

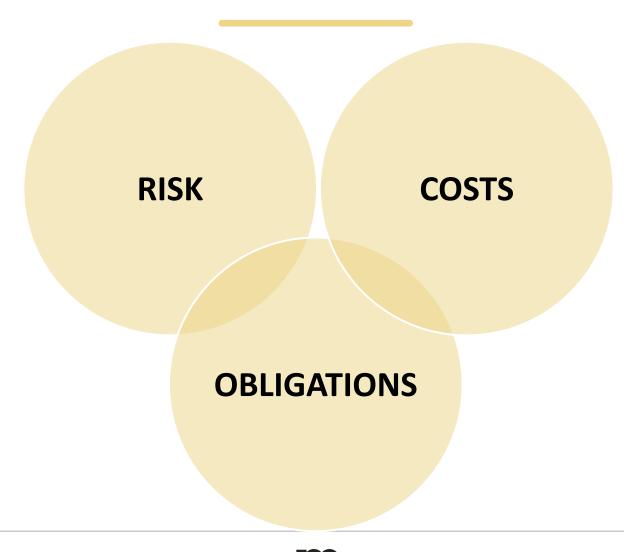
DEFINITION



"A set of uniform rules for the interpretation of terms defining the cost, risk and obligations of buyers and sellers in international transactions."



FOCUS ON...





HISTORY

- First Edition in 1936
- International Chamber of Commerce (ICC)
- Revised in 1953, 1960, 1976, 1980, 1990, 2000, 2010
- New Edition: INCOTERMS 2020





CONTRACT OF SALE VS CONTRACT OF CARRIAGE

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This Contract for The Manufacture and Sales of Goods (the "Sales Contract") is made on [DATE].

BETWEEN: [YOUR COMPANY NAME] (the "Seller"), a corporation organized and existing

under the laws of the [State/Province] of [STATE/PROVINCE], with its head

office located at:

[YOUR COMPLETE ADDRESS]

AND: [BUYER NAME] (the "Buyer"), a corporation organized and existing under the

laws of the [State/Province] of [STATE/PROVINCE], with its head office located

[COMPLETE ADDRESS]

1. DESCRIPTION OF MANUFACTURE AND SALE

Seller agrees to manufacture and sell to buyer the following goods:

[DESCRIBE GOODS AND SET FORTH SPECIFICATIONS] (the "goods").

2. PAYMENT

Buyer agrees to pay for the goods as follows: [%] down within [NUMBER] days after execution of this agreement; [%] within [NUMBER] days after seller notifies buyer of opportunity to inspect and seller's intent to make delivery at expiration of [NUMBER] days from notice; and [%] upon delivery. If seller should regard its prospect of receiving the last payment insecure, it may demand payment prior to delivery.

3. DELIVERY SCHEDULE

Seller shall commence to manufacture within [NUMBER] weeks following receipt of buyer's initial deposit. Subject to the provisions of Section Five, seller will complete such manufacturing and make the goods available for inspection at seller's plant not later than [DATE]. If buyer's inspection discloses defects or adjustments, seller shall have a reasonable time to correct such defects and make such adjustments as are necessary. Buyer shall then have an opportunity to make a final pre-shipment inspection. Seller shall within [NUMBER] days of inspection cause the goods to be appropriately packaged and shipped to [ADDRESS], [CITY], [STATE/PROVINCE], or to such other destination specified by buyer. Seller shall pay all expenses of packaging and preparations for shipment and buyer shall pay all costs of shipment, including insurance on both seller's and buyer's respective interests.



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INCOTERMS 2020 RULES DO...

- 1. Divide costs, risk, and obligation between the seller and the buyer
 At what point does the seller delivers?
- **2.** Guide one or the other party into subsidiary contracts required to fulfill designated task such as contracts of carriage and contracts of insurance
- **3.** Establish basic terms of transport and delivery in a uniform format
- 4. Reduce the potential for seller-buyer misunderstanding

Delivery: indicates where the risk of loss passes from seller to buyer



INCOTERMS 2020 RULES DO NOT...

- **1.** Automatically apply to contract for services.
- 2. Specify operational details of the transfer, transport and delivery of the goods (unloading, payment type, operations).
- 3. Determine how title to the goods will be transfer
- 4. Define the remedies for breach of contract and cho





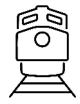
CLASSES

OMNI-MODAL TRANSPORTATION TERMS

- EXW
- FCA
- CPT
- CIP
- DAP
- DPU
- DDP









MARINE-RESTRICTED TERMS

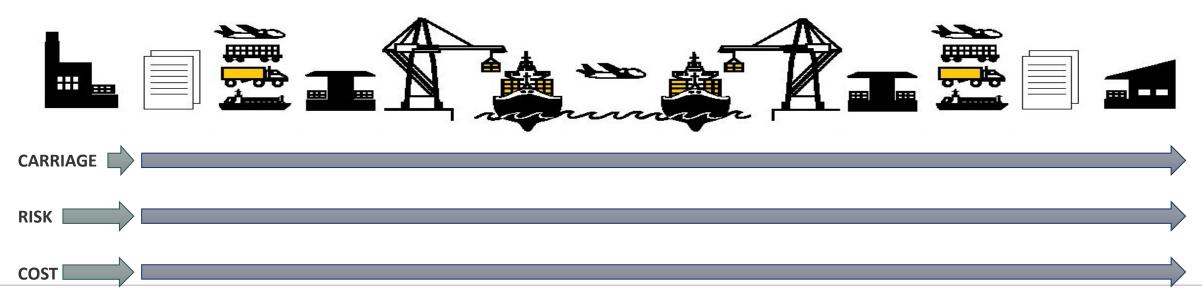
- FAS
- FOB
- CFR
- CIF





EXW: EX WORKS

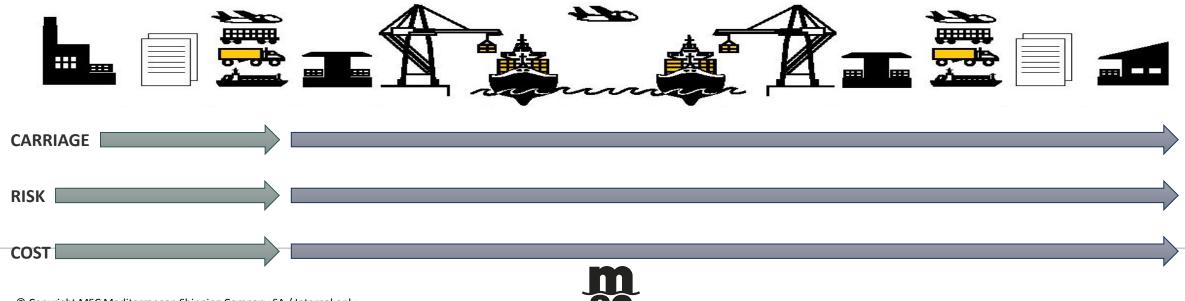
- Seller sets the goods available when promised and packaged to the extent known or agreed
- **Buyer** bears all risks and costs starting from when he picks up the goods from the seller's location to the final delivery (loading he collecting vehicle, pre-carriage, export clearance main carriage, import clearance, on-carriage)





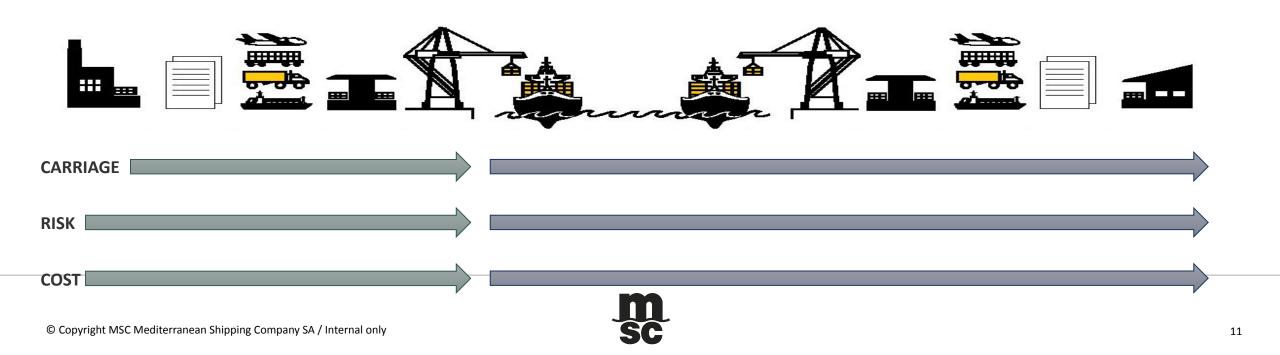
FCA: FREE CARRIER

- Seller delivers the goods to the named carrier chosen by the buyer or any party authorized to pick up the goods. The seller is responsible to clear the goods for export.
 - Buyer must instruct the carrier to provide seller with an on-board transport document at the buyer's cost and risk.
- **Buyer** bears all risks and costs for the carriage of the goods after delivered to the carrier. He is responsible for any import customs formalities.



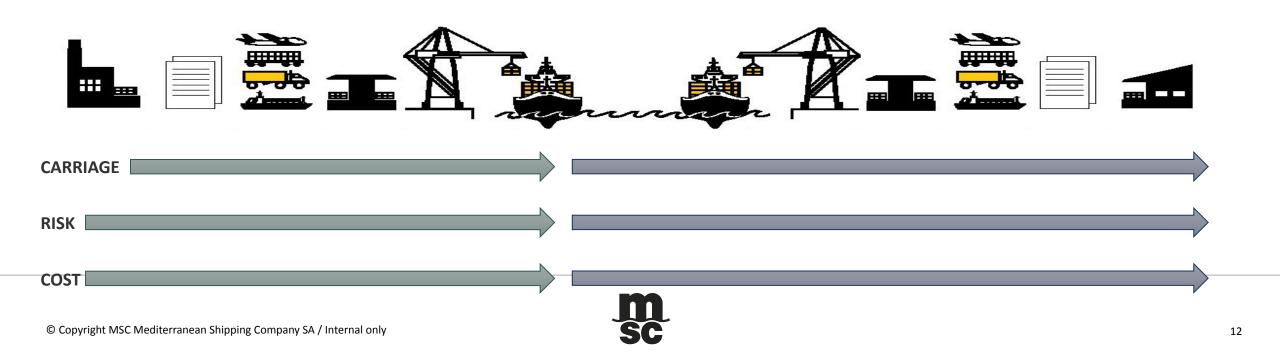
FAS: FREE ALONGSIDE SHIP

- **Seller** clears the goods for export and delivers the properly packed goods alongside the buyer-designated vessel at the port on the seller's side.
- Buyer bears all risks and costs of the carriage of goods after delivery alongside the vessel at the port of load until final destination (vessel loading, main carriage, import clearance, on carriage).



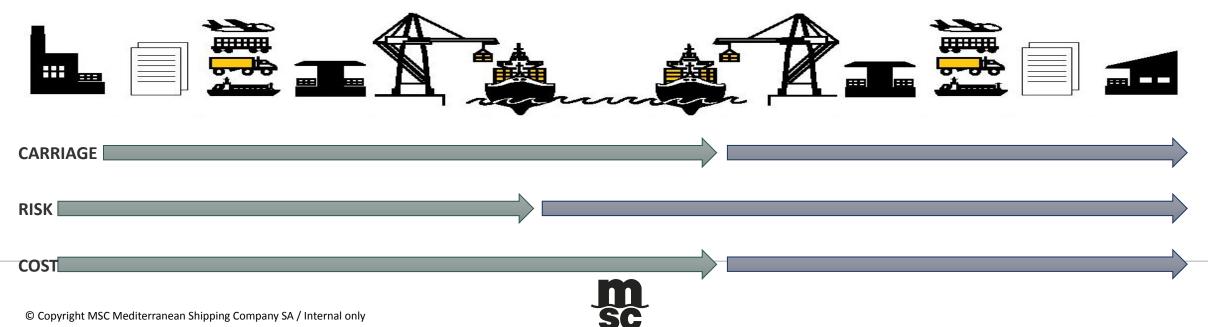
FOB: FREE ON BOARD

- Seller clears the goods for export and delivers the properly packed goods on board the buyer-designated vessel at the port on the seller's side.
- **Buyer** bears all risks and costs associated with the carriage of goods after the delivery on board of the vessel at the named origin port until destination (main carriage, import clearance, on carriage).



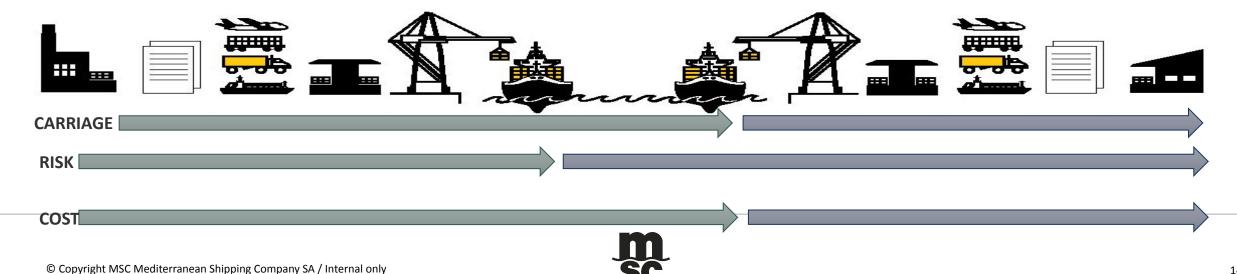
CFR: COST AND FREIGHT

- **Seller** clears the goods for export and delivers the goods appropriately export packed on board the seller-designated vessel at the port on the seller's side (unload not included). Pays transportation costs to the agreed port on buyer's side.
- **Buyer** assumes all risks after the delivery of the goods on board the vessel at the port of load. Also responsible for unloading, import clearance, and on carriage.



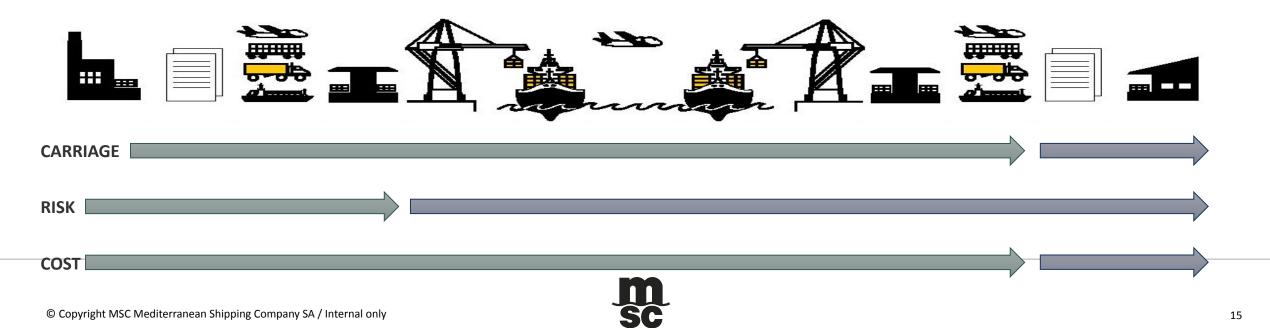
CIF: COST, INSURANCE AND FREIGHT

- Seller clears the goods for export and delivers them appropriately export packed on board the seller-designated vessel at the port on the seller's side (unloaded not included). Transportation costs to the agreed port on the buyer's side and insurance are on the seller's account. Requirements for the insurance is just for the minimum coverage.
- **Buyer** is responsible for the unloading costs at the named port of destination, and for any import formalities. Risks are transferred from seller to buyer when the goods are on board the vessel at the origin port of load.
- CIF = CFR + Insurance



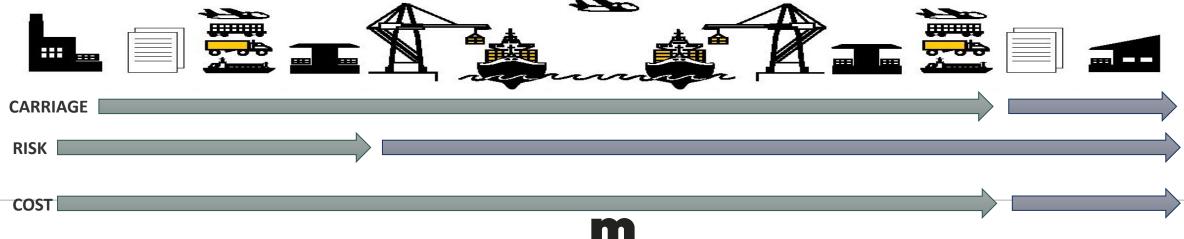
CPT: CARRIAGE PAID TO

- **Seller** clears the goods for export and delivers the good appropriately packaged to the carrier for transportation to the named destination and pay all transport costs thereto. (The seller delivers to the first carrier unless specified otherwise in the sales contract)
- **Buyer** bears the risk for the carriage of the goods after the seller delivers them to the first carrier at origin. The buyer is also responsible for clearing the goods at destination, arranging the on carriage (depending on the named destination), and unloading.



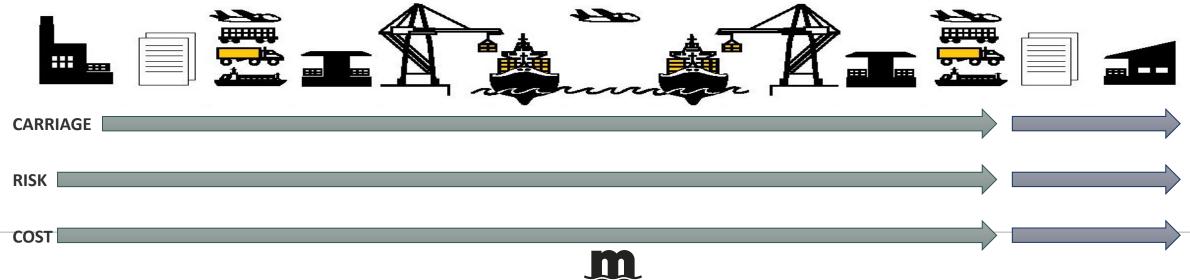
CIP: CARRIAGE AND INSURANCE PAID TO

- **Seller** clears the goods for export and delivers the good appropriately packaged to the carrier for transportation to the named destination and pay all transport costs thereto (The seller delivers to the first carrier unless specified otherwise in the sales contract). Seller is also responsible for insurance coverage for maximum coverage.
- **Buyer** bears the risk for the carriage of the goods after the seller delivers them to the first carrier at origin. The buyer is also responsible for clearing the goods at destination, arranging the on carriage (depending on the named destination), and unloading.
- CIP = CPT + Insurance



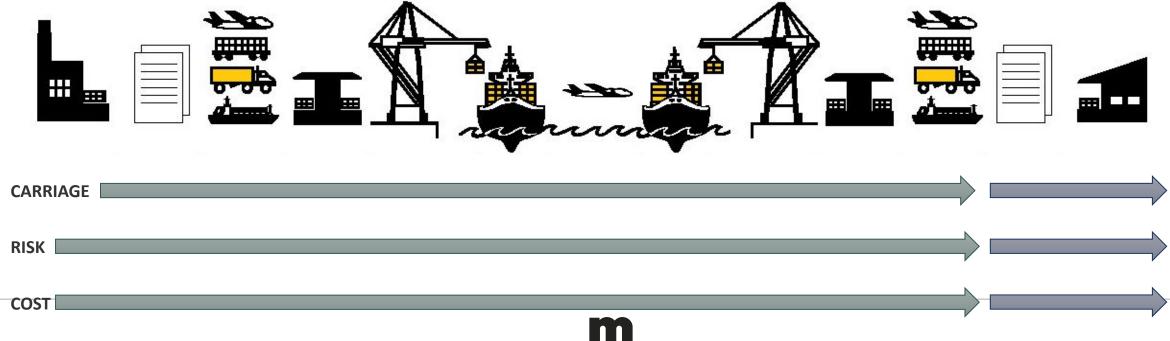
DAP: DELIVERY AT PLACE

- Seller clears the goods for export, and delivers the goods appropriately packaged at the named destination and pays all transport costs thereto.
- Buyer bears all risks and costs from the destination named place and forward including customs clearing of goods at destination including unloading.



DPU: DELIVERY AT PLACE UNLOADED

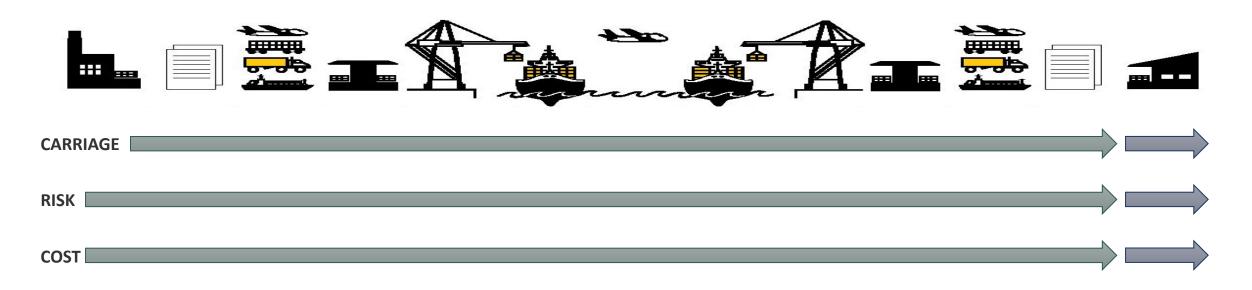
- Seller clears the goods for export, delivers the goods appropriately packed at the named destination and pay all transport costs thereto, unloading included.
- Buyer bears all risks and costs from the named destination and the import clearing customs.





DDP: DELIVERY DUTY PAID

- **Seller** bears all risks and costs associated with delivery of the goods at the destination named place, including the cost and the risk associated with the import clearing of the goods at destination, excluding unloading from the final carrier.
- Buyer: unloading, (on carriage if any).





RECAP - KEY CHANGES IN INCOTERMS 2020

- FCA Buyer to instruct carrier to release Bill of Lading to seller for letter of credit purposes.
- **CIP** Maximum coverage vs minimum.
- **DPU** DAT replaced with DPU. Only incoterm that specifically tasks the seller with unloading.











