

# INCOTERMS 2010

## AN INTRODUCTION



# INCOTERMS 2010

## WHAT THEY ARE

- Incoterms is an abbreviation of International Commercial Terms
- Incoterms are published by the International Chamber of Commerce
- First published in 1936 – latest version 2011
- Incoterms are sales terms incorporated within the contract of sale
- Incoterms are NOT law, they are an agreement between two parties – seller and buyer

# INCOTERMS 2010

## WHAT THEY CAN DO

- Impacts on the contract of carriage
  
- Identify the obligations placed on the parties to the contracts with respect to:
  - ◆ Responsibility relating to costs
  - ◆ Division of costs when shipping
  - ◆ Distribution of risks associated with the movement of the goods
  - ◆ Transfer of risk from one party to another
  - ◆ Responsibility for export and import clearance

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## WHAT THEY CANNOT DO

- They do not deal with transfer of property rights in the goods
- Relief from obligations and exemptions from liability in case of unforeseeable or unexpected events
- Consequences of various breaches of contract, except those relating to the passing of risks and costs when the buyer is in breach of his obligation to accept the goods or to nominate the carrier under the F terms

# INCOTERMS 2010

## DIFFERENCE TO THE 2000 TERMS

- Reduced from 13 to 11 terms
- Two new terms DAT and DAP – replacing DAF, DES, DEQ and DDU
- Clearly allocates the Terminal handling Charges
- More detailed description of the insurance obligations
- Shifting of the risk transfer from “Ships rail” to “On board” the vessel on FOB, CFR and CIF terms

# INCOTERMS 2010

## THE NEW 2010 RULES

### ▪ RULES FOR ANY MODE/MODES OF TRANSPORT

- ◆ EXW            EX WORKS
  
- ◆ FCA            FREE CARRIER
  
- ◆ CPT            CARRIAGE PAID TO
- ◆ CIP            CARRIAGE AND INSURANCE PAID TO
  
- ◆ DAT            DELIVERED AT TERMINAL
- ◆ DAP            DELIVERED AT PLACE
- ◆ DDP            DELIVERED DUTY PAID

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## THE NEW 2010 RULES

- RULES FOR ASEA AND INLAND WATERWAY TRANSPORT
  - ◆ FAS            FREE ALONGSIDE SHIP
  - ◆ FOB            FREE ON BOARD
  
  - ◆ CFR            COST AND FREIGHT
  - ◆ CIF            COST INSURANCE AND FREIGHT

# INCOTERMS 2010

## THE 11 TERMS IN SHORT

- **EXW - EX WORKS** - The goods is delivered when the seller places the goods at the buyers disposal at the sellers premises or another named place not cleared for export and not loaded onto any collecting vehicle, on the agreed date or within the agreed period
- **FCA - FREE CARRIER** - The seller delivers the goods, cleared for export, to the carrier nominated by the buyer at the named place at the agreed date or within the agreed period. If the agreed place is at the sellers premises (A), the loading operation (cost and risk) is on sellers account.
- **CPT - CARIAGE PAID TO** - The seller delivers the goods to the carrier nominated by him and the seller also pays the cost of carriage to the named destination at the agreed date or within the agreed period
- **CIP - CARRIAGE AND INSURANCE PAID TO** - The seller delivers the goods to the carrier nominated by him and pays the cost of carriage to the named destination at the agreed date or within the agreed period. He also has to pay for the necessary insurance



# INCOTERMS 2010

## THE 11 TERMS IN SHORT

- **DAT - DELIVERED - AT TERMINAL** - The seller delivers the goods unloaded from the transport carrier when they are placed at the buyers disposal at the named terminal in the named place of destination on the agreed date or within the agreed period
- **DAP - DELIVERED AT PLACE** - The seller delivers the goods when they are placed at the buyers disposal, ready for unloading at the named place of destination at the agreed date or within the agreed period
- **DDP - DELIVERED DUTY PAID** .- The seller delivers the goods to the buyer, cleared for import, ready for unloading at the named place of destination on the agreed date or within the agreed period

# INCOTERMS 2010

## THE 11 TERMS IN SHORT

- **FAS - FREE ALONGSIDE SHIP** - The seller delivers the goods when it is placed alongside the vessel at the named port of shipment at the agreed date or within the agreed period
- **FOB - FREE ON BOARD** - The seller delivers the goods when it is placed on board the ship at the named port of shipment
- **CFR - COST AND FREIGHT** - The seller delivers the goods when it is placed on board the ship in the port of shipment
- **CIF - COST INSURANCE AND FREIGHT** - The seller delivers the goods when it is placed on board the ship in the port of shipment. He also pays for the necessary insurance

In all cases the seller is responsible for and assumes the cost for Export Clearance and the buyer is responsible for import Clearance and costs EXCEPT: DDP – Seller does both, EXW – buyer does both

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## SELLERS AND BUYERS RESPONSIBILITY

- The 11 Incoterms are each divided into 10 chapters describing the sellers and buyers obligations as shown here below (A = seller, B = buyer)
  - A1 / B1 General obligations
  - A2 / B2 Licenses, authorizations, security clearances and other formalities
  - A3 / B3 Contracts of carriage and insurance
  - A 4 Delivery B 4 Taking delivery
  - A 5 / B5 Transfer of risks
  - A 6 / B 6 Allocation of costs
  - A 7 / B 7 Notices
  - A 8 Delivery document B 8 Proof of delivery
  - A 9 Checking, packing, marking B 9 Inspection of goods
  - A 10 / B 10 Assistance with information and related costs

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## DEFINITION OF DAP

- This term can be used for all modes of transport
- The goods is delivered when they are placed at the buyers disposal on the arriving transport carrier, **not unloaded**, at the named place of destination on the agreed date or within the agreed period
- The seller is responsible for the costs and risks to transport the goods to the point specified in the contract
- The seller is responsible for export and transit clearance procedures
- The buyer is responsible to clear the goods for import and pay import duties and to arrange import customs formalities

# INCOTERMS 2010

## DEFINITION OF DAT

- This term can be used for all modes of transport
- The goods is delivered when **unloaded** from arriving transport carrier and placed at the buyers disposal at a named terminal at the port or place of destination. Terminal includes quays, warehouses, container yard, rail- lorry- or air terminal (Preferable a precise point within the terminal) at the agreed date or within the agreed period
- The seller is responsible for the costs and risks to transport the goods to the point specified in the contract
- The seller is responsible for export and transit clearance procedures
- The buyer is responsible to clear the goods for import and pay import duties and to arrange import customs formalities

# INCOTERMS 2010

## HOW TO USE THEM

- Incorporate the Incoterms 2010 into the contract of sale
- Specify the delivery place/port or place of destination as precisely as possible
- Incoterms can be used for domestic and international trade
- Avoid using variants of Incoterms – they are confusing and interpretation might become difficult or impossible


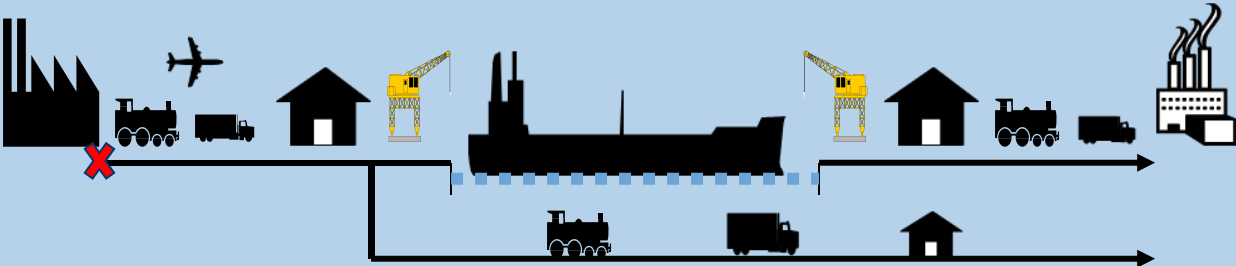
# INCOTERMS 2010

## CARGO INSURANCE

- Only minimum cover is required . If a wider cover is required by the buyer, that has to be agreed upon and should be noted in the sales contract
- The insurance cover must comply at least with the Institute Cargo Clauses (LMA/IUA) or similar clauses
- The duty to insure can be found in two Incoterms only - CIP and CIF. In both terms, the seller has to buy an insurance on behalf of the buyer. The seller top provide the buyer with an insurance policy on request.
- The insurance shall cover 110% of the invoice value

# EXW – Ex works


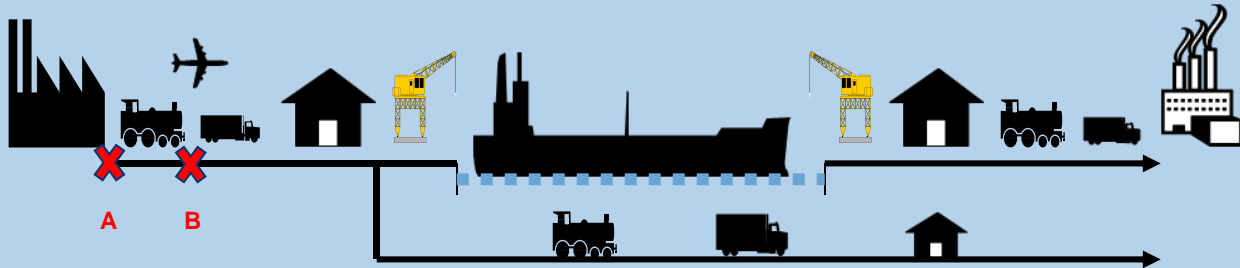
EXW (insert named place of delivery) Incoterms 2010

SHIPPER			BUYER
<b>RISKS</b>			<b>RISKS</b>
Bear all risks until the goods are placed at the buyers disposal at agreed place and time			Bear all risks from the time the goods are placed at buyers disposal at agreed place and time
<b>COSTS</b>			<b>COSTS</b>
Bear all costs until the goods are placed at buyers disposal at agreed place and time	<p style="text-align: center;"><b>CARRIAGE</b></p> <p style="text-align: center;">The shipper must place the goods at the buyers disposal at agreed time and place but not loaded on any vehicle appointed by the buyer</p>		Bear all costs from the time the goods are placed at his disposal at agreed place and time
<b>COMMENTS</b>	<p style="text-align: center;"><b>RISK – TRANSFER</b></p> <p style="text-align: center;">The risk is transferred to the buyer when the goods are placed at his disposal at agreed place and time</p>		<b>COMMENTS</b>
Minimum obligations for the seller	<p style="text-align: center;"><b>INSURANCE</b></p> <p style="text-align: center;">No obligations. Either parties can insure their own risk (recommended)</p>		Maximum obligations for the buyer




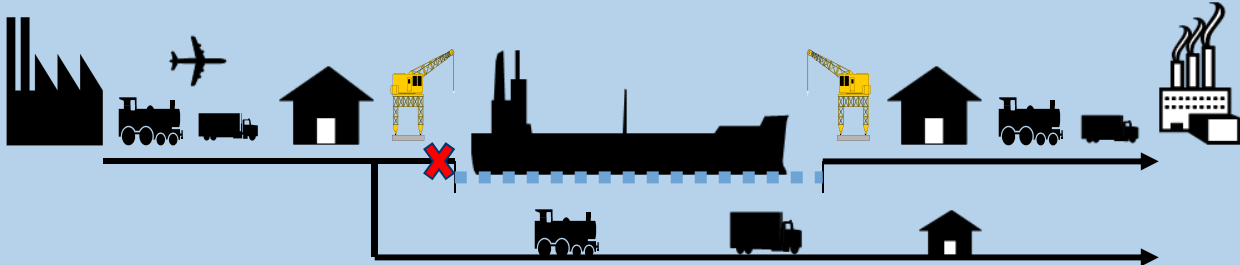
# FCA – Free carrier

FCA (insert named place of delivery) Incoterms 2010

SHIPPER			BUYER
<b>RISKS</b>			<b>RISKS</b>
Bear all risks until the goods are placed at the carriers disposal.  <b>OBSERVE!</b> alternatives A and B			Bear all risks from the time the goods are placed at the carriers disposal
<b>COSTS</b>			<b>COSTS</b>
Bear all costs until the goods are placed at the carriers disposal	<p style="text-align: center;"><b>CARRIAGE</b></p> <p style="text-align: center;">Seller to place the goods at the carriers disposal – not unloaded – at agreed place and time. Buyer to arrange for carriage of the goods at his own expenses</p>		Bear all costs from the time the goods are placed at the carriers disposal
<b>COMMENTS</b>			<b>COMMENTS</b>
Goods to be cleared for export	<p style="text-align: center;"><b>RISK – TRANSFER</b></p> <p style="text-align: center;">The risk is transferred when the goods have been placed into the custody of a carrier at the agreed time and place in accordance with the contract</p> <p style="text-align: center;"><b>INSURANCE</b></p> <p style="text-align: center;">No obligations. Either parties can insure their own risk (recommended)</p>		Goods to be cleared for import


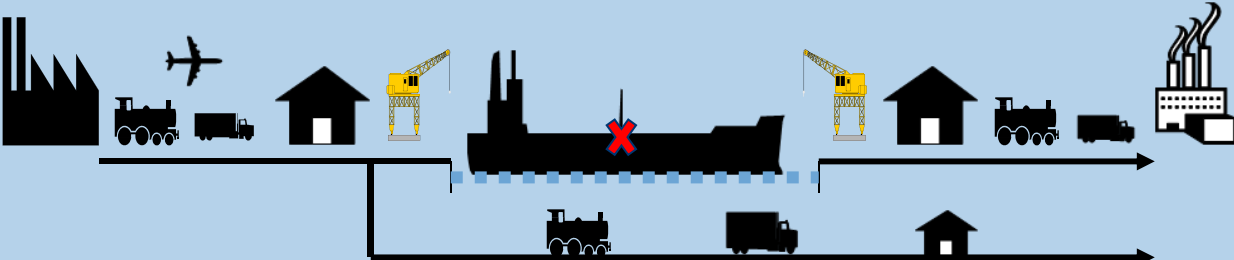
# FAS – Free alongside ship

FAS (insert named port of shipment) Incoterms 2010

SHIPPER			BUYER
<b>RISKS</b>			<b>RISKS</b>
Bear all risks of loss of or damage to the goods until the goods are delivered alongside ship			Bear all risk of loss of or damage to the goods after delivered alongside ship in accordance with contracts
<b>COSTS</b>			<b>COSTS</b>
Bear all costs related to the goods until delivered alongside ship including duties, taxes and custom charges for export	<p style="text-align: center;"><b>CARRIAGE</b></p> <p style="text-align: center;">The buyer has to contract at his own expenses for the carriage and loading of the goods from the port of shipment</p>		Bear all costs from the time the goods are delivered alongside ship, including duties, taxes and custom charges for import
<b>COMMENTS</b>			<b>COMMENTS</b>
Goods to be cleared for export.	<p style="text-align: center;"><b>RISK – TRANSFER</b></p> <p style="text-align: center;">Whenever the goods are delivered alongside the vessel at the agreed time in the manner customary at the agreed port</p> <p style="text-align: center;"><b>INSURANCE</b></p> <p style="text-align: center;">No obligations. Shipper/buyer can insure their own risk (recommended)</p>		Goods to be cleared for import and transit through any country



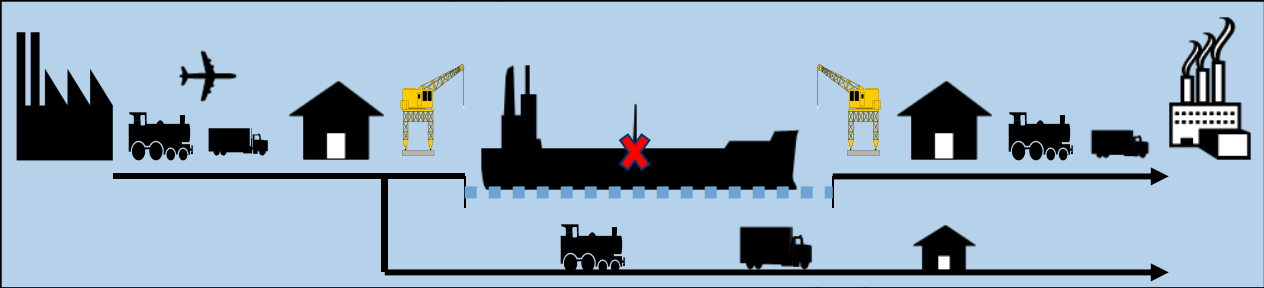
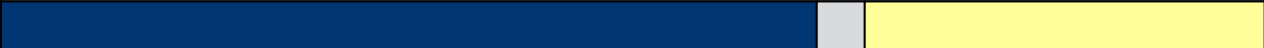
# FOB – Free on board

FOB (insert named port of shipment) Incoterms 2010

SHIPPER			BUYER
<b>RISKS</b>			<b>RISKS</b>
Bear all risks until the goods have been placed onboard the ship			Bear all risks from the time the goods have been placed onboard the ship
<b>COSTS</b>			<b>COSTS</b>
Bear all costs until the goods have been placed onboard the ship	<div style="text-align: center;"> <p><b>CARRIAGE</b></p> <p>The buyer have to contract at his own expenses for the carriage of the goods from the loading port</p> </div>		Bear all costs from the time the goods have been placed onboard the ship
<b>COMMENTS</b>			<b>COMMENTS</b>
Goods to be cleared for export.	<div style="text-align: center;"> <p><b>RISK – TRANSFER</b></p> <p>The risk is transferred when the goods effectively have been placed onboard the ship</p> </div>		Goods to be cleared for import and transit through any country
	No obligations. Shipper/buyer can insure their own risk (recommended)		



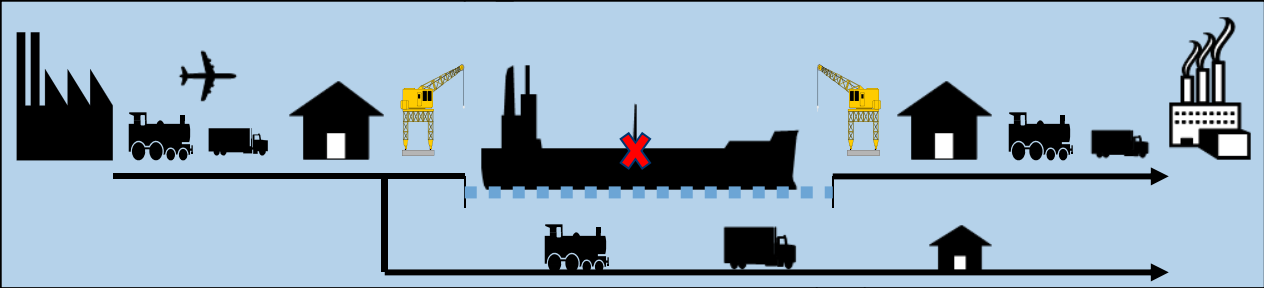
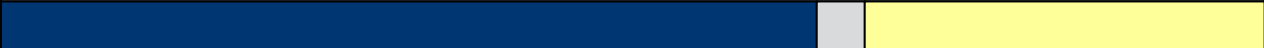
# CFR – Cost and freight

CFR (insert named port of destination) Incoterms 2010

SHIPPER			BUYER
<b>RISKS</b>			<b>RISKS</b>
Bear all risks until the goods have been placed onboard the ship			Bear all risks from the time the goods have been placed onboard the ship
<b>COSTS</b>			<b>COSTS</b>
Bear any costs to bring the goods – not discharged - to the port of destination	<p style="text-align: center;"><b>CARRIAGE</b></p> <p style="text-align: center;">Seller to arrange for carriage to the port of destination at his own expenses.</p>		Bear any costs from the moment the goods are placed at the buyers disposal at the port of destination
<b>COMMENTS</b>	<p style="text-align: center;"><b>RISK – TRANSFER</b></p> <p style="text-align: center;">The risk is transferred when the goods effectively have been placed onboard the ship</p>		<b>COMMENTS</b>
Goods to be cleared for export	<p style="text-align: center;"><b>INSURANCE</b></p> <p style="text-align: center;">No obligations. Shipper/buyer can insure their own risk (recommended)</p>		Goods to be cleared for import.



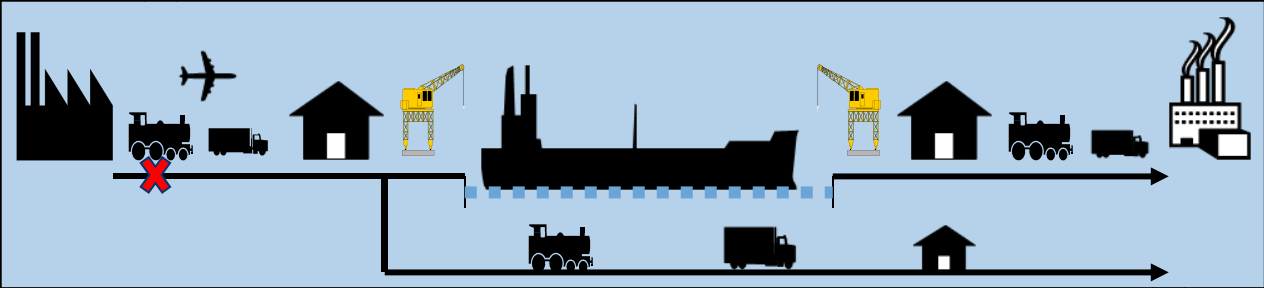
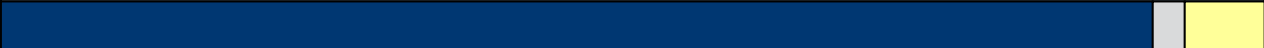
# CIF – Cost, insurance and freight

CIF (insert named port of destination) Incoterms 2010

SHIPPER			BUYER
<b>RISKS</b>			<b>RISKS</b>
Bear all risks until the goods have been placed onboard the ship			Bear all risks from the time the goods have been placed onboard the ship
<b>COSTS</b>			<b>COSTS</b>
Bear any costs to bring the goods – not discharged - to the port of destination	<p style="text-align: center;"><b>CARRIAGE</b></p> <p style="text-align: center;">Seller to arrange for carriage to the port of destination at his own expenses.</p>		Bear any costs from the moment the goods are placed at the buyers disposal at the port of destination
<b>COMMENTS</b>	<p style="text-align: center;"><b>RISK – TRANSFER</b></p> <p style="text-align: center;">The risk is transferred when the goods effectively have been placed onboard the ship</p>		<b>COMMENTS</b>
Goods to be cleared for export	<p style="text-align: center;"><b>INSURANCE</b></p> <p style="text-align: center;">Insurance <b>must</b> be covered by the seller on account of the buyer. Inland transport in country of destination not covered unless specified. Only minimum cover required</p>		Goods to be cleared for import.



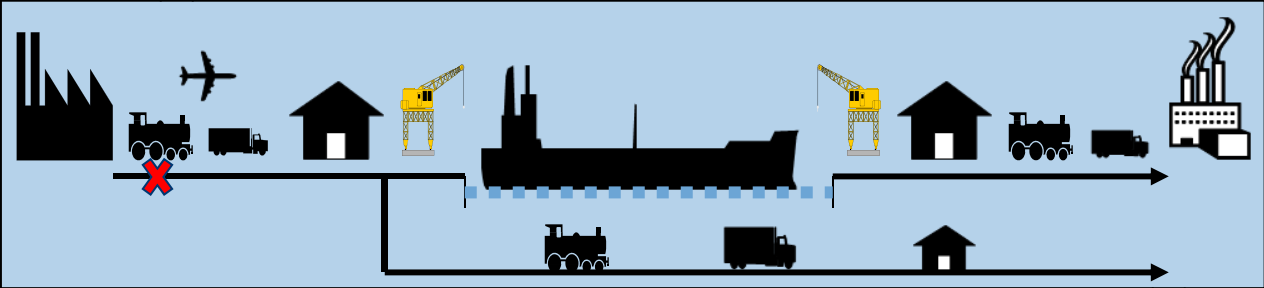
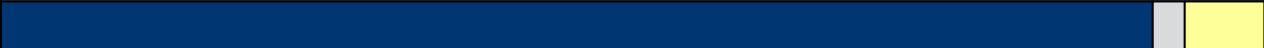
# CPT – Carriage paid to

CPT (Insert named place of destination) Incoterms 2010

SHIPPER			BUYER
<b>RISKS</b>			<b>RISKS</b>
Bear all risks until the goods are delivered into the custody of the carrier			Bear all risks from the moment the goods are delivered into the custody of the carrier
<b>COSTS</b>			<b>COSTS</b>
Bear all costs until the goods have been delivered to the named place of destination	<p style="text-align: center;"><b>CARRIAGE</b></p> <p style="text-align: center;">Seller to arrange for the carriage at his own expenses to place of destination</p>		Bear all costs from the moment the goods have been delivered to the named place of destination
<b>COMMENTS</b>	<p style="text-align: center;"><b>RISK – TRANSFER</b></p> <p style="text-align: center;">The risk is transferred to the buyer at the moment the goods have been delivered into the custody of the first carrier</p>		<b>COMMENTS</b>
Goods to be cleared for export and transit through any country	<p style="text-align: center;"><b>INSURANCE</b></p> <p style="text-align: center;">No obligations. Shipper/buyer can insure their own risk (recommended)</p>		Goods to be cleared for import


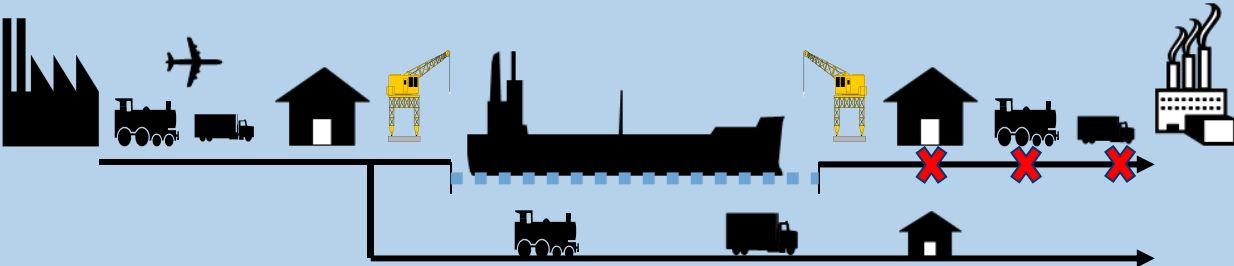
# CIP – Carriage and insurance paid to

CIP (insert named place of destination) Incoterms 2010

SHIPPER			BUYER
<b>RISKS</b>			<b>RISKS</b>
Bear all risks until the goods are delivered into the custody of the carrier			Bear all risks from the moment the goods are delivered into the custody of the carrier
<b>COSTS</b>			<b>COSTS</b>
Bear all costs until the goods have been delivered to the named place of destination but not discharged	<p style="text-align: center;"><b>CARRIAGE</b></p> <p style="text-align: center;">Seller to arrange for the carriage at his own expenses to place of destination</p>		Bear all costs from the moment the goods have been delivered to the named place of destination
<b>COMMENTS</b>	<p style="text-align: center;"><b>RISK – TRANSFER</b></p> <p style="text-align: center;">The risk is transferred to the buyer at the moment the goods have been delivered into the custody of the first carrier</p>		<b>COMMENTS</b>
Goods to be cleared for export and transit through any country	<p style="text-align: center;"><b>INSURANCE</b></p> <p style="text-align: center;">Insurance <b>must</b> be covered by the seller on account of the buyer. Only minimum cover required</p>		Goods to be cleared for import

# DAT – Delivered at terminal


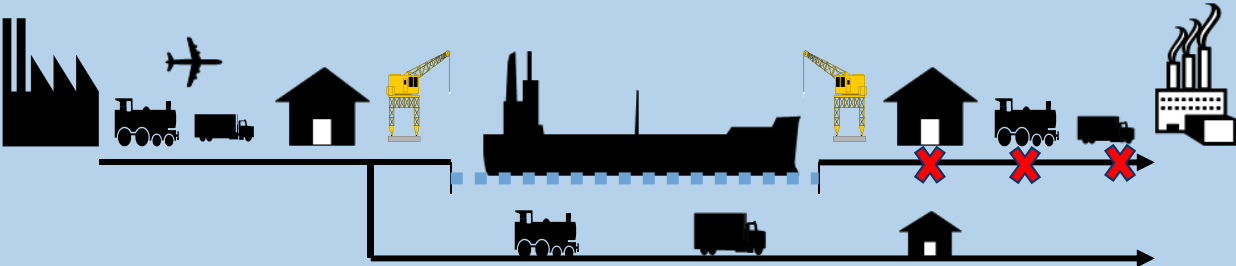
DAT (insert named terminal at port or place of destination) Incoterms 2010

SHIPPER			BUYER
<b>RISKS</b>			<b>RISKS</b>
Bear all risks until the goods are placed at the buyers disposal – unloaded at the named terminal			Bear all risks from the moment the goods are placed at the buyers disposal at the named terminal
<b>COSTS</b>			<b>COSTS</b>
Bear all costs until the goods are placed at the buyers disposal – unloaded at the named terminal	<p style="text-align: center;"><b>CARRIAGE</b></p> <p style="text-align: center;">Seller to arrange for the carriage onto the quay at port of destination at his own expenses – GOODS DISCHARGED</p>		Bear all risks from the moment the goods are placed at the buyers disposal at the named terminal
<b>COMMENTS</b>	<p style="text-align: center;"><b>RISK – TRANSFER</b></p> <p style="text-align: center;">The risk is transferred to the buyer when the goods are placed at buyers disposal - unloaded - at the named terminal</p>		<b>COMMENTS</b>
Goods to be cleared for export and transit through any country	<p style="text-align: center;"><b>INSURANCE</b></p> <p style="text-align: center;">No obligations. Shipper/buyer can insure their own risk (recommended)</p>		Goods to be cleared for import




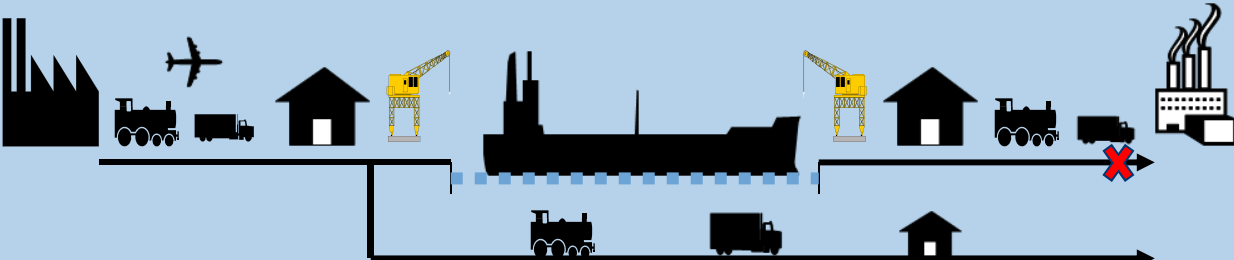
# DAP – Delivered at place

DAP (insert named place of destination) Incoterms 2010

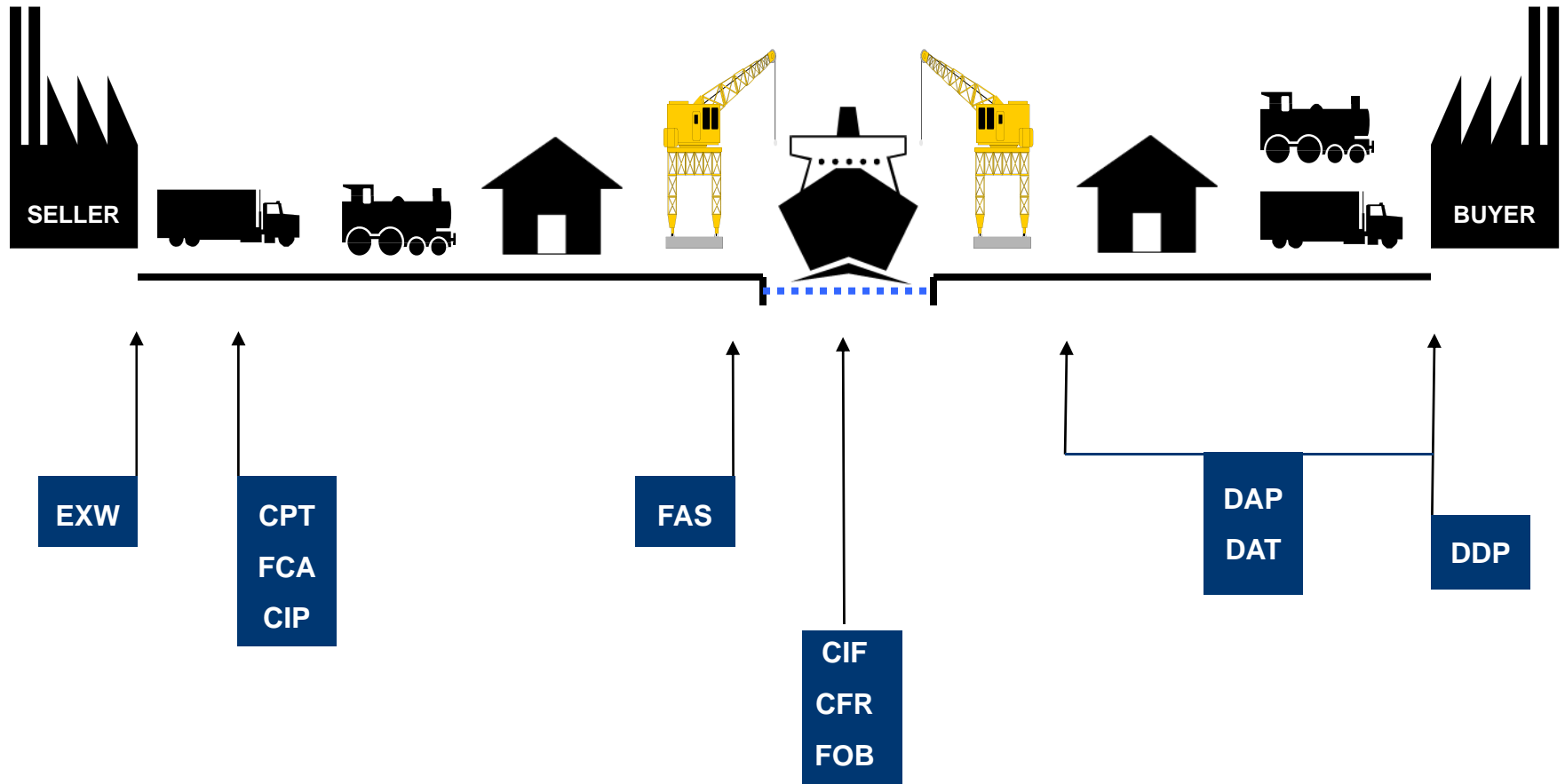
SHIPPER			BUYER
<b>RISKS</b>			<b>RISKS</b>
Bear all risks until the goods are placed at the buyers disposal at the named place of destination			Bear all risks from the moment the goods are placed at the buyers disposal at the named place of destination
<b>COSTS</b>			<b>COSTS</b>
Bear all costs until the goods are placed at the buyers disposal at the named place of destination	<p style="text-align: center;"><b>CARRIAGE</b></p> <p style="text-align: center;">Seller to arrange for the carriage to the named place of destination at his own expenses – goods not discharged</p>		Bear all risks from the moment the goods are placed at the buyers disposal at the named place of destination
<b>COMMENTS</b>	<p style="text-align: center;"><b>RISK – TRANSFER</b></p> <p style="text-align: center;">The risk is transferred to the buyer when the goods are placed at buyers disposal at the named place of destination</p>		<b>COMMENTS</b>
Goods to be cleared for export and transit through any country	<p style="text-align: center;"><b>INSURANCE</b></p> <p style="text-align: center;">No obligations. Shipper/buyer can insure their own risk (recommended)</p>		Goods to be cleared for import

# DDP – Delivered duty paid

DDP (insert named place of destination) Incoterms 2010

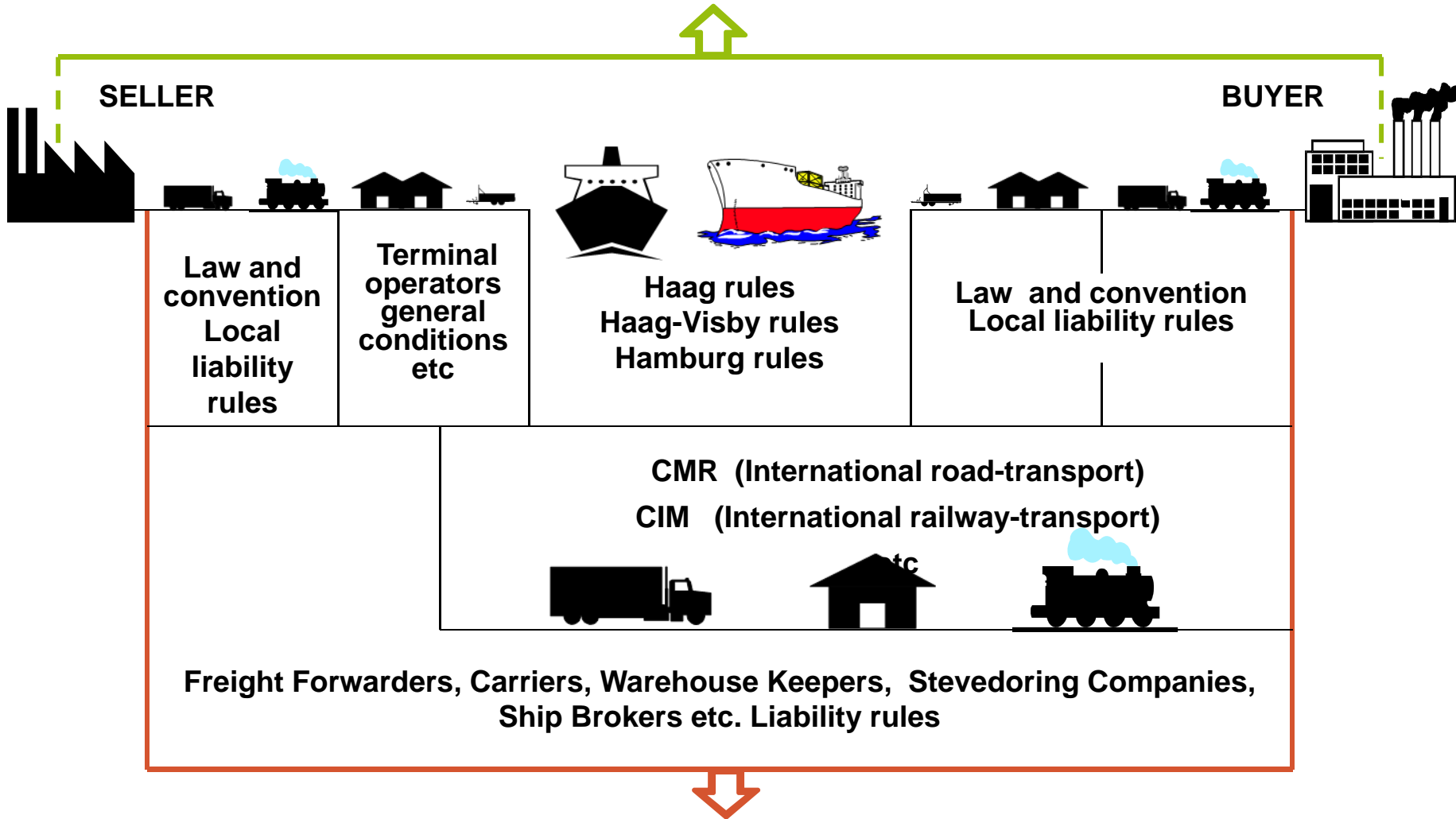
SHIPPER		BUYER	
<b>RISKS</b>			<b>RISKS</b>
Bear all risks until the goods are placed at the buyers disposal at the named place of destination			Bear all risks from the moment the goods are placed at the buyers disposal at the named place of destination
<b>COSTS</b>			<b>COSTS</b>
Bear all costs until the goods are placed at the buyers disposal at the named place of destination	<p style="text-align: center;"><b>CARRIAGE</b></p> <p style="text-align: center;">Seller to arrange for the carriage to the named place of destination at his own expenses – goods not discharged</p>		Bear all risks from the moment the goods are placed at the buyers disposal at the named place of destination
<b>COMMENTS</b>	<p style="text-align: center;"><b>RISK – TRANSFER</b></p> <p style="text-align: center;">The risk is transferred to the buyer when the goods are placed at buyers disposal at the named place of destination</p>		<b>COMMENTS</b>
Goods to be cleared for export and transit through any country as well as import to the place of destination	<p style="text-align: center;"><b>INSURANCE</b></p> <p style="text-align: center;">No obligations. Shipper/buyer can insure their own risk (recommended)</p>		Minimum obligation for the buyer

# Incoterms 2010 – Transfer of risk



# Sales contract for goods

Delivery terms (Incoterms), terms of payment, etc



Contract of Carriage - Liability