



INCOTERMS® IS A  
REGISTERED  
TRADEMARK OF THE  
INTERNATIONAL  
CHAMBER OF  
COMMERCE

# INCOTERMS®

# 2020

EXECUTIVE EDUCATION  
SERIES



**what's the worst  
that could happen...**



# what do incoterms® do?

Incoterms® are a set of 11 internationally recognized trade terms that reflect business-to-business practice in contracts for the sale and purchase of goods.

**Incoterms® rules describe:**

## **OBLIGATIONS**

*Who does what between seller and buyer.*

## **RISK**

*Where and when the risk transfers from the seller to the buyer.*

## **COSTS**

*Which party is responsible for which costs.*

POWERED BY



# incoterms® are not...

Incoterms® are NOT a substitute for any legal contract of sale, and do not deal with:

- X whether there is a contract of sale at all;
- X the specifications of the goods sold;
- X the time, place, method or currency of payment;
- X the remedies for a breach in contract of sale;
- X consequences of delay or breach of performance;
- X the effect of sanctions;
- X the imposition of tariffs;
- X export or import prohibitions;
- X force majeure or hardship;
- X intellectual property rights; or
- X method, venue, or law for dispute resolution.

## **MOST IMPORTANTLY...**

Incoterms® **are not** a substitute for a **contract of sale**.

Incoterms® **do not deal** with the **transfer of property, title, or ownership of the goods**.



# incoterms® history

**Created by ICC**

First version: 1936

**Updated every 10 years**

Developed to standardize terms between  
countries with different legal definitions.

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# incoterms® 2020

**E** - Ex Works transfers the goods at the seller's location (EXW)

**F** - means the seller has freight contract obligations in the country of the seller (FCA, FAS, FOB)

**C** - means the carriage is paid by the seller to move to another country (CPT, CIP, CFR, CIF)

**D** - means the goods are delivered by the seller into another country (DAP, DPU, DDP)

## RULES FOR ANY MODE OR MODES OF TRANSPORT

EXW, FCA, CPT,  
CIP, DAP, DPU,  
DDP

## RULES FOR SEA & INLAND WATERWAY TRANSPORT

FAS, FOB,  
CFR, CIF

# incoterms® clarity

[the chosen Incoterms® rule] +  
[named port/place/point] +  
Incoterms® 2020

## EXAMPLES

**CIF SHANGHAI INCOTERMS® 2020**

**DAP NO 123, ABC ST DALLAS INCOTERMS® 2020**

You must include the Incoterms® **year** during this time of transition, or risk problems in the case of a breach.

It is also best to be as specific as possible geographically when naming the port, place or point to avoid uncertainty.

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# named place

## ALL EXCEPT “C” RULES

The named place indicates **where the goods are “delivered,”**  
i.e. where risk transfers from seller to buyer

## “C” RULES

The named place indicates the **destination to which the seller must organize and pay for the carriage of the goods**  
– which is not the same as the place or port of delivery.

## “D” RULES

The named place is **the place of delivery and also the place of destination** – the seller must organize carriage to that point.

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# rules for any modes or modes of transport



## EX WORKS

EXW (NAMED PLACE)



COST



COST

RISK



RISK

## DELIVERY & RISK

The seller must place the goods **at the disposal of the buyer at a named place**, which may or may not be the seller's premises.

## PLACE OR POINT OF DELIVERY

If a named place of delivery is not specified, the seller can select the point that "best suits its purpose."

## EX WORKS

EXW (NAMED PLACE)



COST



COST

RISK



RISK

## EXPORT & IMPORT CLEARANCE

The entire burden for clearance, whether for export, for transit clearance, or for import, lies on the shoulders of the buyer.

## CAUTION TO BUYERS

Buyers should understand this Incoterm® **favors the seller** with the least set of obligations.

## FREE CARRIER

### FCA

(NAMED PLACE)



COST

RISK



COST

RISK



COST

RISK

COST

RISK

## DELIVERY & RISK

Goods are considered “delivered” in one of two ways:

- When the named place is the seller’s premises, goods are “delivered” **when loaded onto the buyer’s means of transport**
- When the named place is located elsewhere, the goods are “delivered” **when loaded on the seller’s transport, reach the named place, are ready for unloading, and are at the disposal of the buyer**

## **FREE CARRIER**

**FCA**  
(NAMED PLACE)



**COST**

**RISK**



**COST**

**RISK**



**COST**

**RISK**

**COST**

**RISK**

## **EXPORT & IMPORT CLEARANCE**

The seller is required to clear the goods for export. However, it has no obligation to arrange the import clearance of the goods.

## **PLACE OR POINT OF DELIVERY**

Only the place of delivery is required – however, the parties should specify a specific point within the named place of delivery.

## CARRIAGE PAID TO

### CPT (NAMED PLACE)



## PLACE OR POINT OF DELIVERY

Two important locations:

- the place or point at which the goods are **delivered** (for the transfer of risk)
- the place or point agreed upon as the **destination** to which the seller promises to contract for carriage.

## DELIVERY & RISK

The seller delivers the goods – and transfers the risk – to the buyer by **handing them over to the carrier**, contracted by the seller, or by procuring the goods so delivered.

## **CARRIAGE PAID TO CPT (NAMED PLACE)**



## **EXPORT & IMPORT CLEARANCE**

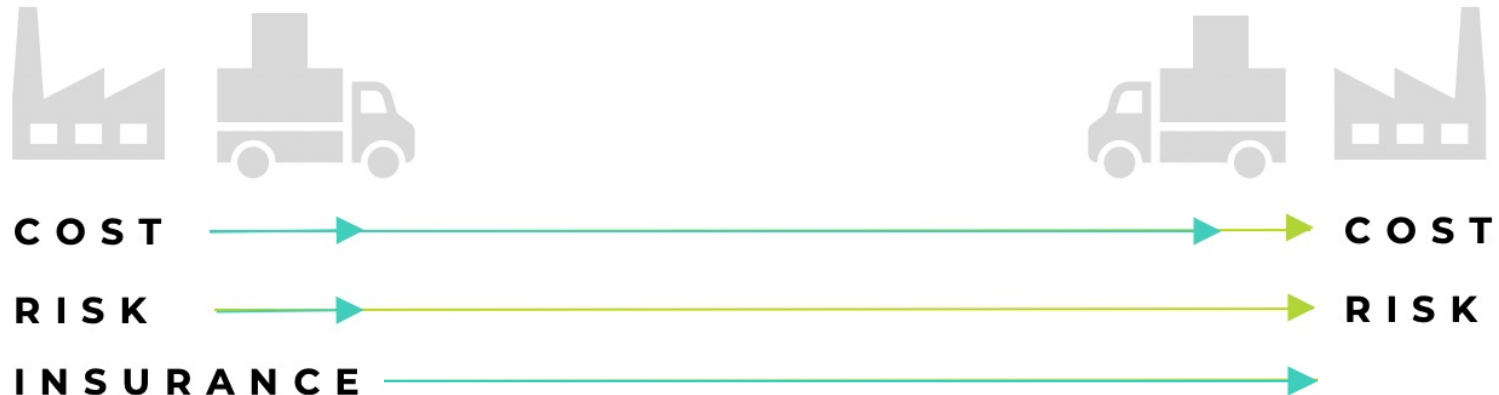
The seller is required to clear the goods for export. However, it has no obligation to arrange the import clearance of the goods.

## **COSTS OF UNLOADING**

If the seller incurs costs under its contract of carriage related to the unloading at the named place, the seller is not entitled to recover such costs separately from the buyer unless otherwise agreed.

## CARRIAGE & INSURANCE PAID TO

CIP (NAMED PLACE)



## PLACE OR POINT OF DELIVERY

Two important locations:

- the place or point at which the goods are **delivered** (for the transfer of risk)
- the place or point agreed upon as the **destination** to which the seller promises to contract for carriage.

## DELIVERY & RISK

The seller delivers the goods – and transfers the risk – to the buyer by **handing them over to the carrier**, contracted by the seller, or by procuring the goods so delivered.



## CARRIAGE & INSURANCE PAID TO

**CIP** (NAMED PLACE)



**COST**



**COST**

**RISK**



**RISK**

**INSURANCE**



### **COSTS OF UNLOADING**

If the seller incurs costs under its contract of carriage related to the unloading at the named place, the seller is not entitled to recover such costs separately from the buyer unless otherwise agreed.

### **EXPORT & IMPORT CLEARANCE**

The seller is required to clear the goods for export. However, it has no obligation to arrange the import clearance of the goods.

### **INSURANCE**

The seller **must** contract for insurance coverage against the buyer's loss of or damage to the goods during the carriage

## DELIVERED AT PLACE

**DAP** (NAMED PLACE)



**COST**



**COST**

**RISK**



**RISK**

### DELIVERY & RISK

The seller delivers the goods – and transfers the risk – to the buyer when the goods have arrived on the means of transport, are ready for unloading, and are **placed at the disposal of the buyer** at the named place of destination or at the agreed point within that place, if specified.

### IDENTIFYING THE PLACE OR POINT OF DELIVERY

Must be precise because:

- the risk of loss or damage to the goods transfers to the buyer at the point of delivery/destination
- the costs before that place or point are paid by the seller and after, by the buyer.
- the seller must arrange for the carriage of goods to the agreed place or point of delivery/destination or be liable for any losses.

## DELIVERED AT PLACE

**DAP** (NAMED PLACE)



**COST**



**COST**

**RISK**



**RISK**

## EXPORT & IMPORT CLEARANCE

The seller is required to clear the goods for export. However, it has no obligation to arrange the import clearance of the goods.

## COSTS OF UNLOADING

The seller is not required to unload the goods from the arriving means of transportation. However, if the seller incurs these costs from the contract of carriage, the seller is not entitled to recover costs from the buyer.

## DELIVERED AT PLACE UNLOADED

**DPU** (NAMED PLACE)



### DELIVERY & RISK

The seller delivers the goods – and transfers risk - to the buyer when the goods are **unloaded from the arriving means of transport** and are placed at the disposal of the buyer at a named place of destination or at the agreed point within that place.

### UNLOADING

The seller is required to **unload the goods at destination**. This means the risk of something happening during unloading lies with the seller, as does the cost of the unloading operation.

### EXPORT & IMPORT CLEARANCE

The seller is required to clear the goods for export. However, it has no obligation to arrange the import clearance of the goods.

## DELIVERED DUTY PAID

**DDP** (NAMED PLACE)



### DELIVERY & RISK

The seller delivers the goods – and transfers the risk – to the buyer when the goods have arrived on the means of transport, are ready for unloading, and are placed at the disposal of the buyer at the named place of destination or at the agreed point within that place, if specified.

### PLACE OR POINT OF DELIVERY

Must be precise because:

- the risk of loss or damage to the goods transfers to the buyer at the point of delivery or destination
- the costs before that place/point are paid by the seller, and after, by the buyer
- the seller must arrange for the carriage of goods to the agreed place or point of delivery/destination or be liable for any losses.

## DELIVERED DUTY PAID

**DDP** (NAMED PLACE)



**COST**



**COST**

**RISK**



**RISK**

## EXPORT & IMPORT CLEARANCE

DDP requires the seller to clear the goods for export, as well as for the import clearance and duties.

## CAUTION TO SELLERS: MAXIMUM RESPONSIBILITY

DDP imposes on the seller the maximum level of obligation of all eleven Incoterm® rules.

## UNLOADING COSTS

If the seller incurs costs under its contract of carriage related to the unloading at the place of delivery/destination, the seller is not entitled to recover these costs separately from the Buyer.

# rules for sea & inland waterway transport



## FREE ALONGSIDE SHIP

**FAS** (NAMED PORT OF SHIPMENT)



**COST**



**COST**

**RISK**



**RISK**

### DELIVERY & RISK

The seller delivers the goods when the goods are **placed alongside the ship** (nominated by the buyer) at the named port of shipment, or when the seller procures goods already so delivered.

### IDENTIFYING THE LOADING POINT

Both parties should specify as clearly as possible the loading point at the named port of shipment where the goods are to be transferred from the quay/barge to the ship.

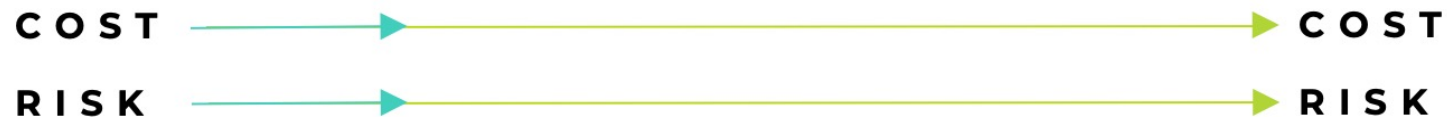
### EXPORT & IMPORT CLEARANCE

The seller is required to clear the goods for export. However, it has no obligation to arrange the import clearance of the goods.



## FREE ON BOARD

**FOB** (NAMED PORT OF SHIPMENT)



### DELIVERY & RISK

- The seller delivers the goods when the goods are **on board the vessel** (nominated by the buyer) at the named port of shipment, or procures goods already so delivered
- The risk of loss or of damage to the goods transfers when the goods are on board the vessel, and the buyer bears all costs from that moment onwards.

### EXPORT & IMPORT CLEARANCE

The seller is required to clear the goods for export. However, it has no obligation to arrange the import clearance of the goods.

### PLACE OF DELIVERY

The seller is required to either deliver the goods on board the vessel, or to procure goods already so delivered for shipment.

## COST AND FREIGHT

CFR (NAMED PORT OF DESTINATION)



## PORTS OF DELIVERY & DESTINATION

Two important locations:

- the place or point at which the goods are **delivered** (for the transfer of risk)
- the place or point agreed upon as the **destination** to which the seller promises to contract for carriage.

## DELIVERY & RISK

- The seller delivers the goods when the goods are **on board the vessel** (nominated by the seller) or procures the goods already so delivered
- The seller has performed its obligation to deliver the goods whether or not the goods actually arrived at their destination in sound condition, in the stated quantity or, indeed, at all
- The seller owes no obligation to the buyer to purchase insurance

## **COST AND FREIGHT**

**CFR (NAMED PORT OF DESTINATION)**



**COST** —————→ **COST**

**RISK** —————→ **RISK**

### **EXPORT & IMPORT CLEARANCE**

The seller is required to clear the goods for export. However, it has no obligation to arrange the import clearance of the goods.

### **UNLOADING COSTS**

If the seller incurs costs under the contract of carriage related to unloading at the specified point at the port of destination, the seller is not entitled to recover costs from the buyer.

## COST, INSURANCE & FREIGHT

CIF (NAMED PORT OF DESTINATION)



## PORTS OF DELIVERY & DESTINATION

Two important locations:

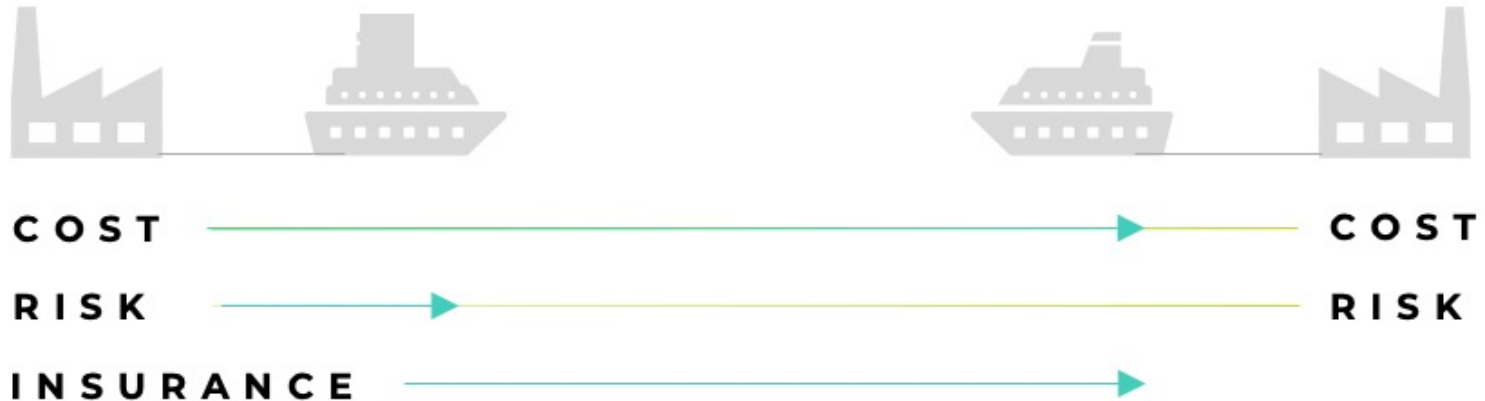
- the place or point at which the goods are **delivered** (for the transfer of risk)
- the place or point agreed upon as the **destination** to which the seller promises to contract for carriage.

## DELIVERY & RISK

- Delivery occurs when the goods are **on board the vessel** (nominated by the seller) or the seller procures the goods already so delivered
- The seller has performed its obligation to deliver the goods whether or not the goods actually arrived at their destination in sound condition, in the stated quantity or, indeed, at all

## COST, INSURANCE & FREIGHT

**CIF** (NAMED PORT OF DESTINATION)



### EXPORT & IMPORT CLEARANCE

The seller is required to clear the goods for export. However, it has no obligation to arrange the import clearance of the goods.

### UNLOADING COSTS

If the seller incurs costs under the contract of carriage related to unloading at the specified point at the port of destination, the seller is not entitled to recover costs from the buyer.

### INSURANCE

The seller **must** contract for insurance coverage against the buyer's risk of loss or damage to the goods to the named port of destination.

# INCOTERMS®

# 2020

**BUYER** — **SELLER**

Incoterms® are a set of internationally recognized trade terms that reflect business-to-business practice in contracts for the sale and purchase of goods.

## OBLIGATIONS

Who does what between seller and buyer.

## RISKS

Where and when the risk transfers from the seller to the buyer.

## COSTS

Which party is responsible for which costs.

## APPLICATION

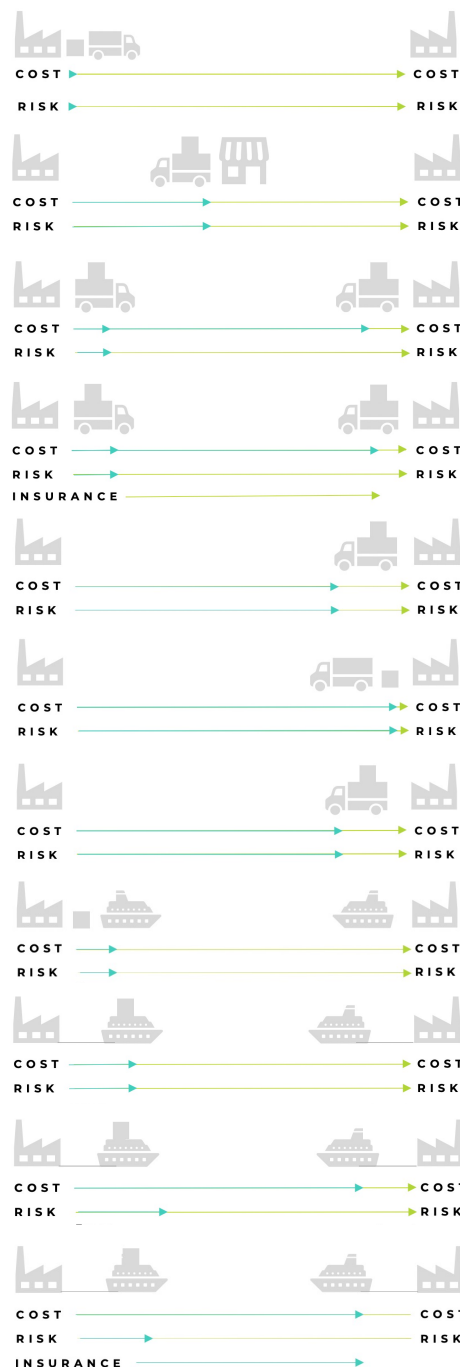
[the chosen Incoterms® rule] +  
[named port/place/point] +  
Incoterms® 2020

## EXAMPLE INCOTERMS®:

CIF SHANGHAI INCOTERMS® 2020

ANY MODE(S)

SEA & WATERWAY



EXW

FCA

CPT

CIP

DAP

DPU

DDP

FAS

FOB

CFR

CIF

# questions?

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**we speak freight**

ISN'T IT TIME TO MOVE FREIGHT *FORWARD?*

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