



**TOP GLOVE, TOP QUALITY, TOP EFFICIENCY
GOOD HEALTH, SAFETY FIRST & BE HONEST**

**Prepared by: Chew
Date: 01.04.2011**

Incoterms® 2010

Effective Worldwide on 01.01.2011



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What are Incoterms® ?

- ◆ International Commercial Terms (Incoterms)
- ◆ A series of international sales with terms, published by International Chamber of Commerce (ICC) and widely used in international commercial transactions.
- ◆ To standardize the Interpretation of trade terms defining the rights and Obligations of the buyer & seller in an International Transaction.
- ◆ Sales Contract – Acronym In 3 Letters



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How to Choose an Incoterms® ?

1. Method Of Transportation Used

Certain INCOTERMS are suitable for only traditional Sea And Waterway Carriage.

2. Regulations Of The Country Of The Buyer

Certain countries have their own regulations on which term to be used rather than those of the exporting country.

3. Standard Practice

Commercially there may be a normal practice on certain terms used in certain countries and areas of the world.

E.g: Within EU countries it is standard practice for goods to be sold on “DELIVERED” basis.—Which is DDP.

4. Availability Of Information

Both seller and buyer must be able to meet their obligations under the chosen incoterms.

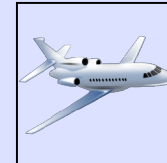
E.g: Seller may be unable to obtain an import license or clear the goods for import-Therefore DDP can not be used.



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Rules for any mode of transport



EXW

FCA

CPT

CIP

DAT

DAP

DDP

Sea & Inland Waterway transport



FAS

FOB

CFR

CIF



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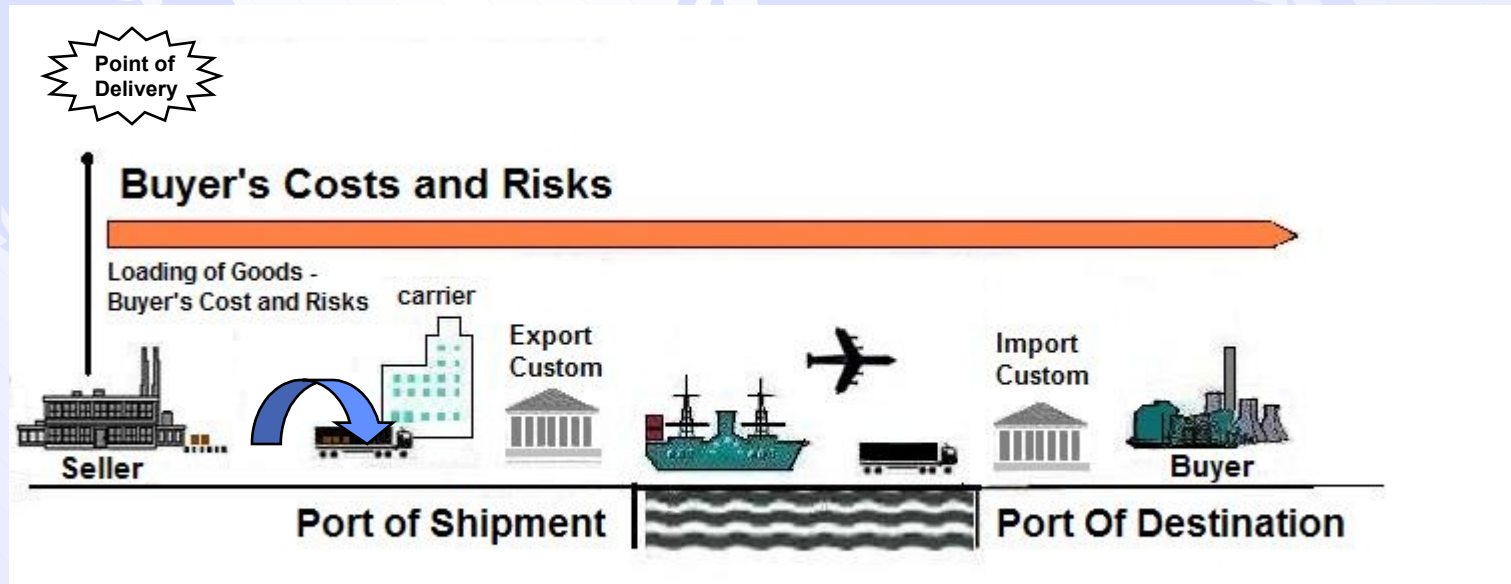
Any Mode or Mode of Transport Terms

- ◆ **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**



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EXW (Ex works)



- ◆ Any mode term
- ◆ Suitable for Domestic Trade
- ◆ Do not use EXW if buyer cannot carry out export formalities directly or indirectly. Use FCA term instead.



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EXW (Ex works)

Buyer's Responsibilities	Seller's Responsibilities
<ul style="list-style-type: none">• Responsible for <u>loading goods</u> at EXW place	<ul style="list-style-type: none">• Seller <u>makes the goods available</u> at his premises (work, factory, warehouse). <i>Remark: If the seller does load the goods, it does so at the buyer's risk and expense.</i>
<ul style="list-style-type: none">• To <u>bear all costs and risks</u> involved in taking the goods from the agreed point.• Responsible for <u>export and compliance documentation</u>	



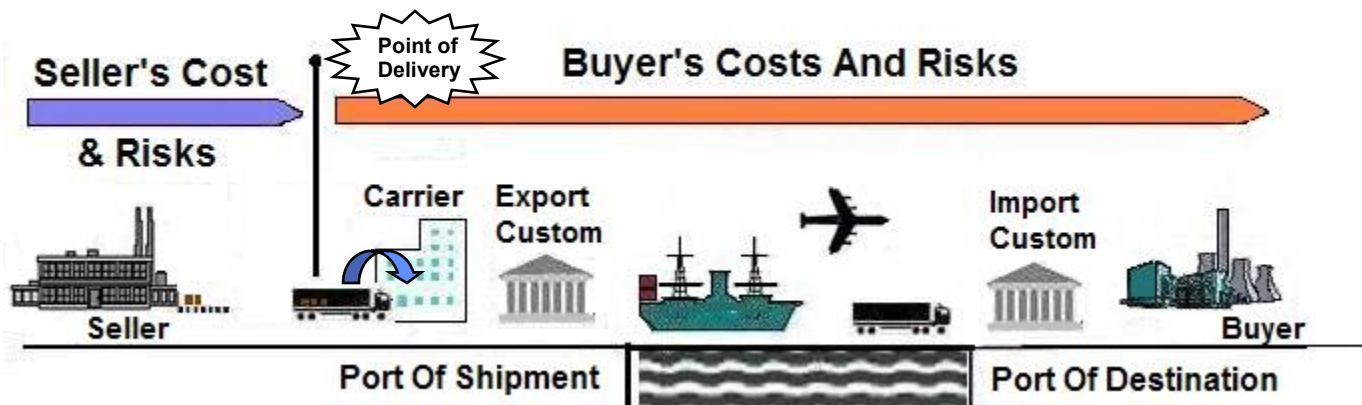
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FCA (Free Carrier)

Situation A- Seller's Premise



Situation B- Any Other Place





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FCA (Free Carrier)

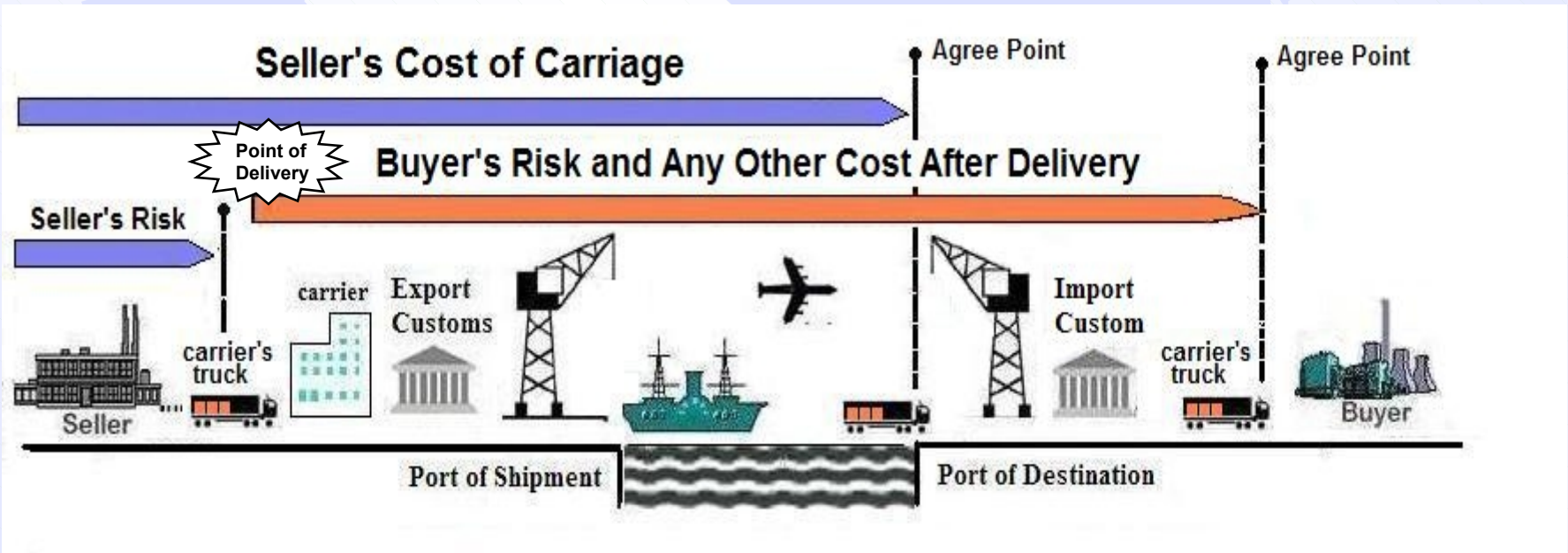
- ◆ Can be used with any mode of transport
- ◆ Seller is deemed to have delivered the goods to the carrier or another person nominated by buyer at the seller's premises or another name placed.

Buyer's Responsibilities	Seller's Responsibilities
<ul style="list-style-type: none">• un<u>loading goods</u> at buyer side	<ul style="list-style-type: none">• <u>Packaging, Loading, Pre-carriage</u> (if any – none if at seller's dock), <u>Export Clearance, and Compliance Documentation</u>
***Insurance not specified	



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CPT (Carriage Paid TO)



- ◆ Any Mode of transport
- ◆ Seller delivers goods to carrier or another person nominated by seller at an agreed place.



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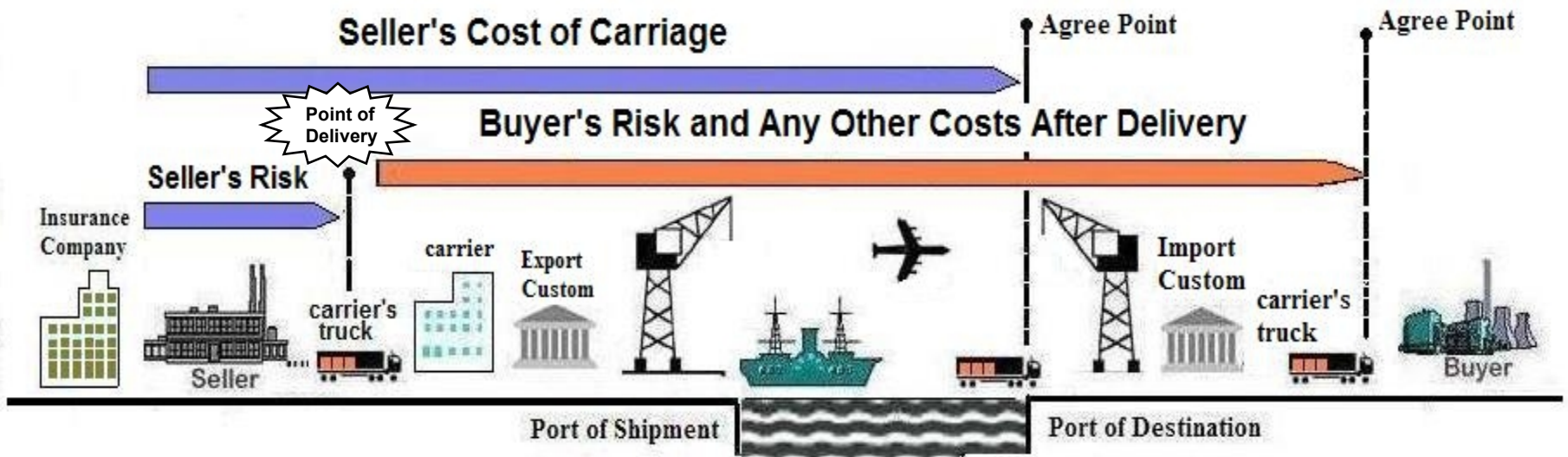
CPT (Carriage Paid TO)

Buyer's Responsibilities	Seller's Responsibilities
<ul style="list-style-type: none">• Vessel unloading, <u>Import clearance</u>, and On-Carriage	<ul style="list-style-type: none">• Need to incorporate <u>freight charges</u> into invoice to buyer. <u>Freight Prepaid.</u>
<ul style="list-style-type: none">• Bear Risk and any other costs occurring after the goods have been delivered to carrier.	<ul style="list-style-type: none">• Handles <u>export clearance</u> & compliance requirements• Contract and Pays for <u>costs of carriage</u> to bring goods to name place of destination
***Insurance not specified	



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CIP (Carriage & Insurance Paid TO)



- ◆ Same as CPT except Insurance
- ◆ Any Mode of transport
- ◆ Well suited for multimodal transport



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CIP

(Carriage & Insurance Paid TO)

Buyer's Responsibilities	Seller's Responsibilities
<ul style="list-style-type: none">• Vessel unloading, <u>Import clearance</u>, and On-Carriage	<p>Need to incorporate <u>freight charges</u> into invoice to buyer. <u>Freight Prepaid.</u></p>
<ul style="list-style-type: none">• Bear Risk and any other costs occurring after the goods have been delivered to carrier.	<ul style="list-style-type: none">• Handles <u>export clearance</u> & compliance requirements
	<ul style="list-style-type: none">• Contract and Pays for <u>costs of carriage</u> to bring goods to name place of destination
	<ul style="list-style-type: none">★ <u>Insurance</u> is seller's obligation



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DAT (Delivered At Terminal)



- ◆ **Any mode term** – replaces DEQ (Incoterm 2000, it is limited in water transport)
- ◆ Requires the seller to **unload at the quay, terminal, or warehouse on buyer's side.**



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DAT

(Delivered At Terminal)

Buyer's Responsibilities	Seller's Responsibilities
<ul style="list-style-type: none">• <u>Import clearance</u>, and <u>Import Duty</u>	<ul style="list-style-type: none">• Handles <u>export clearance</u> & compliance requirements
	<ul style="list-style-type: none">• <u>Bear all the cost and risks in bring the goods to and unloading them at the terminal.</u>
Neither party is obligated to arrange for <u>Insurance</u>.	

Remark: If the parties intend the seller to bear the risks and costs involved in transporting and handling the goods from the terminal to another place, then DAP or DDP rules should be used.



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DAP (Delivered At PLACE)



◆ ANY MODE TERM , Replace DAF,DES & DDU

INCOTERM 2000, DAF-rarely used and limited at ground transport

DES-limited to water shipment

DDU-Not appropriate for domestic shipments since duty was implied



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DAP (Delivered At PLACE)

- ◆ Seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination.

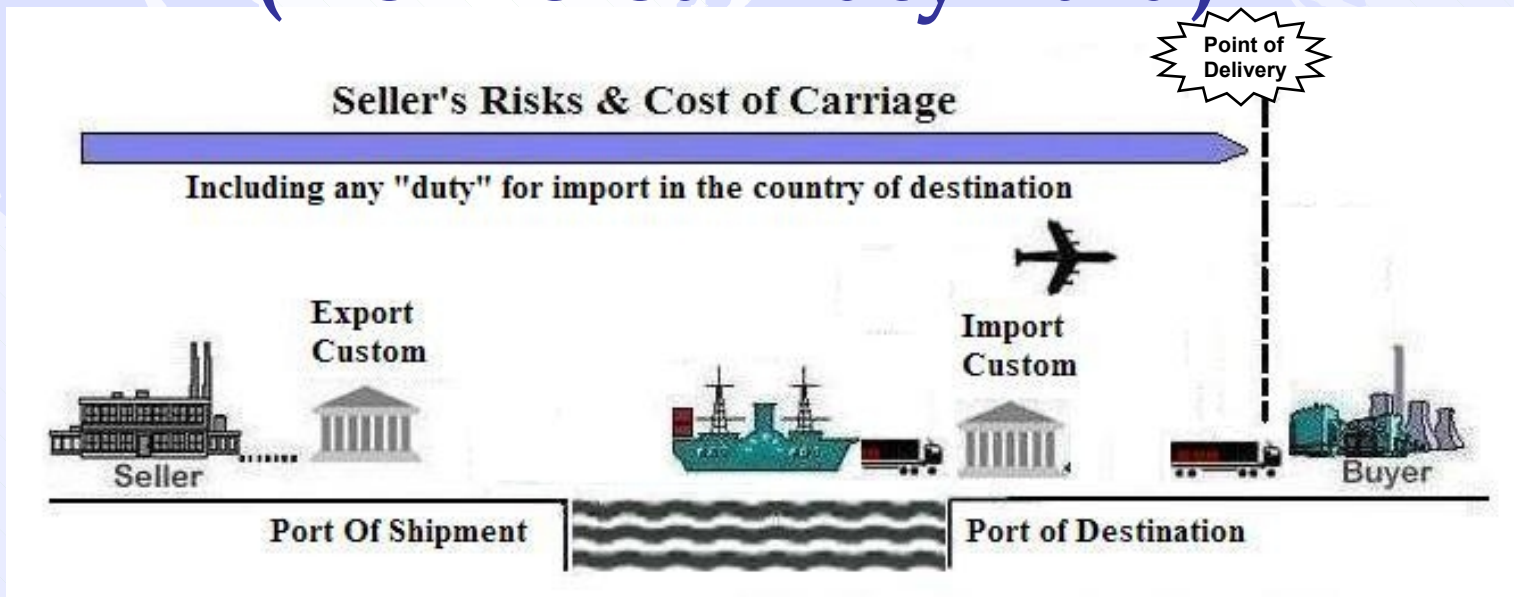
Buyer's Responsibilities	Seller's Responsibilities
<ul style="list-style-type: none">• <u>Import clearance</u>, and <u>Import Duty</u>	<ul style="list-style-type: none">• Handles <u>export clearance</u> & compliance requirements
	<ul style="list-style-type: none">• <u>Freight Prepaid</u>
Neither party is obligated to arrange for <u>Insurance</u>.	

Remark: If the parties wish the seller to clear the goods for import, pay for import duty and carry out any import customs formalities, the **DDP** term should be used.



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DDP (Delivered Duty Paid)



- ◆ Any Mode term
- ◆ **Not** suitable for domestic shipments
- ◆ Seller delivers the goods when the goods are placed at the disposal of the buyer, cleared for import on the arriving means of transport ready for unloading at the name place of destination.



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DDP (Delivered Duty Paid)

Buyer's Responsibilities	Seller's Responsibilities
<ul style="list-style-type: none">• <u>unloading at the point of delivery</u>	<ul style="list-style-type: none">• Handles <u>export and import clearance</u>
	<ul style="list-style-type: none">• <u>Freight Prepaid</u>
	<ul style="list-style-type: none">• bears all <u>cost and risks</u> involved in bring the goods to the place of destination.
Neither party is obligated to arrange for <u>Insurance</u>.	



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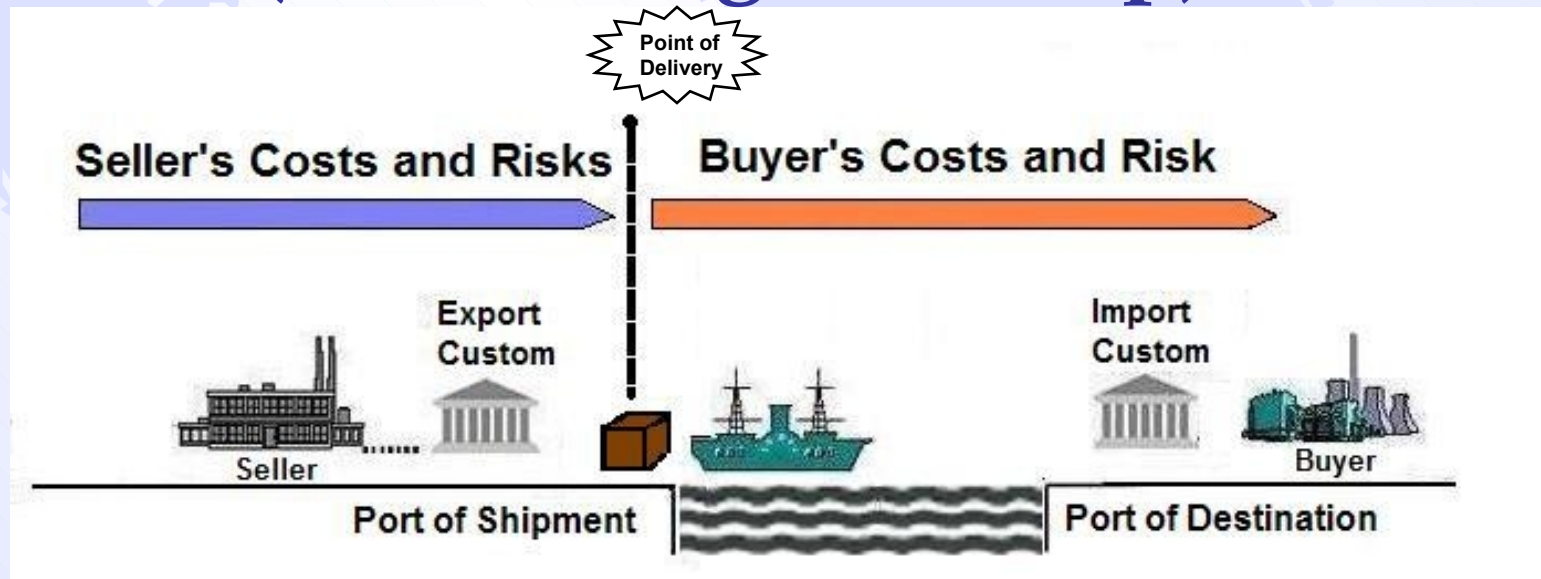
Sea and Inland Waterway Transport Terms

- ◆ **FAS – Free Alongside Ship**
- ◆ **FOB – Free On Board**
- ◆ **CFR – Cost And Freight**
- ◆ **CIF – Cost Insurance and Freight**



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FAS (Free Alongside Ship)



- ◆ Sea and Waterway Term
- ◆ Seller delivers when goods are placed alongside the vessel (eg: on a quay or a barge) nominated by the buyer at the loading place by the buyer at the named port of shipment.



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FAS (Free Alongside Ship)

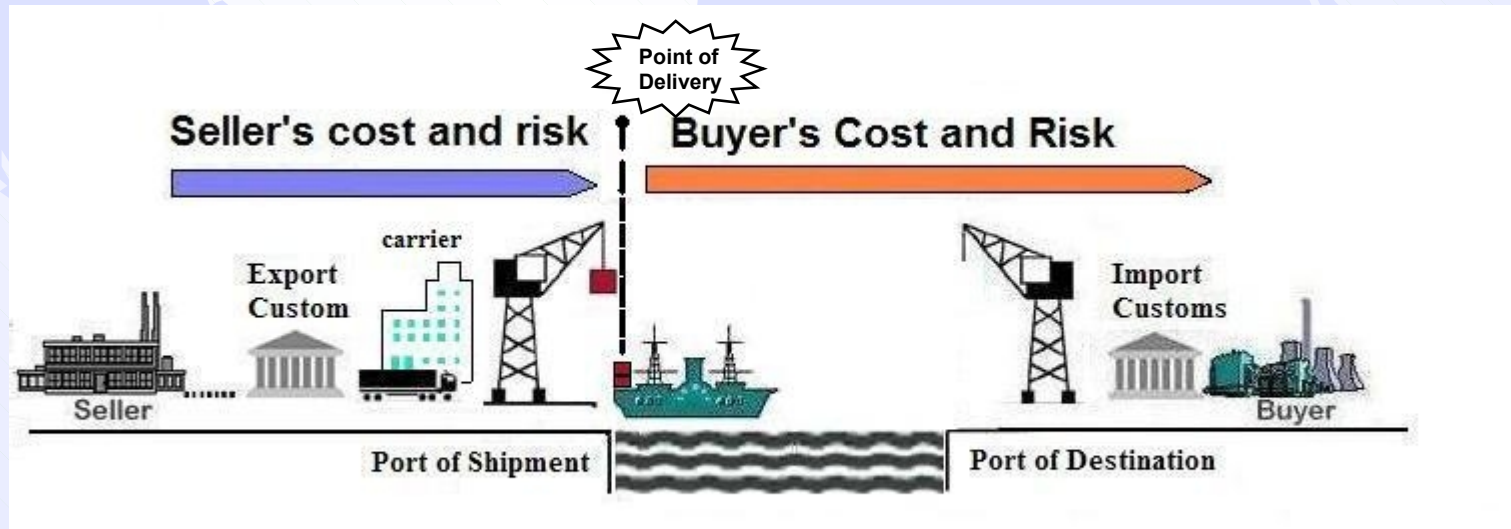
Buyer's Responsibilities	Seller's Responsibilities
<ul style="list-style-type: none">• Main Carriage, <u>Import clearance</u>, and On-Carriage	<ul style="list-style-type: none">• Handles <u>export clearance</u> & compliance requirements
<ul style="list-style-type: none">• <u>Freight Collect</u> -Buyer pays	
<p>Neither party is obligated to arrange for <u>Insurance</u>. <i>(In LC transactions, buyer will be required by his bank to arrange for insurance)</i></p>	

Remark: **NOT** APPROPRIATE TO USE IN CONTAINERISED SHIPMENT
WHEREBY THE GOODS ARE HANDED OVER TO THE CARRIER AT
TERMINAL. FCA RULE SHOULD BE USED INSTEAD.



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FOB (Free On Board)



- ◆ Sea and Waterway Term
- ◆ Seller is deemed to have delivered when the goods are loaded on board the ship nominated by the buyer at the name port of shipment.



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FOB (Free On Board)

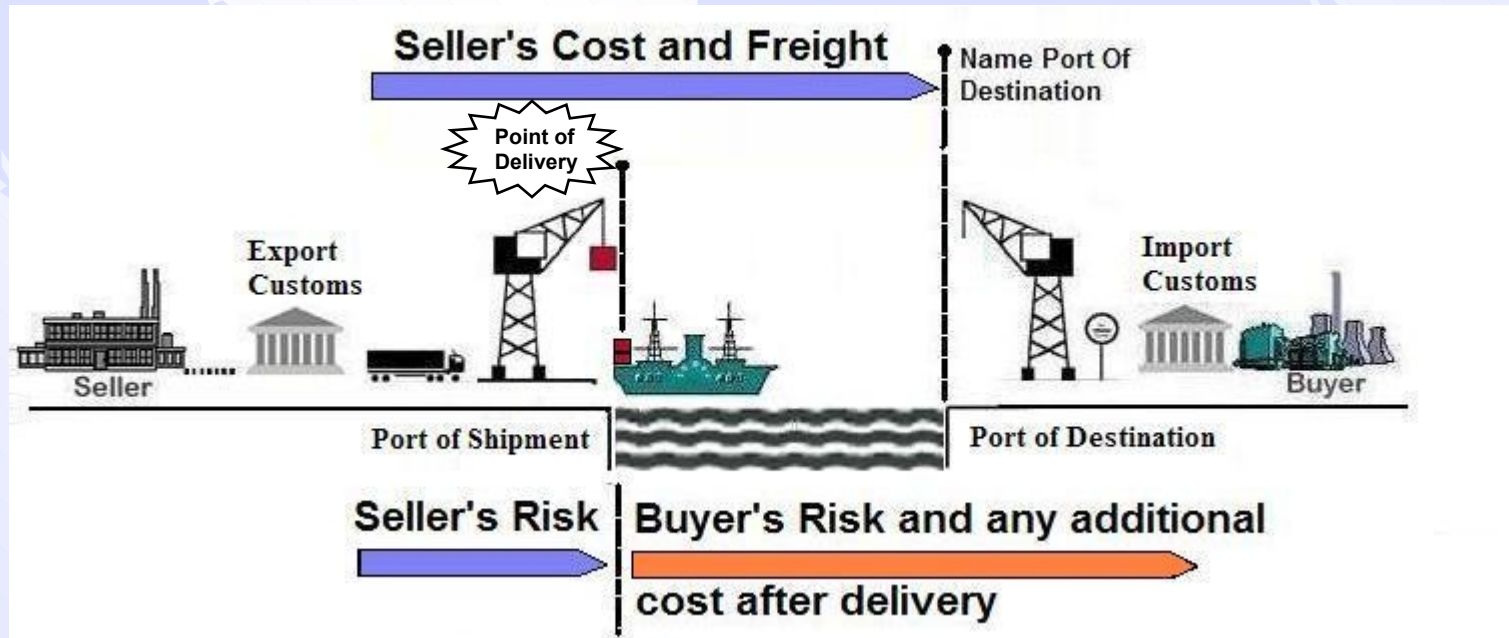
Buyer's Responsibilities	Seller's Responsibilities
<ul style="list-style-type: none">• Main Carriage, <u>Import clearance</u>, and On-Carriage	<ul style="list-style-type: none">• Handles <u>export clearance</u> & compliance requirements
<ul style="list-style-type: none">• <u>Freight Collect</u> -Buyer pays	
<p>Neither party is obligated to arrange for <u>Insurance</u>. <i>(In LC transactions, buyer will be required by his bank to arrange for insurance)</i></p>	

Remark: **NOT** APPROPRIATE TO USE IN CONTAINERISED SHIPMENT
WHEREBY THE GOODS ARE HANDED OVER TO THE CARRIER AT
TERMINAL. FCA RULE SHOULD BE USED INSTEAD.



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CFR (Cost and Freight)



- ◆ Sea and Waterway Term
- ◆ Seller delivers the goods On Board the vessel. Risk passes to buyer when goods On Board the vessel.



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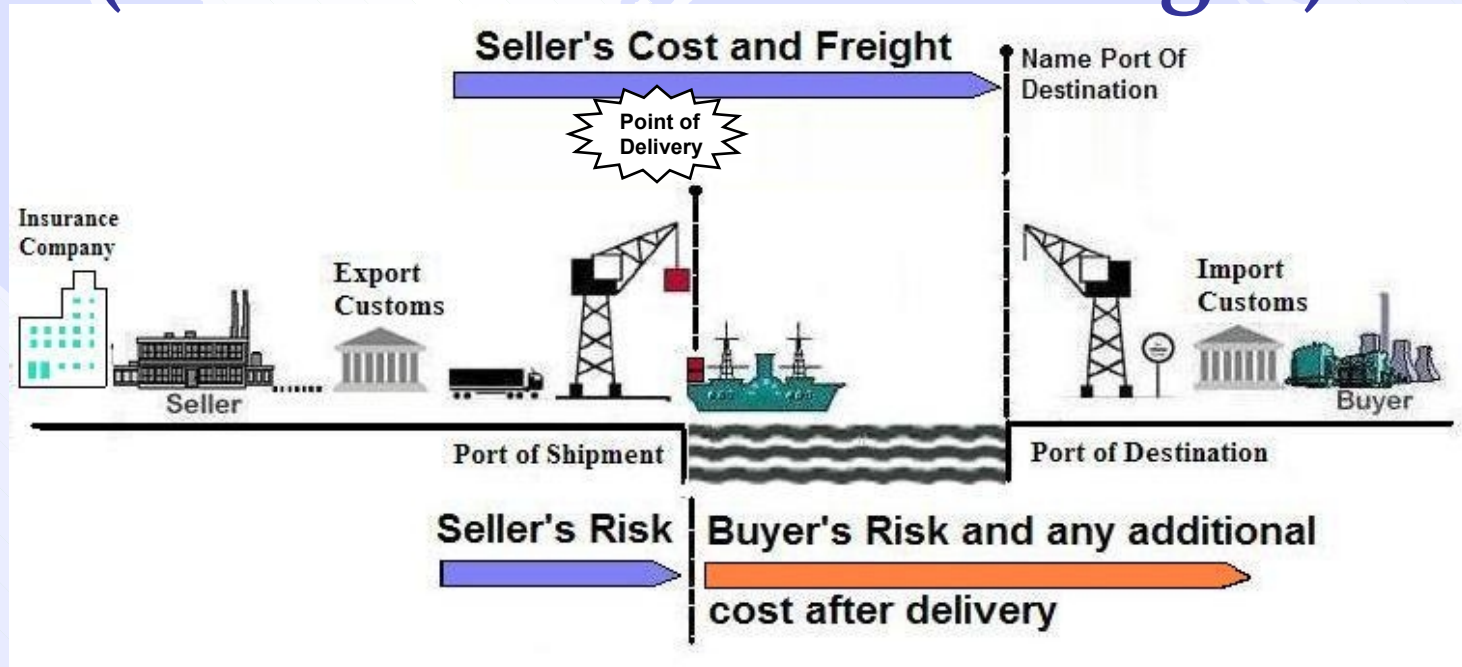
CFR (Cost and Freight)

Buyer's Responsibilities	Seller's Responsibilities
<ul style="list-style-type: none">• Vessel unloading, <u>Import clearance</u>, and On-Carriage	<ul style="list-style-type: none">• Need to incorporate <u>freight charges</u> into invoice to buyer.
	<ul style="list-style-type: none">• Chooses vessel, Pays <u>costs</u> for main carriage
	<ul style="list-style-type: none">• Handles <u>export clearance</u> & compliance requirements
<p>Neither party is responsible for <u>Insurance</u> <i>(normally buyer will buy)</i></p>	



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CIF (Cost Insurance and Freight)



- ◆ Sea and Waterway Term
- ◆ Seller delivers the goods On Board the vessel. Risk passes to buyer when goods On Board the vessel.



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CIF (Cost Insurance and Freight)

Buyer's Responsibilities	Seller's Responsibilities
<ul style="list-style-type: none">• Vessel unloading, <u>Import clearance</u>, and On-Carriage	<ul style="list-style-type: none">• Need to incorporate <u>freight charges</u> into invoice to buyer.
	<ul style="list-style-type: none">★ <u>Insurance</u> is seller's obligation (minimum coverage)
	<ul style="list-style-type: none">• Chooses vessel, Pays <u>costs</u> for main carriage
	<ul style="list-style-type: none">• Handles <u>export clearance</u> & compliance requirements



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INCOTERMS	Any Mode or Modes of Transport							Sea and Inland Waterway Transport			
	EXW	FCA	CPT	CIP	DAT	DAP	DDP	FAS	FOB	CFR	CIF
2010	Ex:Works	Free Carrier	Carriage paid To	Carriage & Ins. Paid To	Delivered at Terminal	Delivered at Place	Delivered Duty Paid	Free Alongside Ship	Free On Board	Cost & Freight	Cost Insurance & Freight
SERVICES	Who Pays	Who Pays	Who Pays	Who Pays	Who Pays	Who Pays	Who Pays	Who Pays	Who Pays	Who Pays	Who Pays
Export Packing	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Marking/Labeling	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Block & Brace	A	A	A	A	A	A	A	A	A	A	A
Export Documents License AES EE	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Freight Forwarder Documentation	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Seller	Seller
Inland Freight to Carrier	Buyer	E	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Origin Terminal Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Seller	Seller	Seller
Vessel Loading	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Seller	Seller	Seller
Ocean Freight / Air Freight	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Seller	Seller
Nominate Forwarder	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Seller	Seller
Marine Insurance	Buyer	E	E	Seller	E	E	E	E	E	E	Seller
Unload Carrier	Buyer	Buyer	D	D	Seller	Seller	Seller	Buyer	Buyer	D	D
Destination Terminal Charges	Buyer	Buyer	D	D	D	Seller	Seller	Buyer	Buyer	D	D
Nominate OnCarrier	Buyer	Buyer	E	E	E	E	Seller	Buyer	Buyer	Buyer	Buyer
Security Information Requirements	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
Customs Broker Fees	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer	Buyer	Buyer	Buyer
Duties, Customs Fees, taxes	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer	Buyer	Buyer	Buyer
Delivery to Buyer Destination	Buyer	Buyer	E	E	E	E	Seller	Buyer	Buyer	Buyer	Buyer
Delivery Unloading	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
	A) Per Agreement in Contract										
	E) Seller arranges and loads pre-carrier and pays inland Freight to "F" Delivery location.										
	E) No Obligation										
	D) Charges paid by either Buyer or Seller Depending upon Contract of Carriage										
	E) Charges Paid by Seller IF Through BL or Door/Door to Buyer's Destination										