



*Dear Rhino Owners and Reserve Managers*

October 2017

Despite delays and frustrations, we are proceeding with the establishment of the PROA Central Selling Organisation (CSO) and hope to open for trade as of 22nd January 2018. As all are aware, John Hume conducted the first online auction, which has highlighted certain challenges with the Department of Environmental Affairs (DEA) and created a high degree of confusion and frustration in the industry. In this newsletter, I wish to clarify some of these issues and reiterate the way forward in the legal domestic trade of rhino horn in a Q&A format.

I strongly warn against selling horn below market value as there are already rogue traders offering deals at 50% of value, i.e. at R50k per kilogram. To sell at devalued prices undermines the true value of our asset and owners are strongly discouraged from selling at a price below production cost. At the end of this newsletter is a closing statement and request by John Hume, which I fully endorse and support.



**1. Question: Can I use any lab for my rhino horn DNA Certificate?**

Theoretically, you may use any laboratory that is registered and accredited with the DEA. Practically, however, the only Lab currently accredited for rhino horn sampling is that of the University of Pretoria, Veterinary Genetics Laboratory (VGL) or Rhino DNA Index System (RhODIS). It must be remembered that no horn can be traded without a valid Possession Permit, Seller's Permit and Buyer's Permit issued in terms of the National Environmental Management Biodiversity Act, 2004 (NEMBA) as well as applicable provincial conservation legislation and a VGL DNA Analysis Certificate. If the horn details were correctly captured and sampled in the presence of an Environmental Management Inspectorate (EMI), in line with the Norms and Standards for the marking of rhinoceros and rhinoceros horn so that the information appears on the national database, these certificates can be supplied from



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the VGL and sampling would not need to be redone. The amended Norms and Standards for the marking of rhinoceros and rhinoceros horn indicate that samples as described in the Norms and Standards must be sent for genetic profiling to a facility registered as a scientific institution in terms of the TOPS Regulations and approved by the Director General. It is thus not necessarily only the VGL that will conduct genetic profiling for rhinoceros in future (although they currently have the only database of Rhino DNA samples).



**2. Question: Why must the Minister sign off each rhino horn sale application?**

The MECs of all provinces, with the exception of KwaZulu-Natal and the Free State, have to agree in writing, in terms of section 87A(3) of NEMBA, that the Minister would be the issuing authority in respect of the selling and buying of rhino horn. The implication is that the DEA will coordinate the domestic trade process and issuing of permits. This responsibility currently rests with the Minister.



**3. Question: What are the DEA application procedures and requirements to sell horn domestically?**

Attached please find the DEA 'Application Procedure for Domestic Trade in Rhinoceros Horn'. The PROA Central Selling Organisation (CSO) will assist both sellers and buyers in areas of compliance and submission for Buyer and Possession Permits from DEA.



**4. Question: What steps do I follow to register horns for sale via the PROA CSO?**

Attached you will find a Mandate Form which, once completed, authorises PROA to sell horns on your behalf. As a seller, you will be required to register with the CSO and be added to its approved seller's database. This process will include Finance Intelligence Act (FICA) requirements and verification of possession permits. Horn Possession Permit, VGL Certificates registration, photographing, and measuring of all horn will be conducted by the CSO for all horn allocated for sale, by the seller, through the CSO, thereby confirming the horn as 'clean horn'. Buyers will be required to be registered and FICA-ed by the CSO. The CSO will assist buyers and sellers in obtaining outstanding documentation where feasible. Please note that, even if PROA does this, it does not absolve the government of verifying the information through an inspection, which will be required in terms of the draft regulations for domestic trade in rhino horn. Kindly email Mandate Forms to [pelham@vibe.co.za](mailto:pelham@vibe.co.za)



**5. Question: How will trade take place (in the interim before the regulations for domestic trade in rhino horn are published for implementation)?**

As a seller in possession of a valid Seller's Permit issued in terms of NEMBA, you may nominate when you wish to sell a horn or horns, and whether it be with, or without, a reserve price. You may elect to sell the horns in piecemeal fashion or as a collective unit,



with or without other sellers. The CSO shall take previous buyer demand and purchasing practice into account and advise the sellers of the optimum strategy for the most advantageous sales outcome. Full details of reserve price, weight, size dimension, as well as photographs of the horn will be published on the website. An auction time will be set and an invitation for bidding will be made. Only registered buyers will be able to view the offered lots. The lot will sell to the highest bidder in an auction process subject to its exceeding any reserve price set. Prior to placing a bid for horn, the registered buyer will be required to place a deposit within the CSO trust account in order to establish good faith. Once a buyer and a purchase price for the lot have been established, i.e. a trade offer has taken place, the buyer will be obliged to pay the remainder of the sale price into the trust account. The buyer and seller's documentation will be submitted by the CSO to the DEA, as described in the DEA Application Procedure for the cancellation of existing provincial Possession Permits, for the issue of new permits in the name of the buyer. Upon receiving a Possession Permit in the name of the buyer, the seller will receive the net proceeds and the horn will be released to the buyer for collection – and henceforth the transaction will be considered completed. Should the permits be declined for the buyer for whatever reason, an administration fee will be levied upon the buyer, and the balance of the deposit returned. The horn may be put up for sale by the original seller again.



#### **6. Question: At what price will horns be sold?**

The price of horns will be determined by the highest bidder. Sellers may place the horn for sale with or without a reserve price. Initially, the CSO will utilise a many-to-one auction style, i.e. many bidders to one seller (the CSO). Should no sale take place, it will be evident that sellers are asking too much for their horn. It will take time for a 'market value' to be determined as we need to establish an environment where buyers and sellers have confidence in the process. Over time, and with increased trade, the CSO will experiment with different auction types and market mechanics that will enable ease of trade and enhance liquidity. Sellers are warned not to sell below production costs. In due course, a 'market value' driven by supply and demand will be established.



#### **7. Question: What commission is charged by the CSO, and how will this revenue be allocated by the CSO?**

A 10% commission is charged on each sale by the CSO. This commission will be allocated across three separate areas. Value Added Tax (VAT) will be payable on the sale of horn and the commission will be levied on the sales value, inclusive of VAT;



a) A portion of the commission will be allocated to the offices of the CSO to cover the operational costs of the CSO.





b) A portion of the commission will be allocated to PROA itself in order to cover the running costs of PROA, including audit fees and marketing.



c) A portion of the commission will be allocated to rhino conservation and community projects approved by the PROA Board.



**8. Question: Where will horns be stored and what costs are involved?**

On receipt of your Mandate Form, you will be advised of the company that has been appointed to provide the Central Storage Facility (CSF) with rhino horn. This company and facilities comply with the security standards required for bulk storage and have the necessary expertise and NEMBA compliance to facilitate storage and transport. The cost of transport and storage is for the account of the seller until the date of sale. Any horn that is allocated for sale will be levied a processing fee of R455 per horn by the CSO. This fee covers the cost of verifying the horn's provenance prior to its being put up for sale to ensure that no 'illicit horn' enters into the CSO sales process (as described in Q4).



**9. Question: If I don't wish to sell my horn but wish to use the facilities of the CSF, would this be possible, or can I split my stockpile into horns for sale and other horns for storage purposes only? Can the buyer use the CSF for his own storage purposes and do the horns need to be relocated after the sale?**

The CSF appointed by PROA can be used for bulk storage irrespective of whether horns are allocated for sale or not. Horn allocated for sale will attract the processing fee levied by the CSO, as described in Q8. On completion of a sale transaction, there is no requirement to move the horns. They can be retained in the CSF in the name of the new owner for his account.



**10. Question: Will there be independent 3rd party to control the oversight of finances, sales transactions and stockpiles?**

The CSO service provider Dreadnought Capital, an entity in the financial services industry with a wholly owned regulated subsidiary that is regulated by both the Financial Services Board (FSB) and the Johannesburg Stock Exchange (JSE), will provide independent third-party assurance on a daily basis. The activities of the CSO will be open for inspection by all appropriate government regulators at any reasonable time. In addition, the CSO will be subject to an external audit of its activities by an independent auditing firm on an annual basis to ensure all compliance standards are met, including NEMBA, Threatened or Protected Species regulations (TOPS), FICA and the South African Revenue Services (SARS).





**11. Question: Will the identity of the seller and buyer be protected, and will there be confidentiality on all aspects, including stock volumes?**

Only security-cleared staff authorised by PROA and appointed by the CSO, CSF and DEA will have access to sales and stock information (on a need-to-know basis only). The CSO will only have records of the stock of horn that has been allocated for sale. The CSF will have procedures that maintain and protect confidentiality over stock movement and holdings. The identity of buyers and sellers will be kept confidential at all times (except for audit, regulatory and PROA purposes). Data will be maintained on a secure 3<sup>rd</sup> party facility.



**12. Question: If I am not a member of PROA, can I use the CSF facility and CSO?**

The PROA CSO will be able to provide this service to all private, provincial and national reserves in the SADC region. Non-PROA members will, however, still be obligated to conform to all verification processes and procedures to prove provenance and legality of all horn allocated for sale.



**13. Question: Can a foreign national buy horn?**

As long as the DEA application procedures are followed, a foreign national can legally buy and possess rhino horn, irrespective of whether he or she is living in South Africa or not. However, this situation is dependent on the final provisions of the regulations relating to domestic trade in rhino horn, which have been published for comment and will be published for implementation once approved by parliament. This is, however, conditional that the horns are not exported out of South Africa in contravention of the CITES regulations. All horn stocks are subject to audit/verification by the DEA and any individual found to have illegally exported horns will be subject to criminal investigation.



**14. Question: Is this process legal in terms of national and Convention on International Trade in Endangered Species (CITES) regulations?**

The proposed CSO and trade methodology complies with all national and CITES regulations.



**15. Question: Can 'illicit horns' enter the legal trade market?**

No 'illicit horns' are able to enter the legal trade market through the CSO mechanism. The CSO checks and verifies the provenance and origin of all horn offered for sale via the CSO. All sellers have to be registered and verified as *bona fide* rhino owners prior to being registered with the CSO. The CSO will not accept any horn for sale where the origin of the horn has not been established prior to being offered for sale. Forensic DNA is taken from all illegal killings or rhino-poaching crime scenes, and these criminally obtained horns will thus be identified when a VGL DNA Certificate is requested.





**Closing message to all private rhino owners from John Hume:**

*I have spent my entire life savings on my rhino breeding project and I have spared no effort to make this project into an insurance policy for rhino as a species under threat. I am convinced that the most important tool available to save rhino from extinction worldwide is to give a better value to live rhino than to dead rhino. A well-regulated international trade in rhino horn must be the ultimate goal to make sure that rhino horn as a natural, sustainable resource is utilised to generate the desperately needed funding to protect and conserve rhino worldwide. To achieve this, we need CITES approval. I witnessed a proposal of a very similar nature being approved by unanimous decision at CITES CoP 17 in Johannesburg in October 2016. This means that the proposal was so well prepared that voting was not even necessary. Proposals of this nature are circulated to all the CITES countries in advance. This one proved that, with the correct preparation, a significant CITES change can be achieved. It was known as proposal 21 and it was in respect of crocodile (Crocodylus acutus) in Colombia, South America. I believe that we as South African rhino owners can and must pursue such a proposal to present to CITES.*

*I have dedicated all my resources to my project, but as long as I am the only project participating in this drive, I will certainly lose. My request to all other private rhino owners is to organise yourselves under PROA and to form more and more captive breeding operations of rhino and then to drive a proposal to the next CITES CoP. At the time when the crocodile proposal was presented to CITES, there were seven registered captive breeding operations and two more in the process of registration. The crocodile projects were combined and described as the 'Integrated Management District of Mangroves of the Bay of Cispata, Tinajones, La Balsa and Surrounding Areas in Colombia'. The proposal also relied heavily on the benefit to local communities and community involvement.*

*I sincerely regret to say that I can no longer do this alone and as such I have to hand the reins over to PROA, hopefully supported by many other private rhino owners. The greatest challenge will be to convince our government to put forward such a proposal. If I do it alone, government will ignore me as they have done for years, but if six or seven or ten rhino breeding projects do it, our government may listen. Both Pelham and Izak have copies of the crocodile proposal if any rhino owner is interested to read it. I trust that you will heed my call for the sake of the rhino and I wish our rhino the best of luck – they certainly need it.*

Please remember a successful domestic trade structure via a CSO is the first step towards presenting an international trade proposal to CITES. Not only must we prove to the world it can be done in a legal and transparent manner but the associated benefits to rhino conservation and communities. A base requirement of DEA and CITES is stock pile audit and through the CSF we achieve this. It is inadvisable to risk trade outside of the CSO for a number of reasons, your support is appreciated

Kind regards

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[www.rhinoalive.com](http://www.rhinoalive.com)  
[www.rhinorage.org](http://www.rhinorage.org)

**PROA is a NPC 2015/324972/08. Banking Details:**

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