Your Client (KYC) or Know Your Supplier (KYS) exercise.

**Database of 320,000 Offshore Companies**

Any self-respecting investigative journalist has already downloaded the 320,000 offshore companies in the database of The Organized Crime and Corruption Reporting Project (OCCRP), of which the Panama Papers are just a part. Thanks to this database, we were able to locate a JRD International Ltd. company – located in Dubai, out of all places.

We were not able to conclusively determine that this is the JRD International mentioned in the Ilia Technologies papers – but there are some interesting tidbits which may suggest either some connections or just an enormous coincidence. For example, Suraj Mehta’s father-in-law, Vinod Adani, uses the same address for their respective off-shore companies as used by JRD International. But, more than that, they share several directors. In one instance, we even found a shareholding link between Adani’s companies and JRD International.

The “big surprise” (or, maybe we should have expected this) is that the name Jatin or Sonia Mehta does not appear anywhere as either JRD directors or shareholders. That’s interesting, because in the 2012 financial papers filed by Ilia Technologies Ptd. Ltd. in Singapore, Sonia Mehta states having shares in JRD International. Let’s leave it for now – as we are not convinced (yet) that this is the JRD mentioned in all the financials. It wouldn’t surprise me if this ultimate holding company has been dissolved.

There clearly is a penchant for off-shore companies.
Sonia Mehta has her own. On April 13, 2006, she became the sole shareholder and sole director of Tuscan Sun Corporation, registered in the British Virgin Islands. Although she used the UBS AG in Singapore as the intermediary to set up the company, she nevertheless appears in the Panama Papers database.

By the way, in due respect for Sonia Mehta, we must remind ourselves that there are legitimate uses for offshore companies and trusts. Journalists using the Panama papers, including myself, do not intend to suggest or imply that any persons, companies or other entities included in the Offshore Leaks Database have broken the law or otherwise acted improperly. But one often wonders why certain people need them.

Behaving like a Fugitive

At the end of the day, it’s always about the people behind the companies. Winsome promoter and controlling shareholder Jatin Mehta is distancing himself from any visible corporate roles because he is the main target of the investigations around his Indian diamond and jewelry company’s $1.25 billion default.

As Jatin Mehta has provided some of the consortium banks with personal guarantees, he is now being sued in various courts by several banks (including Canara Bank, Export Import Bank of India, Punjab National Bank—these are the ones we know of) and at the Debt Recovery Tribunal in Ahmedabad.

India’s Enforcement Directorate (ED), which is that country’s law enforcement agency and economic intelligence agency responsible for enforcing economic laws and fighting economic crimes such as tax evasion and money laundering, has launched a broad sweep of seizing assets related to Winsome Diamonds and Jewellery Ltd., Forever Precious Diamonds and Jewellery Ltd., and to Jatin Mehta.

There are many — including this writer — who have reasons to believe that some of the missing money may have ended up in the synthetic diamond business. When recently asked by India’s Economic Times “whether money from Indian banks was used to sponsor Ilia Technologies, a Singapore firm that has emerged as one of the global leaders in the manufacture of man-made or lab-grown diamonds,” Jatin Mehta responded “I have no connection with Ilia Technologies.”

That may be technically correct. The formal current family connection is through his spouse Sonia, an original founder, director and shareholder in Ilia Technologies, while his two sons Suraj and Vishal are, as noted already, shareholders and directors.

There are many — including this writer — who have reasons to believe that some of the missing money may have ended up in the synthetic diamond business.

Running Away from India and Indian Courts

Jatin Mehta has disconnected himself from India. Indian police investigators have now confirmed — something which was disclosed first by Diamond Intelligence Briefs in February 2014 — that Jatin and Sonia Mehta have given up Indian citizenship and become citizens of the Federation of St. Kitts and Nevis, a dual-island Caribbean nation with which India does not have an extradition treaty and which is well known as a tax haven.

If everything is fine, why would Sonia Mehta, who was not involved with Winsome’s default, also abandon her Indian passport? This gets us back to the basic question: Who are the “natural persons,” the ultimate beneficial owners of the Pure Grown Diamonds company?

Standard Chartered Bank Pulls Out of Diamond Industry

Pure Grown Diamonds must realize that the U.S. Treasury Department’s Financial Crimes Enforcement Network, through its Deputy Director Jamal El-Hindi, has last month put the banking community on notice of “several developments focusing on strengthening...
financial transparency,” specifically “the rollout of the final Customer Due Diligence rule and draft [of even more stringent] beneficial ownership legislation.” Such rules and obligations will filter down to the high value dealers sector, including the precious metals and stones dealers.

But there is more to it. The single largest default by Winsome was suffered by Standard Chartered Bank. It had an exposure of some $700 million to Winsome, where it acted as a kind of consortium leader, placing some $500 million of the risk with Indian banks. Its own direct loss may have been in the area of $200-$250 million plus, also depending on its ability to collect from other financial institutions.

Winsome’s relations with the bank are extremely acrimonious. At some point, Winsome had the audacity to accuse Standard Chartered of refusing to finance Winsome’s law suits against the 13 defaulting customers in Dubai – putting the blame for “non-recovery” of moneys on the bank! The bank has had it – both with Winsome and with the diamond industry. It will, in Winsome’s case, chase after every penny.

The bank is literally going the extra mile to do so. A few weeks ago, the bank requested the assistance of India’s Prime Minister in uncovering the money trail. To follow the financial transfers around the $1.25 billion missing money, full cooperation with foreign banks is needed. The Prime Minister’s Office has agreed to the request.

But there is more. Standard Chartered Bank, which has an exposure to the global diamond industry of well over $3 billion, has “had it”. It informed its diamond customers last week that they are pulling out – and their diamond clients should look for other banks. [It will continue to finance jewelry retail houses and mining operations.] A bank that exits an industry will actively protect its assets and pursue the repayments of all debts – also those from Winsome and its debt guarantor Jatin Mehta. The efforts to “isolate” Jatin Mehta from the synthetics business were not lost on the bank – nor do they “buy” the story.

Creating Multiple Layers of Off-Shore Companies

Pure Grown Diamonds is not the only marketing arm of IIA Technologies’ diamond products. In Hong Kong there is PDC Limited (which was called previously The Gemesis Company (Hk) Limited), there is Microwave Enterprises Ltd in Morrisville, N.C., U.S.A., and Diamtec GmbH, in Pforzheim, Germany.

A few weeks ago in Dubai, I learned that there are now Pure Grown Diamonds and PDC companies in Dubai’s Free Zones. These are “mirror” companies of the U.S. and Hong Kong synthetic diamond-marketing companies – and serve, among other things, as the channel through which part of the U.S. market is served.

American distributors wishing to sign a long-term contract with PCD Hong Kong are invited to come to Dubai where the relevant agreements are signed. None of the signing parties is one of the IIa Technologies directors, we were told. The handful of U.S. dealers that have multi-year arrangements will get their diamonds from Dubai.

For the time being, Jatin and Sonia Mehta and their sons Suraj and Vishal do their utmost to formally “distance” Ila Technologies Pte. Ltd. from their U.S. marketing arm, Pure Grown Diamonds.

That’s their prerogative. One can have sympathy for Jatin’s efforts to assure that his sons will have a good and honorable business. Clearly, Jatin himself is in trouble.

However, if both Ila Technologies and Pure Grown Diamonds endeavor to become truly flourishing, well-managed, and fully legitimate enterprises – something one should consider axiomatic – the Mehta scions should encourage transparency, move away from endless off-shore structures, disclose beneficial owners, and, most importantly, reach out to stakeholders – including the fourth estate. Actually, they should suggest to their father to do the same. It may not yet be too late.
• The synthetic gem-quality diamond producer was initially incorporated as THE GEMESIS CORPORATION on October 9, 1996, in Delaware, USA. It applied for an “Authorization to Transact Business in Florida” on August 26, 1998, and it declared commencing its active operations in that state on April 1, 1998.

• On October 1, 2010, when the Jatin Mehta family had already assumed majority control of the U.S. Gemesis corporation, a separate THE GEMESIS COMPANY (S) PTE. LTD. was established in Singapore. Directors included Sonia Mehta and Vishal Mehta. Shareholders were Sonia Mehta (about one-third of the shares) with the majority firmly in the hands of the Bahamas company JRD International Limited. There were No shareholding ties whatsoever to the U.S. Gemesis Corporation.

• Early in 2011, GEMESIS MALAYSIA SdnBhd was established in Penang, Malaysia. Staff recruitment advertisements (dated December 30, 2011) stated: “Gemesis is the world’s leading producer of HPHT gem quality cultured diamonds with its headquarters situated at Florida, USA.” The Malaysia operation was presented as part of the U.S. entity.

• On November 17, 2011, THE GEMESIS CORPORATION shareholders were informed “that Gemesis has successfully completed its transfer of diamond-growth chambers to a Southeast Asian location, where intellectual property can be assured... The previous Gemesis headquarters and production facility located in Sarasota, Florida has been closed ... a new less expensive office has been established that houses the administrative, marketing and R&D activities of the Company. In addition, Gemesis has established its order fulfillment center in New York to appropriately handle the web-based sales.”

• On December 11, 2011, THE GEMESIS CORPORATION changed its name to GEMESIS DIAMOND COMPANY.

• On September 13, 2012, the GEMESIS ACQUISITION CORPORATION was formed. A Delaware corporation.

• A week later, on September 21, 2012, GEMESIS ACQUISITION CORPORATION merged with and into the GEMESIS DIAMOND COMPANY.

• On or about October 31, 2012, POWER CAPITAL VENTURES LIMITED of Singapore acquired 100% of the shares of GEMESIS DIAMOND COMPANY. The Managing Director of POWER CAPITAL VENTURES LIMITED is Richard Neil Wilson.

• That full ownership, control and management rested with POWER CAPITAL VENTURES was quickly self-evident as it issued the December 17, 2012, letter advising Stephen D. Lux that “your offices of CEO and President as well as your employment with Gemesis are hereby terminated immediately.”

• Richard Neil Wilson is a partner in VENTURE INTERNATIONAL CORPORATE SERVICES PTE. LTD., a small Singapore-based corporate service provider specializing in both onshore and offshore corporate structures for individuals, family offices and professional intermediaries around the world.
• On November 14, 2012, THE GEMESIS COMPANY (S) PTE. LTD in Singapore adopted a resolution to change its name to IIA TECHNOLOGIES PTD. LTD. Shortly thereafter, on January 31, 2013, Jatin’s son SURAJ MEHTA also became member of the Board of Directors.

• According to records of the Companies Commission of Malaysia, on December 31, 2012, the GEMESIS MALAYSIA company changed its name to IIA TECHNOLOGIES Sdn. Bhd. It is, however, the same company. It has three (local) Company Directors and a Company Secretary. All the issued shares belong to HAMPTON PARK INVESTMENTS LIMITED.

• Basically, from October 31, 2012, GEMESIS DIAMOND COMPANY’s beneficial ownership has become opaque and invisible for proper company due diligence purposes— one might say “lost in Singapore.” None of that business (including patents, etc.) ever moved back to the United States.

• A wholly new company, not related to any previous GEMESIS company, was established on April 30, 2013. A Delaware company was established, named GEM COMPANY. Two weeks later, on May 15, 2013, the name was changed to GEMESIS INC., and two months later, on July 28, 2015, the name PURE GROWN DIAMONDS first appears on any record. No announcement was made.

• After GEMESIS INC. was registered in Delaware, it also filed for registration in New York, as that is the principal place of business in the U.S.A. The filing took place on May 13, 2013. Just as in Delaware, it was first GEM COMPANY, and it became GEMESIS INC. on June 7, 2013. The name PURE GROWN DIAMONDS does not appear on any current New York record—it was apparently forgotten to file the change of name. That can still be done at any time.

• On June 25, 2013, Suraj Mehta announced the appointment of Lisa Bissell as CEO and President of GEMESIS INC. The press release called Suraj the “Promoter.” [Under Indian laws, “promoter” has specific legal meaning. It is a person (a) who has been named as such in a prospectus or is identified by the company in the annual returns, (b) who has control over the affairs of the company, directly or indirectly whether as a shareholder, director or otherwise; or (c) in accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act.]

• On June 26, 2014, one day after Bissell’s appointment, GEMESIS INC. rebranded itself as PUREGROWN DIAMONDS INC. To be legally precise, it is a renaming of the company. The official announcement states that PURE GROWN DIAMONDS INC. was “founded as GEMESIS INC. in 2013.”

• On May 5, 2016, PURE GROWN DIAMONDS INC. lawyers advised a Florida court that “PURE GROWN DIAMONDS INC. is a Delaware corporation the stock of which is 100 percent owned by IRON GATE PROPERTY LIMITED, a British Virgin Islands (BVI) corporation. The ultimate owners of Pure Grown Diamonds, Inc. are non-United States individuals.”

• So we still don’t know who the ultimate beneficial owners are. Last week, DIB checked with the BVI Financial Services Commission. Indeed, IRON GATE PROPERTY LIMITED was established on March 19, 2013. Its registered offices are in Tortola, BVI. The registered agent is the NERINE TRUST COMPANY (BVI) LIMITED. There are no listed names of shareholders, directors, and subsidiaries. So, for company due-diligence purposes, we must assume that the Pure Grown Diamonds lawyers’ “disclosure statement” to a Florida court is accurate. We’ll take their word for it.
What's the difference between a conflict and a non-conflict diamond? Nothing – these diamonds are equally beautiful and equally guiltless. Diamonds do no wrong. They are neutral. It’s the circumstances of their origins (civil wars in Africa) that makes the distinction. It’s the people that handle them that doom these diamonds. [The Kimberley Process Certification Scheme was created to make sure these conflict diamonds will be kept out of the markets.]

The same is true about lab-grown diamonds: they are all beautiful, etc.– the only difference between them is what the Pure Grown Diamonds (PGD) website calls “the guaranteed source.” PGD edged last week somewhat closer to getting drawn into a money-laundering investigation, as questions on the “origins” of this “guaranteed source” are being raised.

Bringing Synthetics under the Transparency Umbrella

The FATF’s seminal “Money Laundering and Terrorist Financing Through Trade in Diamonds” typology has warned about the risks of synthetic diamonds. “[It] is a fact that in most if not all cases synthetic diamonds are not part of AML/CFT legislation, although the vulnerabilities may be similar.”

At last month’s OECD/KP Forum in Dubai the participating governments in the Kimberley Process came to the realization that when the rough diamond certification scheme was established, there were no man-made diamonds on the market. Monitoring synthetic rough was neither considered nor necessary. Today it is.

The infamous (2012) undisclosed synthetic parcel sold by a New York company to an Antwerp dealer as if these diamonds were natural remains a case in point: by falsely labeling synthetics as natural, one creates huge opportunities to move massive sums around the globe using low-cost lab-grown diamonds. This is money laundering par excellence and constitutes a customs fraud nearly impossible to detect. The warning given by the FATF/Egmont Group on the grave risks posed by synthetic gem diamonds were both specific and urgent. Governments are taking notice.

High-Level ‘Money Laundering in Diamonds’ Summit

Now all eyes are on The Hague, in the Netherlands. Later this month, “the U.S. Department of State, will assemble senior law enforcement and customs officials, regulatory bodies, anti-money laundering (AML) experts, private sector experts, and others who have equities in combating the illicit trade in diamonds for a forum,” says a U.S. government statement.

“The event will focus on the exploitation of the diamond trade and diamonds being used as a vehicle for trade based money laundering, terrorist financing, and similar nefarious purposes. The forum will facilitate and increase international law enforcement cooperation and awareness of the illicit trade in diamonds. The forum will provide a platform for information sharing, networking, and building law enforcement partnerships that will lead to the identification, dismantling, and disruption of criminal networks associated...
with the illicit trade in diamonds.”

The United States private sector will, among others, be represented by Ronnie VanderLinden, Chairman of the United States Jewelry Council (USJC), a coalition of leading diamond, gem and jewelry trade associations, who favors equalizing natural and synthetic diamonds in everything that has to do with retailers’ and dealers’ AML/CFT obligations to conduct thorough due diligence on suppliers, just as required for natural diamonds under the Patriot Act Treasury’s rules. Members of the World Diamond Council (WDC) and World Federation of Diamond Bourses (WFDB) will also participate. Let’s wait and see what the outcome of that meeting is.

Thirteen years ago, ABN-AMRO Bank published a 191-page book “Diamond Industry Strategies to Combat Money Laundering and the Financing of Terrorism”, authored by Chaim Even-Zohar, which was presented to all diamond clients. A similar (expanded) 232-page book was published by the Israel Diamond Institute. Having become a professional member of the ACAMS (Association of Certified Anti-Money Laundering Specialists), Chaim Even-Zohar – on behalf of the World Federation of Diamond Bourses – liaised with FATF/Egmont in writing their report on trade-based Money Laundering in the Diamond Business. He was a member of the team that secured the inclusion of “synthetic” diamonds in the specific diamond industry anti-money laundering legislation in Israel, and has been advocating that other countries follow suit. As this personal commitment to the AML/CFT laws may add some perspective to this article, it was felt that this disclosure needed to be made.