BDP International presents

imports [INTRO] exports

Incoterms 2010

January, 2014
Antwerp
Incoterms 2010
Presented by Caroline Gubbi

Caroline is BDP’s Regulatory Compliance Executive for Europe and has been with BDP since September 2010.

Caroline is a 2010 graduate from the University of Antwerp with a degree in Law and Maritime Science.

Caroline is a member of BDP’s global Center of Excellence for Regulatory Compliance.

Caroline’s duties cover a wide range of important issues, starting from trade regulations, hazardous materials as well as security across all modes.

Caroline is the European compliance resource and provides training (internal & external) and assistance for the EU region on import and export regulatory issues.
Incoterms 2010

What Incoterms are
What Incoterms aren’t
What Incoterms do
What Incoterms don’t do
Important Changes for 2010
Incoterm Groupings
Incoterms 2010

Incoterms are:

• INternational COmmercial TERMS
• 11 terms of shipment and delivery created by the International Chamber of Commerce (ICC), for use in sales contracts
• Provide an Internationally accepted definition of:
  ➢ The responsibilities of Buyer and Seller
  ➢ The allocation of delivery costs
  ➢ The assumption of delivery risks
• Periodically updated to reflect trade practice
• Should be referred to as ‘Rules’
• Translated into different languages
Incoterms 2010

Incoterms aren’t:

• **Law** – Incoterms need to be specified in sales contracts in order to apply.
  ➢ *This is normally done by citing the current Incoterms version in sales quotations and purchase orders.*

• **All-Inclusive** – Detailed situations beyond the scope of Incoterms must be covered elsewhere in sales contracts
Incoterms 2010

Incoterms ‘do’:

• Divide costs, risks and responsibilities between seller and buyer
• Guide one or the other contracting party into subsidiary contracts necessary to fulfill designated Incoterm tasks, such as contracts of carriage and insurance
• Provide useful shorthand
• Reduce potential misunderstandings between buyer and seller
• “Reflect” rather than dictate trade practice
Incoterms do not:

- Convey title
- Address revenue recognition
- Include all of the duties of the Buyer/Seller in a transaction
- Automatically apply (you must specify)
- Speak about payment disputes between buyer and seller
- Deal with a breach in contracts
Incoterms 2010

Important changes for 2010:

• 11 terms of delivery instead of 13
  • DAF, DES, DDU and DEQ have been removed
  • DAP and DAT are new and have been added
• Container arrival costs are not expressed (ex: THC and other destination charges)
• Exact cost transfer points need to be addressed elsewhere in the contract
• DAT is the only term that specifically tasks the seller with unloading
• FOB changed to on board vessel (‘ship’s rail’ reference removed)
**Incoterms 2010**

**Recommended Usage:**

<table>
<thead>
<tr>
<th>ANY MODE</th>
<th>MARITIME ONLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXW</td>
<td>FAS</td>
</tr>
<tr>
<td>FCA</td>
<td>FOB</td>
</tr>
<tr>
<td>CPT</td>
<td>CFR</td>
</tr>
<tr>
<td>CIP</td>
<td>CIF</td>
</tr>
<tr>
<td>DAP</td>
<td></td>
</tr>
<tr>
<td>DAT</td>
<td></td>
</tr>
<tr>
<td>DDP</td>
<td></td>
</tr>
</tbody>
</table>
Incoterms 2010 – Incoterm Groupings

“E” Terms:

EX WORKS…NAMED PLACE (usually the seller’s premises)

- Abbreviation: EXW
- Transport mode: all
- Minimum requirements for the seller
- Seller’s cost and risk end when seller places the goods at the disposal of the buyer at sellers premises or another named place
- Loading is buyer’s responsibility
- Pre-carriage is buyer’s responsibility
- Main-carriage is buyer’s responsibility
**Ex Works (EXW)**

Seller’s Cost  
Seller’s Risk  
(Warehouse Labor & Export Packing)

Buyer’s Cost  
Buyer’s Risk  
(Loading at Origin Point)

“E” Terms  
Seller’s cost & risk end when goods are at the disposal of the Buyer at the Seller’s premises or named place.  
• EXW = ExWorks  
(Named Place)

Buyer’s Cost  
Buyer’s Risk  
(Port of Loading)

Buyer’s Cost  
Buyer’s Risk  
(In Transit)

Buyer’s Cost  
Buyer’s Risk  
(Port of Discharge)

Buyer
Incoterms 2010

“F” Terms

FREE CARRIER…NAMED PLACE (usually the seller’s Premises or a buyer appointed carrier terminal on the seller’s side)

- Abbreviation: FCA
- Transport Mode: All
- Loading: truck, train, barge at Seller’s facility is seller’s responsibility
- Pre- carriage is seller’s responsibility
- Seller’s cost & risk end when goods are delivered to Buyer’s Carrier at the sellers premises or another named place
Free Carrier (FCA)

Seller’s Cost
Seller’s Risk
(Named Place)

Buyer’s Cost
Buyer’s Risk
(In Transit)

“F” Terms
Seller’s cost & risk end
when goods are
delivered to Buyer’s
carrier.
FCA = Free Carrier
(Named Place)
Incoterms 2010

FREE ALONGSIDE SHIP… NAMED PORT OF SHIPMENT

- Abbreviation: FAS
- Transport Mode: Vessel
- Loading: truck, train, barge, etc. at Seller’s facility is seller’s responsibility
- Pre-carriage: Seller’s responsibility
- Seller’s cost and risk end when goods are placed alongside the vessel nominated by the buyer at the named port of shipment
- Suggestion: In case of containers delivered at a terminal, the FCA rule is more appropriate
Free Alongside Ship (FAS) *Ocean Only

Seller’s Cost
Seller’s Risk

Seller’s Cost
Seller’s Risk
(Alongside Ship/ Named Port)

Buyer’s Cost
Buyer’s Risk
(On Board Ship/Port of Loading)

Buyer’s Cost
Buyer’s Risk
(In Transit)

Buyer’s Cost
Buyer’s Risk

Buyer

“F” Terms
Seller’s cost & risk end when goods are delivered to buyer’s carrier
FAS = Free Alongside Ship (Named Port of Shipment)
Incoterms 2010

FREE ON BOARD… NAMED PORT OF SHIPMENT

- Abbreviation: FOB
- Transport Mode: Vessel
- Loading: truck, train, barge, etc. at Seller’s facility is the Seller’s responsibility
- Pre-carriage: Seller’s responsibility
- Vessel loading: Seller’s responsibility
- Seller’s cost and risk end when the goods are delivered on board the vessel nominated by the buyer
- Suggestion: For containerized shipments, consider FCA showing the carrier’s terminal at the port as the designated place
Free on Board (FOB)

*Ocean Only*

**Seller’s Cost**
- Seller’s Risk
  - (Named Place)

**Seller’s Cost**
- Seller’s Risk
  - (On Board Ship/At Port of Loading)

**Buyer’s Cost**
- Buyer’s Risk
  - (Port of Discharge)

**Buyer’s Cost**
- Buyer’s Risk
  - (In Transit)

**Buyer’s Cost**
- Buyer’s Risk
  - (Port of Discharge)

**Buyer**

“F” Terms
Seller’s cost & risk end when goods are delivered to buyer’s carrier
FOB = Free on Board
(Named Port of Shipment)
“C” Terms

COST AND FREIGHT... NAMED PORT OF DESTINATION

- Abbreviation: CFR
- Transport Mode: Vessel
- Loading: truck, train, barge, etc. at Seller’s facility is the Seller’s responsibility
- Pre-carriage: Seller’s responsibility
- Vessel loading: Seller’s responsibility
- Main carriage: Seller’s responsibility (however, Seller is not responsible for condition of goods while they are in main carriage transit)
Incoterms 2010

COST AND FREIGHT… NAMED PORT OF DESTINATION (continue)

- Seller’s risks for loss and damage end when the goods are on board the vessel
- The Seller must contract and pay the costs and freight necessary to bring the goods to the named port of destination
- Suggestions: for containerized shipments, consider CPT showing the destination port or an inland location on the buyer’s side
**Cost & Freight (CFR)** *Ocean Only*

- **Seller’s Cost**
  - Seller’s Risk
  - (Port of Loading)

- **Buyer’s Cost**
  - Buyer’s Risk
  - (Port of Discharge)

- **Seller’s Cost**
- **Buyer’s Risk**
  - (In Transit)

“C” Terms
Seller’s assumes cost but not risk of delivered goods to named destination

CFR = Cost & Freight
(Named Port of Destination)
COST INSURANCE AND FREIGHT...NAMED PORT OF DESTINATION

- Abbreviation: CIF
- Transport Mode: Vessel
- Loading: truck, train, barge, etc. at Seller’s facility is the Seller’s responsibility
- Pre carriage: Seller’s responsibility
- Vessel loading: Seller’s responsibility
- The seller’s risks of damage or loss end when goods are on board the vessel
- The seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination
Incoterms 2010

COST INSURANCE AND FREIGHT…NAMED PORT OF DESTINATION (continue)

- Insurance: Seller must effect an insurance policy on behalf of the buyer
- Main carriage: the contract of main carriage and payment are the seller’s responsibility
- Suggestion: for containerized shipments, consider CIP showing the destination port or an inland location on the buyer’s side.
Cost, Insurance & Freight (CIF) *Ocean Only

**Seller**

- Seller’s Cost
- Seller’s Risk
  (Named Place)

- Seller’s Cost
- Seller’s Risk
  (Port of Loading)

- Seller’s Cost
- Buyer’s Risk
  (In Transit)

**Buyer**

- Buyer’s Cost
- Buyer’s Risk
  (Port of Discharge)

- Buyer’s Cost
- Buyer’s Risk
  (Port of Discharge)

“C” Terms
Seller’s assumes cost but not risk of delivered goods to named destination
CIF = Cost, Insurance & Freight
(Named Port of Destination)
Incoterms 2010

CARRIAGE PAID TO... NAMED PLACE OF DESTINATION

- Abbreviation: CPT
- Transport mode: All
- Loading: Seller’s responsibility
- Pre carriage: Seller’s responsibility
- Main carriage: Seller’s responsibility
- Seller’s risk ends when goods are delivered to the carrier or another person nominated by the seller at an agreed place
- Suggestions: Ideal for containerized shipments
- The Seller must contract for the costs of carriage necessary to bring the goods to the named place of destination
Carriage Paid To (CPT)

“C” Terms
Seller assumes cost but not risk of delivering goods to named destination
CPT = Carriage Paid To (Named Place of Destination)
Incoterms 2010

CARRIAGE AND INSURANCE PAID TO...
NAMED PLACE OF DESTINATION

- Abbreviation: CIP
- Transport Mode: All
- Loading: truck, train, barge at Seller’s facility is Seller’s responsibility
- Pre-carriage: Seller’s responsibility
- Insurance: Seller must provide buyer with insurance policy
- Seller’s risk ends when goods are delivered to the carrier or another person nominated by the seller at an agreed place
- The seller must contract for the costs of carriage necessary to bring the goods at the named place of destination
Carriage & Insurance Paid (CIP)

“C” Terms
Seller assumes cost but not risk of delivering goods to named destination
CIP = Carriage & Insurance Paid (Named Place of Destination)

Seller’s Cost
Seller’s Risk
(Into Custody of Carrier)

Buyer’s Cost
Buyer’s Risk
(Port of Discharge)

Buyer’s Cost
Buyer’s Risk
(In Transit)

Buyer’s Cost
Buyer’s Risk

Buyer
Incoterms 2010

“D” Terms

DELIVERED AT TERMINAL (terminal on Buyer’s side)

- Abbreviation: DAT
- Transport mode: all
- Seller’s risks end once goods are unloaded from the arriving means of transport and placed at the disposal of the buyer at a named terminal at port or place of destination
- The Seller must contract for the costs of carriage to the named terminal at the agreed port or place of destination
- Suggestion: when using this term it is recommended to specify as clearly as possible the terminal at the agreed port or place of destination, as the risks to that point are for the account of the Seller
Delivered At Terminal (DAT)

“D” Terms
Seller bears costs and risks of delivery of goods to Buyer’s country/location.
DAT = Delivered At Terminal (Named Port/Place of Destination)

Buyer’s Cost
Buyer’s Risk

Seller’s Cost
Seller’s Risk

Seller’s Cost
Seller’s Risk
(Into Custody of Carrier)

Seller’s Cost
Seller’s Risk
(In Transit)

Seller’s Cost
Seller’s Risk
(Port of Discharge)
DELIVERED AT PLACE (on Buyer’s side)

- Abbreviation: DAP
- Transport mode: all
- The seller’s risks end when goods are placed at the disposal of the buyer on the arriving means of transport ready for unloading
- The Seller bears the costs for the carriage of the goods to the named place of destination or the agreed place
- Suggestion: when using this term, make clear which party is responsible for unloading and any type of on-carriage
Delivered At Place (DAP)

“D” Terms
Seller bears cost and risks of delivery of goods to Buyer’s country/location
DAP = Delivered At Place (Named Place of Destination)

Seller’s Cost
Seller’s Risk

(Seller’s Cost
Seller’s Risk
(Into Custody of Carrier)

(Seller’s Cost
Seller’s Risk
(In Transit)

Buyer’s Cost
Buyer’s Risk
Incoterms 2010

DELIVER DUTY PAID… NAMED PLACE (on Buyer’s side)

• Abbreviation: DDP
• Transport mode: All
• The Seller bears
  • all the costs and risks involved in bringing the goods to the place of destination and
  • has an obligation to clear the goods not only for export but also for import,
  • And has to pay any duty for both export and import and
  • Has to carry out all customs formalities
• The seller will also need to bear the VAT!
“D” Terms
Seller bears costs and risks of delivery of goods to Buyer’s country/location.
DDP= Delivered Duty Paid
(Named Place of Destination)
Contact information

Caroline Gubbi

- Phone: +32 3 234 59 32
- Mobile: +32 475 25 54 70
- Email: caroline.gubbi@bdpint.com

To download today’s presentation please make note of the following link