

INCOTERMS-2010

INCOTERMS 2010: ICC OFFICIAL RULES FOR THE INTERPRETATION OF TRADE TERMS

The Incoterms or International Commercial Terms are a series of pre-defined commercial terms published by the International Chamber of Commerce (ICC) relating to international commercial law. They are widely used in International commercial transactions or procurement processes as the use in international sales is encouraged by trade councils, courts and international lawyers. A series of three-letter trade terms related to common contractual sales practices, the Incoterms rules are intended primarily to clearly communicate the tasks, costs, and risks associated with the transportation and delivery of goods. Incoterms inform sales contract defining respective obligations, costs, and risks involved in the delivery of goods from the seller to the buyer. However, it does not constitute contract or govern law. Also it does not define where titles transfer and does not address the price payable, currency or credit items.

The Incoterms rules are accepted by governments, legal authorities, and practitioners worldwide for the interpretation of most commonly used terms in international trade. They are intended to reduce or remove altogether uncertainties arising from different interpretation of the rules in different countries. As such they are regularly incorporated into sales contracts worldwide.

The first work published by the ICC on international trade terms was issued in 1923, with the first edition known as Incoterms published in 1936. the Incoterms rules were amended in 1953, 1967, 1976, 1980, 1990, and 2000, with the eighth version— Incoterms 2010 — having been published on January 1, 2011. The ICC have begun consultations on a new revision of Incoterms, to be called Incoterms 2020. "Incoterms" is a registered trademark of the ICC.

Rules for Sea and Inland Waterway Transport:

FAS - Free Alongside Ship: Risk passes to buyer, including payment of all transportation and insurance costs, once delivered alongside the ship (realistically at named port terminal) by the seller. The export clearance obligation rests with the seller.

FOB - Free On Board: Risk passes to buyer, including payment of all transportation and insurance costs, once delivered on board the ship by the seller. A step further than FAS.

CFR - Cost and Freight: Seller delivers goods and risk passes to buyer when on board the vessel. Seller arranges and pays cost and freight to the named destination port. A step further than FOB.

CIF - Cost, Insurance and Freight: Risk passes to buyer when delivered on board the ship. Seller arranges and pays cost, freight and insurance to destination port. Adds insurance costs to CFR.

Rules for Any Mode or Modes of Transportation:

EXW - Ex Works: Seller delivers (without loading) the goods at disposal of buyer at seller's premises. Long held as the most preferable term for those new-to-export because it represents the minimum liability to the seller. On these routed transactions, the buyer has limited obligation to provide export information to the seller.

FCA - Free Carrier: Seller delivers the goods to the carrier and may be responsible for clearing the goods for export (filing the EEI). More realistic than EXW because it includes loading at pick-up, which is commonly expected, and sellers are more concerned about export violations.

CPT - Carriage Paid To: Seller delivers goods to the carrier at an agreed place, shifting risk to the buyer, but seller must pay cost of carriage to the named place of destination.

CIP - Carriage and Insurance Paid To: Seller delivers goods to the carrier at an agreed place, shifting risk to the buyer, but seller pays carriage and insurance to the named place of destination.

DAT - Delivered at Terminal: Seller bears cost, risk and responsibility until goods are unloaded (delivered) at named quay, warehouse, yard, or terminal at destination. Demurrage or detention charges may apply to seller. Seller clears goods for export, not import. DAT replaces DEQ, DES.

DAP - Delivered at Place: Seller bears cost, risk and responsibility for goods until made available to buyer at named place of destination. Seller clears goods for export, not import. DAP replaces DAF, DDU.

DDP - Delivered Duty Paid: Seller bears cost, risk and responsibility for cleared goods at named place of destination at buyers disposal. Buyer is responsible for unloading. Seller is responsible for import clearance, duties and taxes so buyer is not "importer of record".