



INCOTERMS[®] – WHAT ARE THEY?



Incoterms are Issued by the International Chamber of Commerce.



The Incoterms® rules are the world's essential terms of trade for the sale of goods.

Whether you are filing a purchase order, packaging, and labelling a shipment for freight transport, or preparing a certificate of origin at a port, the Incoterms® rules are there to guide you.

The Incoterms® rules provide specific guidance to individuals participating in the import and export of global trade on a daily basis.

What does “Incoterms®” stand for?

“Incoterms®” is an acronym standing for international commercial terms. “Incoterms®” is a trademark of the International Chamber of Commerce, registered in several countries.

WHAT THEY ‘DO’

They explain the set of eleven three letter trade terms, e.g., CIF, DAP etc. reflecting business to business practice in contracts for the sale and purchase of goods.

The rules describe: **YOUR OBLIGATIONS**

Who does what e.g., who organises carriage or insurance of the goods or who obtains shipping documents and export or import licences?

RISK - Where and when the Seller ‘delivers’ the goods, in other words where risk transfers from Seller to Buyer

COSTS - Which party is responsible for the costs, for example transport, packaging, loading or unloading costs, and checking or security-related costs

INCOTERMS® 2020 CATEGORIES

INCOTERMS® 2020 still has 11 terms with 2 distinct categories:

- Any Mode of Transport (7 rules) EXW, FCA, CPT, CIP, DAP, DPU, DDP
- Sea and Inland Waterway (4 rules) FOB, FAS, CFR, CIF

INCOTERMS® 2020

	Incoterm®	Explanation	Delivery or Destination	Freight
ANY MODE	EXW	Ex Works	Named Place of Delivery	Freight Collect
	FCA	Free Carrier	Named Place of Delivery	Freight Collect
	CPT	Carriage Paid To	Named Place of Destination	Freight Prepaid
	CIP	Carriage & Insurance Paid To	Named Place of Destination	Freight Prepaid
	DAP	Delivered at Place	Named Place of Destination	Freight Prepaid
	DPU	Delivered at Place Unloaded	Named Place of Destination	Freight Prepaid
	DDP	Delivered Duty Paid	Named Place of Destination	Freight Prepaid
SEA & INLAND WATER WAY	FAS	Free Alongside Ship	Named Port of Shipment	Freight Collect
	FOB	Free on Board	Named Port of Shipment	Freight Collect
	CFR	Cost & Freight	Named Port of Destination	Freight Prepaid
	CIF	Cost, Insurance & Freight	Named Port of Destination	Freight Prepaid

THE TERMS – You need to be PRECISE!

Use the terms as follows:

XXX - named point / place / port INCOTERMS® 2020

EXAMPLE: DAP No123, ABC Street, Shanghai INCOTERMS® 2020

- Make sure the year is specified as any arbitration will need to understand the version being used
- Be geographically specific in naming the point / place / port
- In a contract the use of the trademark symbol is not necessary
- Incoterms® details should appear on the following documentation:

✓ Quotations

✓ Purchase Orders

✓ Order Acknowledgements

✓ Commercial Invoices

ANY MODE OF TRANSPORT

- EXW – Domestic Only Ex Works – Named Place of Delivery
- FCA Free Carrier (FCA) – Named Place of Delivery
- CPT Carriage Paid To (CPT) – Named Place of Destination

- CIP Carriage and Insurance Paid To (CIP) – Named Place of Destination
- DAP Delivered at Place (DAP) – Named Place at Destination
- DPU Delivered at Place Unloaded (DPU) – Named Place at Destination
- DDP Delivered Duty Paid (DDP) – Named Place at Destination

SEA & INLAND WATERWAY

- FAS - Ship Free Alongside Ship (FAS) – Named Port of Shipment
- FOB - Free on Board (FOB) – Named Port of Shipment
- CFR - Cost and Freight (CFR) – Named Port of Destination
- CIF - Cost Insurance and Freight (CIF) – Named Port of Destination

[For more information visit this link](#)

<https://iccwbo.org/resources-for-business/incoterms-rules/incoterms-2020/>