

INCOTERMS REFERENCE GUIDE

What are Incoterms?

Incoterms or International Commercial Terms are a set of three letters internationally accepted standard trade terms that buyers and sellers can incorporate into their contracts of sale.

What do they do?

Incoterms define the respective responsibilities, costs and risks associated with the delivery of goods between the buyer and the seller.

Why are there new rules?

The latest version of the trade terms, Incoterms 2010, came into effect January 1, 2011. The changes reflect the international commercial practice since the 2000 terms came into effect and are intended to reduce or remove any uncertainty that may arise from different interpretations of the rules.

Two Classes for the 11 Incoterms 2010 rules:

Rules for Any Mode or Modes of Transport

| | |
|-------------|-----------------------------|
| EXW | Ex Works |
| FCA | Free Carrier |
| CPT | Carriage Paid To |
| CIP | Carriage and Insurance Paid |
| DAT* | Delivered at Terminal |
| DAP* | Delivered At Place |
| DDP | Delivered Duty Paid |

Rules for Sea and Inland Waterway Transport

| | |
|------------|----------------------------|
| FAS | Free Alongside Ship |
| FOB | Free On Board |
| CFR | Cost and Freight |
| CIF | Cost Insurance and Freight |

* Two new Incoterms rules – DAT and DAP – have replaced the Incoterms 2000 rules DAF, DES, DEQ and DDU



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Further Information on Incoterms:

For further information or assistance on this topic visit the International Chamber of Commerce web site: www.iccwbo.org/incoterms/ or contact your Marine Insurance Advisor. It is important to understand the risks, costs, and obligations that the seller and buyer bear in each rule before incorporating a rule into the contract of sale.

See the reverse of this document for summary of responsibilities of the 11 Incoterms 2010 rules

Seven Rules for Any Mode(s) of Transport – Summary of Responsibilities

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|------------|---------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| EXW | Ex Works (named place of delivery) | Seller: responsible to place the goods at the disposal of the buyer at the seller's premises or at another named place and generally bears all risk and costs up to that point Buyer: responsible for all risk and costs involved in taking the goods from the agreed point (if any) at the named place of delivery |
| FCA | Free Carrier (named place of delivery) | Seller: responsible to clear the goods for export and deliver the goods to the carrier (or another person nominated by the buyer), at the seller's premises or at another named place and generally bears all risk and costs up to that point Buyer: responsible for all risk and costs involved in taking the goods from the agreed point (if any) at the named place of delivery |
| CPT | Carriage Paid To (named place of destination) | Seller: responsible to deliver the goods to the carrier (or another person nominated by the seller) at an agreed place (if any) and to contract for and pay the costs of carriage to bring the goods to the named place of destination and only bears the risk until the goods are provided to the carrier (not when goods reach place of destination) Buyer: responsible for the risk of loss or damage, from the time the goods are transferred to the first carrier and bears all costs in taking the goods from the place of destination |
| CIP | Carriage & Insurance Paid To (named place of destination) | Seller: responsible to deliver the goods to the carrier (or another person nominated by the seller) at an agreed place (if any) and to contract for and pay the costs of carriage to the place of destination and cargo insurance Buyer: responsible for the risk of loss or damage, from the time the goods are transferred to the first carrier |
| DAT | Delivered at Terminal (named terminal at port or place of destination) | Seller: responsible for carriage to the "terminal", except for costs related to import clearance, and bears all risk up to the point that the goods are unloaded at the terminal at the named port or place of destination - "terminal" includes any place, whether covered or not, such as a quay Buyer: responsible for the goods after they have been unloaded at the terminal |
| DAP | Delivered At Place (named place of destination) | Seller: responsible to clear goods for export and for carriage to the named place of destination, except for costs related to import clearance, and assumes all risks up to the point that the goods are ready for unloading by the buyer Buyer: responsible for all risk and costs at the point of unloading |
| DDP | Delivered Duty Paid (named place of destination) | Seller: responsible for delivering the goods, cleared for import to the named place of destination and responsible for all risk and costs to bring the goods to the destination including Customs duties and taxes Buyer: responsible for all risk and costs from the point of unloading the goods at the place of destination |

Four Rules for Sea and Inland Waterway Transport – Summary of Responsibilities

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|------------|------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FAS | Free Alongside Ship (named port of shipment) | Seller: responsible to deliver the goods cleared for export alongside the vessel nominated by the buyer at the named port of shipment or by procuring the goods so delivered and generally bears all risk and costs up to that point Buyer: responsible for risk and costs when the goods arrive alongside the vessel |
| FOB | Free On Board (named port of shipment) | Seller: responsible to deliver the goods cleared for export on board the vessel nominated by the buyer or by procuring the goods so delivered and generally bears the risk and costs up to that point Buyer: responsible for all risk and costs when the goods are onboard the vessel |
| CFR | Cost and Freight (named port of destination) | Seller: responsible to deliver the goods cleared for export on board the vessel nominated by the buyer or by procuring the goods and for costs and freight to bring the goods to the port of destination Buyer: responsible for risk once the goods are loaded on the vessel |
| CIF | Cost, Insurance and Freight (named port of destination) | Seller: responsible to deliver the goods cleared for export on board the vessel nominated by the buyer or by procuring the goods and for costs, freight and insurance to bring the goods to the port of destination Buyer: responsible for risk once the goods are loaded on the vessel |