

# 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. Only by referring clearly to an appropriate term can the parties ensure that the term is part of the contract of sale and binding on both parties. For example, CIP (street address and town/city) Incoterms® 2020.

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



*Risk* is 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. Insurance is taken out by the party that bears the risk or has the obligation to insure the goods according to the commercial terms used.

### COSTS



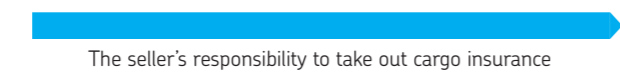
*Costs* describes the division of responsibility between the parties regarding costs related to the delivery of the goods, such as freight, loading and unloading costs, customs duties, taxes and other similar charges.

### DOCUMENTS



*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



Under the CIP 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 CIF 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. Since some of the terms leave the question of critical point open, it must be explicitly specified in the contract of sale. In this brochure, this critical point is described as follows:



# INCOTERMS® 2020

Critical points in domestic and international trade



# SELLER'S RESPONSIBILITIES

# BUYER'S RESPONSIBILITIES

EXW

- Places the goods at the buyer's disposal at an agreed point at the named place of delivery, where the buyer can load the goods on a vehicle on an agreed date or within an agreed period
- Is responsible for the loss of and damage to the goods and pays all costs associated with the goods up to the point of delivery



**EXW** EXWORKS (named place of delivery)

EXW

- Receives the goods upon delivery
- Is responsible for the costs associated with the goods and the loss of and damage to the goods after the point of delivery
- Completes all export and import formalities and pays all duties, taxes and other costs associated with importing or transporting the goods through a country

EXW

FCA

- Completes all the necessary export formalities
- Delivers the goods to a carrier named by the buyer or to another person, either a) at the seller's premises loaded on a means of transport provided by the buyer or b) at another named place delivered on the seller's means of transport and ready for unloading by the buyer on an agreed date or within an agreed period
- Is responsible for the loss of and damage to the goods and pays all costs associated with the goods up to the point of delivery

**FCA** FREE CARRIER (named place of delivery)

FCA

- Receives the goods upon delivery
- Is responsible for the costs associated with the goods and the loss of and damage to the goods after the point of delivery
- Completes all the necessary import formalities and pays all duties, taxes and other costs associated with importing or transporting the goods through a country

FCA

CPT

- Completes all the necessary export formalities
- Delivers the goods to a designated carrier on an agreed date or within an agreed period
- Concludes a transport agreement under customary terms and conditions and pays carriage to the named place of destination
- Is responsible for the loss of and damage to the goods and pays all costs associated with the goods up until they have been delivered to a carrier

**CPT** CARRIAGE PAID TO (named place of destination)

CPT

- Accepts the goods upon delivery and receives the goods from a carrier at the named place of destination
- Is responsible for the costs associated with the goods and the loss of and damage to the goods after the point of delivery
- Pays unloading costs, unless it is stated in the transport agreement that they are payable by the seller
- Completes all the necessary import formalities and pays all duties, taxes and other costs associated with importing or transporting the goods through a country

CPT

CIP

- Completes all the necessary export formalities
- Delivers the goods to a designated carrier on an agreed date or within an agreed period
- Concludes a transport agreement under customary terms and conditions and pays carriage to the named place of destination
- Is responsible for the loss of and damage to the goods and pays all costs associated with the goods up until they have been delivered to a carrier
- Takes out cargo insurance for the benefit of the buyer with at least the minimum cover specified in Clause A of the Institute Cargo Clauses or, if the buyer so requires, protection from war and strikes at the buyer's cost
- Insures the goods in the currency of the contract, setting an insurable value that exceeds the price stated in the contract by at least 10% and ensuring that the insurance is valid up to the named place of destination, and provides the buyer with the policy or proof of the insurance cover

**CIP** CARRIAGE AND INSURANCE PAID TO (named place of destination)

CIP

The seller takes out cargo insurance up to the point of destination

- Accepts the goods upon delivery and receives the goods from a carrier at the named place of destination
- Is responsible for the costs associated with the goods and the loss of and damage to the goods after the point of delivery
- Pays all costs associated with the goods during their transport to the place of destination and the unloading costs, unless it is stated in the transport agreement that they are payable by the seller
- Completes all the necessary import formalities and pays all duties, taxes and other costs associated with importing or transporting the goods through a country
- At the seller's request, provides the seller with the information required for obtaining more comprehensive insurance cover

CIP

DPU

- Completes all the necessary export formalities
- Concludes a transport agreement under customary terms and conditions and pays carriage to the named terminal
- Delivers the goods by placing them at the buyer's disposal unloaded from the means of transport at the named place of destination on an agreed date or within an agreed period
- Is responsible for the loss of and damage to the goods and pays all costs associated with the goods up to the point of delivery

**DPU** DELIVERED AT PLACE UNLOADED (named place of destination)

DPU

- Receives the goods upon delivery
- Is responsible for the costs associated with the goods and the loss of and damage to the goods after the point of delivery
- Completes all the necessary import formalities and pays all duties, taxes and other costs associated with importing or transporting the goods through a country

DPU

DAP

- Completes all the necessary export formalities
- Concludes a transport agreement under customary terms and conditions and pays freight up to the named place of destination and unloading costs payable by the seller under the transport agreement
- Delivers the goods by making them ready for unloading by the buyer from the arriving means of transport at an agreed point at the named place of destination on an agreed date or within an agreed period
- Is responsible for the loss of and damage to the goods and pays all costs associated with the goods up to the point of delivery

**DAP** DELIVERED AT PLACE (named place of destination)

DAP

- Receives the goods upon delivery
- Is responsible for the costs associated with the goods and the loss of and damage to the goods after the point of delivery
- Pays all costs associated with unloading the goods from the arriving means of transport at the named place of destination, unless it is stated in the transport agreement that they are payable by the seller
- Completes all the necessary import formalities and pays all duties, taxes and other costs associated with importing or transporting the goods through a country

DAP

DDP

- Pays the costs of customs formalities required for export and import
- Concludes a transport agreement under customary terms and conditions and pays freight up to the named terminal and unloading costs payable by the seller under the transport agreement
- Delivers the goods by making them ready for unloading by the buyer from the arriving means of transport at an agreed point at the named place of destination on an agreed date or within an agreed period
- Is responsible for the loss of and damage to the goods and pays all costs associated with the goods up to the point of delivery

**DDP** DELIVERED DUTY PAID (named place of destination)

DDP

- Receives the goods upon delivery
- Is responsible for the costs associated with the goods and the loss of and damage to the goods after the point of delivery
- Pays all costs associated with unloading the goods from the arriving means of transport at the named place of destination, unless it is stated in the transport agreement that they are payable by the seller

DDP

FAS

- Completes all the necessary export formalities
- Delivers the goods by placing them at the buyer's disposal at the named loading place at the named port alongside a vessel named by the buyer on an agreed date or within an agreed period and in accordance with the practices of the port
- Is responsible for the loss of and damage to the goods and pays all costs associated with the goods up to the point of delivery

**FAS** FREE ALONGSIDE SHIP (named loading place, named port of shipment)

FAS

- Receives the goods when they have been placed alongside a vessel at the named port of shipment
- Is responsible for the costs associated with and the loss of and damage to the goods after the point of delivery or if the buyer is unable to receive the goods at an agreed time or if a vessel named by the buyer does not arrive in time
- Concludes, at its own cost, an agreement for transporting the goods from the named port of shipment, unless the seller concludes a transport agreement
- Completes all the necessary import formalities and pays all duties, taxes and other costs associated with importing or transporting the goods through a country

FAS

FOB

- Completes all the necessary export formalities
- Delivers the goods by placing them on a vessel named by the buyer at a loading place possibly named by the buyer at the named port of loading on an agreed date within an agreed period and in accordance with the practices of the port
- Is responsible for the loss of and damage to the goods and pays all costs associated with the goods up to the point of delivery

**FOB** FREE ON BOARD (named port of shipment)

FOB

- Receives the goods when they have been placed on a vessel named by the buyer at the named loading place at the named port of shipment or when the seller demonstrates that the goods have been delivered in this way in accordance with the practices of the port
- Is responsible for the costs associated with and the loss of and damage to the goods after the point of delivery or if the buyer is unable to receive the goods at an agreed time or if a vessel named by the buyer does not arrive in time
- Concludes, at its own cost, an agreement for transporting the goods from the named port of shipment, unless the seller concludes a transport agreement
- Completes all the necessary import formalities and pays all duties, taxes and other costs associated with importing or transporting the goods through a country

FOB

CFR

- Completes all the necessary export formalities
- Concludes a transport agreement for the use of a vessel suitable for the goods sold under customary terms and conditions and using a customary route up to the port of destination or an agreed place at the port
- Pays freight and unloading costs payable by the seller under the transport agreement
- Delivers the goods by placing them on a vessel on an agreed date or within an agreed period and in accordance with the practices of the port
- Is responsible for the loss of and damage to the goods and pays all costs associated with the goods up to the point of delivery

**CFR** COST AND FREIGHT (named port of destination)

CFR

- Receives the goods when they have been placed on a vessel at the port of shipment or when the seller demonstrates that the goods have been delivered in this way in accordance with the practices of the port
- Is responsible for the costs associated with the goods and the loss of and damage to the goods after the point of delivery
- Pays all costs associated with the goods during their transport to the port of destination and the unloading costs, unless it is stated in the transport agreement that they are payable by the seller
- Completes all the necessary import formalities and pays all duties, taxes and other costs associated with importing or transporting the goods through a country

CFR

CIF

- Completes all the necessary export formalities
- Concludes a transport agreement for the use of a vessel suitable for the goods sold under customary terms and conditions and using a customary route up to the port of destination or an agreed place at the port
- Pays freight and unloading costs payable by the seller under the transport agreement
- Delivers the goods by placing them on a vessel on an agreed date or within an agreed period and in accordance with the practices of the port
- Is responsible for the loss of and damage to the goods and pays all costs associated with the goods up to the point of delivery
- Takes out cargo insurance for the benefit of the buyer with at least the minimum cover specified in Clause C of the Institute Cargo Clauses or, if the buyer so requires, more comprehensive cover and/or protection from war and strikes at the buyer's cost
- Insures the goods in the currency of the contract, setting an insurable value that exceeds the price stated in the contract by at least 10% and ensuring that the insurance is valid up to the named port of destination, and provides the buyer with the policy or proof of the insurance cover

**CIF** COST, INSURANCE AND FREIGHT (named port of destination)

CIF

The seller takes out cargo insurance up to the port of destination

- Receives the goods when they have been placed on a vessel at the port of shipment or when the seller demonstrates that the goods have been delivered in this way in accordance with the practices of the port
- Is responsible for the costs associated with the goods and the loss of and damage to the goods after the point of delivery
- Pays all costs associated with the goods during their transport to the port of destination and the unloading costs, unless it is stated in the transport agreement that they are payable by the seller
- Completes all the necessary import formalities and pays all duties, taxes and other costs associated with importing or transporting the goods through a country
- At the seller's request, provides the seller with the information required for obtaining insurance cover

CIF