

## Incoterms® 2020 came into effect on January 1, 2020

International Chamber of Commerce (ICC) last updated Incoterms® rules in the fall of 2019 reflecting changes in international trade. The Incoterms® 2020 are in effect as of January 1, 2020. Some of the key changes in Incoterms® 2020 are:

- DPU (Delivered at Place Unloaded) replacing DAT (Delivered at Terminal)
  - ✓ The place of delivery could be anywhere, not just to a “terminal”.
- Different Insurance coverage for CIP and CIF
  - ✓ Under the Incoterms® 2010 rules, the seller is obligated to obtain minimum insurance coverage on Institute Cargo Clauses (C)
  - ✓ Under the Incoterms® 2020 rules, the seller is now obligated to obtain insurance coverage with Institute Cargo Clauses (A) for CIP; while the seller is only obliged to buy the minimum coverage under CIF.
- FCA
  - ✓ Under FCA, “delivery” takes place before goods are loaded on board the vessel; after which on-board bill of lading will be issued by the carrier.
  - ✓ Under FCA Incoterms® 2020, the seller and the buyer agree that the buyer will instruct the carrier to issue an on-board bill of lading to the seller.
- Costs
  - ✓ In the new ordering of the obligations within the Incoterms® 2020 rules, COSTS appear at A9/B9; which list all costs allocated by each Incoterms® rule.
- Inclusion of Security-Related requirements
  - ✓ Security -related obligations are now outlined under A4 and A7.
- Guidance Notes
  - ✓ “The Guidance Notes” in the 2010 version now appear as “Explanatory Notes for Users” outlining the fundamentals of each Incoterms® 2020 rule.

## What The Incoterms® Rules Do?

- Explain a set of 11 trade terms that are reflecting business to business practice in contracts for sales and purchase of tangible goods.
- Describe 10 chapters of Obligations for sellers and buyers, identify where and when Risk transfers from the seller to the buyer, and identify which party is responsible for which costs.
- Help avoid different interpretations of trade terms in different countries; hence avoid subsequent dispute between the seller and the buyer.

## What The Incoterms® Rules Do Not Do?

- Incoterms® Rules are NOT a contract of sale, or DO NOT automatically apply to contract of sale.

- Incoterms® Rules ARE NOT international law and are simply international rules.
- Incoterms® Rules DO NOT address
  - ✓ specifications related to the goods sold;
  - ✓ payment terms;
  - ✓ the remedies to resolve disputes in the contract of sale, or performance of contractual obligations;
  - ✓ ownership of the goods or transfer of title between the buyer and the seller.
- Incoterms® influence but are not incorporated in;
  - ✓ Contract of Sale
  - ✓ Marine Insurance
  - ✓ Contract of Carriage

### The 10 Chapters of Obligations for Seller and Buyer: Incoterms® 2020

A1/ B1	General obligations
A2/ B2	Delivery/ Taking delivery
A3/ B3	Transfer of risks
A4/ B4	Carriage
A5/ B5	Insurance
A6/ B6	Delivery/ transport document
A7/ B7	Export/ import clearance
A8/ B8	Checking/ packaging/ marking
A9/ B9	Allocation of costs
A10/ B10	Notices

### The 11 Incoterms® 2020

EXW:	ExWorks (... named place of delivery) Incoterms® 2020
FCA:	Free Carrier (... named place of delivery) Incoterms® 2020
CPT:	Carriage Paid To (... named place of destination) Incoterms® 2020
CIP:	Carriage and Insurance Paid To (... named place of destination) Incoterms® 2020
DAP:	Delivered at Place (... named place of destination) Incoterms® 2020
DPU:	Delivered at Place Unloaded (... named place of destination) Incoterms® 2020
DDP:	Delivered Duty Paid (... named place of destination) Incoterms® 2020
FAS:	Free Alongside Ship (... named port of shipment) Incoterms® 2020
FOB:	Free on Board (... named port of shipment) Incoterms® 2020
CFR:	Cost and Freight (... named port of destination) Incoterms® 2020
CIF:	Cost, Insurance and Freight (... named port of destination) Incoterms® 2020

- Incoterms® must contain all of the following in order to best define the transfer of obligations between the seller and the buyer.
  - ✓ Incoterm
  - ✓ Named place/ point/ port
  - ✓ Version of Incoterms®

Incoterms® 2020 : Obligation and Transfer of Costs											
	Multimodal Term:							Maritime & Inland Waterway Transport			
	EXW	FCA	CPT	CIP	DAP	DPU	DDP	FAS	FOB	CFR	CIF
Some Typical Services	Ex Works	Free Carrier	Carriage Paid To	Carriage, Insurance Paid To	Delivered at Terminal	Delivered at Place	Delivered Duty Paid	Free Alongside Ship	Free On Board Vessel	Cost & Freight	Cost, Insurance & Freight
Warehouse storage/labour	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export packing	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Inland freight	Buyer	Buyer/Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Terminal charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Forwarder's fee	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading on vessel	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Seller	Seller	Seller
Ocean/ Air freight	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Seller	Seller
Destination charges on arrival	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer
Duty, taxes & customs clearance	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer	Buyer	Buyer	Buyer
Inland delivery to destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer	Buyer	Buyer	Buyer

- The critical transfer points of cost and risk will vary depending on selected mode of transport and named place.
- FCA- *if delivery occurs at the seller's premises, the inland freight charge is for the cost of buyer. If the delivery occurs at any other place, it is for the cost of seller.*
- DPU- *Unloading from arriving vehicle at the named place is for the cost of seller.*