

Incoterms 2020 Rules Update

Description

Incoterms® rules explain a series of 11 commercial terms composed of three letters that reflect the uses among businesses in contracts for the sale of goods, which are accepted internationally.

They mainly describe the obligations, risks and costs involved in the delivery of goods from the **selling company (A)** to the **buyer (B)**.

Role of the International Chamber of Commerce

- Publishes the Incoterms® rules
- May serve as arbitrator in the event of a dispute
- Any use of the “Incoterms” trademark in association with products and services that do not come from ICC requires the permission from ICC. The “Incoterms” trademark must refer only to the ICC rules and other products, not generically.



International Chamber of Commerce
The world business organization

Incoterms® and the Incoterms® 2020 logo are trademarks of ICC. The use of these trademarks does not imply association, approval or endorsement by ICC unless otherwise specified. Incoterms® rules are protected by copyright owned by ICC. You can get more information about Incoterms® rules on the ICC website at iccwbo.org.

Trademark use

- In texts, use “Incoterms” as an adjective, not as a noun
- Do not use “Incoterms” without initial case
- Do not use the term without the “s” at the end, a separate term is an
- Incoterms® rule and never an “Incoterm”
- Use the registered trademark symbol ® next to the “Incoterms” trademark

Incoterms®
2020 by the International
Chamber of Commerce (ICC)

Sales and Purchase Contract

- Incorporate references to the Incoterms® 2020 rule to the international or domestic sales and purchase contract
- Incoterms® rules do not provide a complete sales and purchase contract

They do determine	They do not determine
<ul style="list-style-type: none">• Payment of transportation and handlings• Insurance contracting and payment• Transfer of risks• Point of delivery of goods	<ul style="list-style-type: none">• Price• Quality• Payment method• Transfer of property• Consequences from non-compliance• Applicable law and jurisdiction• Additional obligations

Specify











Specify the place or port as precisely as possible, example:

- CIF Shanghai Incoterms® 2020
- FCA 38 Cours Albert 1 er, Paris, France Incoterms® 2020
- DPU Mexico City Intl. Airport, Aeromexico Cargo warehouse, Mexico Incoterms® 2020

Use the latest version of Incoterms® rules, if you choose a previous version, clearly specify the selected version in the contract and other documents.

Choose the Appropriate Rule

Choose the appropriate rule for the goods, means of transport, and above all, to determine the obligations regarding **costs** and responsibilities towards **risk**.

SELLER (A)				
				
EXW FCA		FAS FOB		
CPT CIP DAP DPU DDP		CFR CIF		
				
BUYER (B)				

Insurance Scope (per the Institute Cargo Clauses)

C	B	A
<ul style="list-style-type: none"> • Fire • Explosion • Collision • Impact • Overturn • Derailments • Dragging by waves • Boarding • Sacrifice in general average and eventual contributions and rescue expenses 	<ul style="list-style-type: none"> • Soaking by sea, river or lake • Loss of packages during loading/unloading • Damage caused by earthquakes and volcanic eruptions 	<p>Cover all risk of loss or damage, except for exclusions:</p> <p>Insured's intent, loss of normal weight or volume, wear, improper packaging and conditioning, inherent vice, delays, insolvency, radioactivity, war and strikes (these last two risks can be covered separately).</p>

Changes in 2010-2020 Incoterms Rules

- Bills of lading with an on-board notation at the FCA Incoterms® rule
- Costs listed in A9/B9
- Different levels of insurance cover in CIF (C) and CIP (A)
- Arranging for carriage with seller's or buyer's own means of transport in FCA, DAP, DPU and DDP
- Change in the three-letter initials for DAT to DPU (rule characteristics remain)
- Inclusion of security-related requirements within carriage obligations and costs
- Explanatory notes (previously, guidance notes)

EXW Ex Works

Delivery and risk: When the seller places the goods at disposal of the buyer at a designated place (factory, warehouse, etc.)

Customs clearance: The seller is not responsible for customs formalities for export or import.

Main transportation: at the expense and risk of the buyer.



SELLER (A)

BUYER (B)

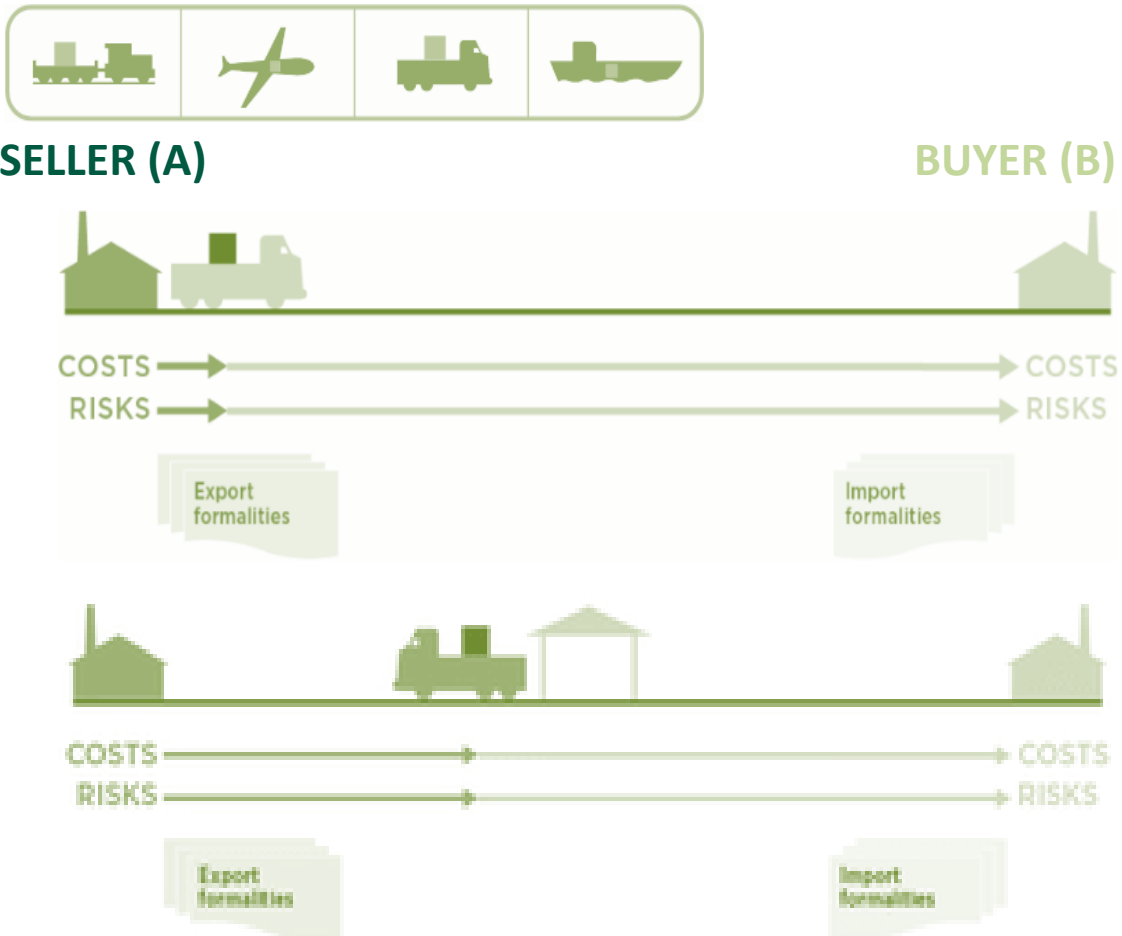


FCA Free Carrier

Delivery and risk: When the cargo is loaded in the means of transport arranged by the buyer or is ready for unloading at the disposal of the carrier or the person designated by the buyer.

Customs clearance: The seller is only responsible for customs formalities for export.

Main transportation: At the buyer's expense.



FAS

Free Alongside Ship

Delivery and risk: When the goods are placed alongside the ship designated by the buyer.

Customs clearance: The seller is only responsible for customs formalities for export.

Main transportation: At the buyer's expense.



SELLER (A)

BUYER (B)



FOB Free On Board

Delivery and risk: When the goods are placed on board the ship designated by the buyer.

Customs clearance: The seller is only responsible for customs formalities for export.

Main transportation: At the buyer's expense.



SELLER (A)

BUYER (B)



CFR

Cost and Freight

Delivery and risk: When the goods are placed on board the ship to a designated port at destination. Arrival at destination port / terminal.

Customs clearance: The seller is only responsible for customs formalities for export.

Main transportation: At the seller's expense.



SELLER (A)

BUYER (B)



CIF

Cost, Insurance and Freight

Delivery and risk: When the goods are placed on board the ship to a designated port at destination. Arrival at destination port / terminal.

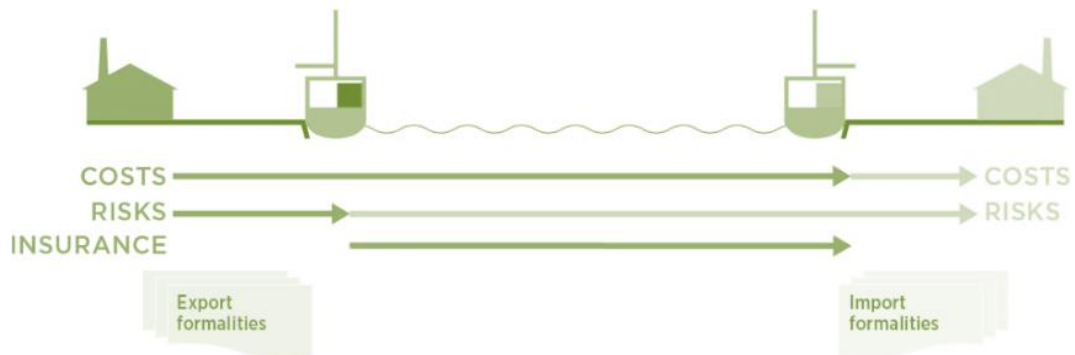
Customs clearance: The seller is only responsible for customs formalities for export.

Main transportation and insurance: At the seller's expense, insurance coverage type C.



SELLER (A)

BUYER (B)



CPT

Carriage Paid To

Delivery and risk: When the goods have been delivered to the carrier at destination place named by the buyer.

Customs clearance: The seller is responsible for customs formalities for export and to deliver goods to destination place named by buyer.

Main transportation: At the seller's expense.



SELLER (A)

BUYER (B)



CIP

Carriage and Insurance Paid To

Delivery and risk: When the goods have been delivered to the carrier at destination place named by the buyer.

Customs clearance: The seller is responsible for customs formalities for export and to deliver goods to destination place named by buyer.

Main transportation: At the seller's expense, insurance coverage type A.



SELLER (A)

BUYER (B)



DAP

Delivered at Place

Delivery and risk: When the goods are placed at the disposal of the buyer in the means of arrival prepared for unloading.

Customs clearance: The seller is responsible for customs formalities for export and transportation to final destination named by buyer.

Main transportation: At the seller's expense.



SELLER (A)

BUYER (B)



DPU

Delivered at Place Unloaded

Delivery and risk: When the goods are placed at the disposal of the buyer unloaded from the means of arrival.

Customs clearance: The seller is responsible for customs formalities for export and transportation to final destination named by buyer.

Main transportation: At the seller's expense.



SELLER (A)

BUYER (B)



DDP

Delivered Duty Paid

Delivery and risk: When the goods are placed at the disposal of the buyer in the means of arrival prepared for unloading.

Customs clearance: The seller is responsible for customs formalities for export and import and transportation to final destination named by buyer. DDP represents the maximum obligation for the seller.

Main transportation: At the seller's expense.



SELLER (A)

BUYER (B)



Thank you!!



www.mellohawk.com



arnon@mellohawk.com



+1 416 465-3459 Ext: 225

+ 1 647 797-4776

MELLOHAWK L O G I S T I C S



Your cargo is our cargo