Incoterms® 2020 rules

Commercial terms form an integral part of contracts of sale. In international trade, commercial terms specify the responsibilities of the parties to a contract of sale related to the delivery of goods, the distribution of costs and the transfer of risk from the seller to the buyer. Incoterms® 2020 rules

Incoterms is the most widely used collection of commercial terms known all over the world. Incoterms were first published in 1936. Since then, the terms have been regularly revised to comply with the prevailing practices and requirements of goods transportation.

This brochure aims to explain the most important differences between the various terms and the critical points used in international trade. A critical point is that point where the seller's responsibility ends and the buyer's responsibility begins. Since some of the terms leave the question of critical point open, it must be explicitly specified in the contract of sale. The terms are divided into two categories, depending on whether they can be applied to all transport or only sea and inland waterway transport.

If you have any questions about payment methods, commercial terms and cargo insurance, OP Corporate Bank and Pohjola Insurance experts will be happy to help: tradefinance@op.fi and marine.cargoinsurance@pohjola.fi

The Incoterms® 2020 publication of the International Chamber of Commerce is the only official account of the contents of the commercial terms. In order to avoid misinterpretations, this brochure should be used together with the Incoterms® 2020 publication, and the text in the English-language publication will prevail.

Markings used in the brochure

RISKS

The seller bears the risk of loss of or damage to goods

The buyer bears the risk of loss of or damage to goods

Risks describes the possibility of an incident resulting in the loss of or damage to the goods during transport. In this brochure, Risk describes the transfer of risk from the seller to the buyer and the critical point for the transfer of risk. The seller or buyer can protect against transport risks by taking out cargo insurance.

COSTS

The seller is responsible for costs

The buyer is responsible for costs

Costs describes the division of responsibility between the parties regarding costs related to the delivery of the goods, such as freight, loading and unloading costs, customs duties, taxes and other similar charges.

DOCUMENTS

The seller's responsibility to obtain documents at its own cost

The buyer's responsibility to obtain documents at its own cost

Documents describe which party to the transaction is responsible for obtaining, at its risk and cost, documents related to the delivery of the goods, including export licences, certificates of origin, insurance policies, shipping documents and delivery documents.

CARGO INSURANCE

The seller's responsibility to take out cargo insurance

The buyer's responsibility to take out cargo insurance

Under the CIF terms the seller must take out cargo insurance for the benefit of the buyer as per International Cargo Clauses A (ICC-A) or similar cover. Under the CIP terms the seller must take out cargo insurance for the benefit of the buyer as per International Cargo Clauses C (ICC-C) or similar minimum cover. If the buyer so requires, the seller must obtain, at the buyer's cost, more comprehensive cover, provided by, for example, Clauses A and B of the Institute Cargo Clauses (CIF) and the Institute War and Strikes Clauses (CIF or CIP). The insurable value must exceed the price stated in the contract of sale by at least 10%, and the currency must be the currency of the contract. The insurance must be valid up to the named port of destination (CIF) or place of destination (CIP).

Critical point specified in the contract:

A critical point is that point where, in accordance with the commercial terms used, the seller's responsibility ends and the buyer's responsibility begins. Some of the terms leave the question of critical point open, thus it must be explicitly specified in the contract of sale. In this brochure, this critical point is described as follows:

RISKS

The seller bears the risk of loss of or damage to goods

The buyer bears the risk of loss of or damage to goods

Risks describes the transfer of risk from the seller to the buyer and the critical point for the transfer of risk. The seller or buyer can protect against transport risks by taking out cargo insurance.

COSTS

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### SELLER’S RESPONSIBILITIES

- Places the goods at the buyer’s disposal at an agreed place and at the nominated time of delivery, whereby the buyer can pick up the goods on an agreed date or an agreed period.
- Responsible for the loss of and damage to the goods and the costs associated with the goods up to the point of delivery.

<table>
<thead>
<tr>
<th>Type of Sale</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>EXW - Ex Works</td>
<td>The seller is responsible for delivering the goods to the nominated place at the nominated port and provides the buyer with the necessary documents to clear the goods for export.</td>
</tr>
<tr>
<td>FCA - Free Carrier</td>
<td>The seller delivers the goods to the nominated place at the nominated port, and is responsible for loading the goods on the buyer’s chosen transport means and ensuring the goods are ready for unloading at the nominated port.</td>
</tr>
<tr>
<td>CPT - Carriage Paid To</td>
<td>The seller delivers the goods to the nominated place at the nominated port, and is responsible for loading the goods on the means of transport and ensuring the goods are ready for unloading at the nominated point at the nominated place of destination.</td>
</tr>
<tr>
<td>CIP - Carriage and Insurance Paid To</td>
<td>The seller delivers the goods to the nominated place at the nominated port, and is responsible for loading the goods on the means of transport and ensuring the goods are ready for unloading at the nominated point at the nominated place of destination, and also provides comprehensive cover and/or protection from war and strikes at the buyer’s cost.</td>
</tr>
<tr>
<td>DAP - Delivered at Place</td>
<td>The seller delivers the goods to the nominated place at the nominated port, and is responsible for loading the goods on the agreed means of transport and making them ready for unloading by the buyer from the arriving means of transport at the nominated point at the nominated place of destination on an agreed date or within an agreed period.</td>
</tr>
<tr>
<td>DDP - Delivered at Place Unloaded</td>
<td>The seller delivers the goods to the nominated place at the nominated port, and is responsible for loading the goods on the agreed means of transport and making them ready for unloading by the buyer from the arriving means of transport at the nominated point at the nominated place of destination on an agreed date or within an agreed period, and also provides comprehensive cover and/or protection from war and strikes at the buyer’s cost.</td>
</tr>
<tr>
<td>FAS - Free Alongside Ship</td>
<td>The seller delivers the goods to the nominated place at the nominated port, and is responsible for loading the goods on the means of transport and making them ready for unloading by the buyer from the arriving means of transport at the nominated point at the nominated place of destination on an agreed date or within an agreed period.</td>
</tr>
<tr>
<td>FOB - Free On Board</td>
<td>The seller delivers the goods to the nominated place at the nominated port, and is responsible for loading the goods on the means of transport and making them ready for unloading by the buyer from the arriving means of transport at the nominated point at the nominated place of destination on an agreed date or within an agreed period.</td>
</tr>
</tbody>
</table>

### BUYER’S RESPONSIBILITIES

- Responsible for the loss of and damage to the goods and the costs associated with the goods after the point of delivery.
- Responsible for the costs associated with the goods and the loss of and damage to the goods after the point of delivery.

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### Additional Information

- **FCM**: Free Carrier (Money), where the seller delivers the goods to the nominated place at the nominated port, and is responsible for loading the goods on the agreed means of transport and making them ready for unloading by the buyer from the arriving means of transport at the nominated point at the nominated place of destination on an agreed date or within an agreed period, and also provides comprehensive cover and/or protection from war and strikes at the buyer’s cost.
- **CFR**: Cost and Freight, where the seller delivers the goods to the nominated place at the nominated port, and is responsible for loading the goods on the agreed means of transport and making them ready for unloading by the buyer from the arriving means of transport at the nominated point at the nominated place of destination on an agreed date or within an agreed period.
- **CIF**: Cost, Insurance, and Freight, where the seller delivers the goods to the nominated place at the nominated port, and is responsible for loading the goods on the agreed means of transport and making them ready for unloading by the buyer from the arriving means of transport at the nominated point at the nominated place of destination on an agreed date or within an agreed period.
- **DDP**: Delivered at Place, Unloaded, where the seller delivers the goods to the nominated place at the nominated port, and is responsible for loading the goods on the agreed means of transport and making them ready for unloading by the buyer from the arriving means of transport at the nominated point at the nominated place of destination on an agreed date or within an agreed period, and also provides comprehensive cover and/or protection from war and strikes at the buyer’s cost.