

Incoterms[®] 2020 by the International Chamber of Commerce (ICC)

Incoterms[®] 2020 Training (Canada Launch) 🇨🇦

Presented By:



Canadian
Chamber of
Commerce

Chambre de
Commerce
du Canada



In Partnership with:



Government
of Canada

Trade Commissioner
Service

Gouvernement
du Canada

Service des
délégués commerciaux





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Presenters



Leroy Lowe, MBA, PhD, CITP - Leroy is a former Aerospace Engineering Officer and Project Manager in the Canadian Airforce. He previously worked for Sparton of Canada as Director of Business Development where he recruited and managed a diverse network of agents, distributors and strategic alliance partners in over 20 countries. Currently, he is a full-time faculty member in International Business at the Nova Scotia Community College and an active international business development consultant who has helped many small-to-medium sized businesses (in many sectors) with all aspects of exporting. He holds a Bachelor of Science degree, a Diploma in Engineering, a Master Degree in Adult Education (MAEd), an MBA, and a PhD. He is a Certified International Trade Professional (CITP) and also an ICC Registered Trainer of Incoterms® 2020 in Canada.

Presenters



Lora Rigutto Vigliatore is an international business development "Coach". As President of LRV International Trade Consulting, she has a passion for international trade and many years of experience coaching and guiding businesses to navigate through the complexities of international trade and global business expansion. As a Certified International Trade Professional, CITP®, she brings expertise in the application of the terms of trade for the sale of goods into international markets. She is an adjunct professor teaching a variety of international business management courses and an active member on the Program Advisory Committee at Durham College. She is a proud member of the Organization of Women in International Trade – Toronto (OWIT) and contributor to FITT's Content Advisory Panel. She currently is on contract with the Trade Commission of Chile in Toronto assisting Chilean companies in finding export markets for their products and services and she is also an ICC Registered Trainer of Incoterms® 2020 in Canada.

OVERVIEW



1. Background
2. Incoterms® 2020 Definitions/Rules
 - i. Any Mode(s) of Transport
 - ii. Sea/Waterways
3. Incoterms® 2020 Obligations
4. Main Changes

BACKGROUND



- ⦿ Incoterms® rules
- ⦿ Applicability
- ⦿ Buyer/Seller Obligations
- ⦿ Contractual Augmentation

Incoterms® Rules

The ICC Incoterms® rules are a globally-recognized set of standards, used worldwide in international and domestic contracts for the delivery of goods:

- ICC published the first Incoterms® rules in 1936
- "**Incoterms®**" is an acronym that stands for "**International Commercial Terms**" which is now a trademark of International Chamber of Commerce (ICC)

Applicability

Incoterms® are abbreviated (3-letter) terms that reflect common contractual sales practices and clearly communicate

- **Obligations:** Who does what as between seller and buyer, e.g. who organizes carriage or insurance of the goods or who obtains shipping documents and export or import licenses
- **Risk:** Where and when the seller "delivers" the goods, in other words where risk transfers from seller to buyer
- **Costs:** Which party is responsible for which costs, e.g. transport, packaging, loading or unloading costs, and checking or security-related costs

A1=Seller / B1=Buyer (Obligations)

- **A1/B1** General obligations
- **A2/B2** Delivery/taking delivery
- **A3/B3** Transfer of risks
- **A4/B4** Carriage
- **A5/B5** Insurance
- **A6/B6** Delivery/transport document
- **A7/B7** Export/import clearance
- **A8/B8** Checking/packaging/marking
- **A9/B9** Allocation of costs
- **A10/B10** Notices

Contractual Augmentation

Incoterms® rules augment/strengthen contracts and are trade customs:

- Developed by the International Chamber of Commerce
- Not required by law, nor mandatory
- Buyers and sellers can draft their own contractual terms, and contracts referring to previous versions of Incoterms® rules are valid
- If a contract refers only to Incoterms® (not to a specific year), then rules in force at the time of contracting would most likely be applied in a dispute (best practice is to refer to the most recent revision)

Not Covered

The Incoterms® rules do NOT address the following:

- The presence of a contract of sale
- The specifications of the goods sold
- The time, place, method, or currency of payment of the price
- Breaches in the performance of contractual obligations
- The remedies for breach of the contract of sale
- The effect of sanctions
- The imposition of tariffs
- Export or import prohibitions
- Force majeure or hardship
- Intellectual property rights
- The method, venue, or law of dispute resolution

Transfer of Title

- Incoterms® 2020 rules do not govern the transfer of property or title to goods (common misunderstanding)
- Incoterms® determine the place of delivery, which does not necessarily equate with transfer of ownership
- Title transfer also not addressed by the UN Convention on Contracts for the International Sale of Goods (CISG aka Vienna Sales Convention)

Incoterms® 2020

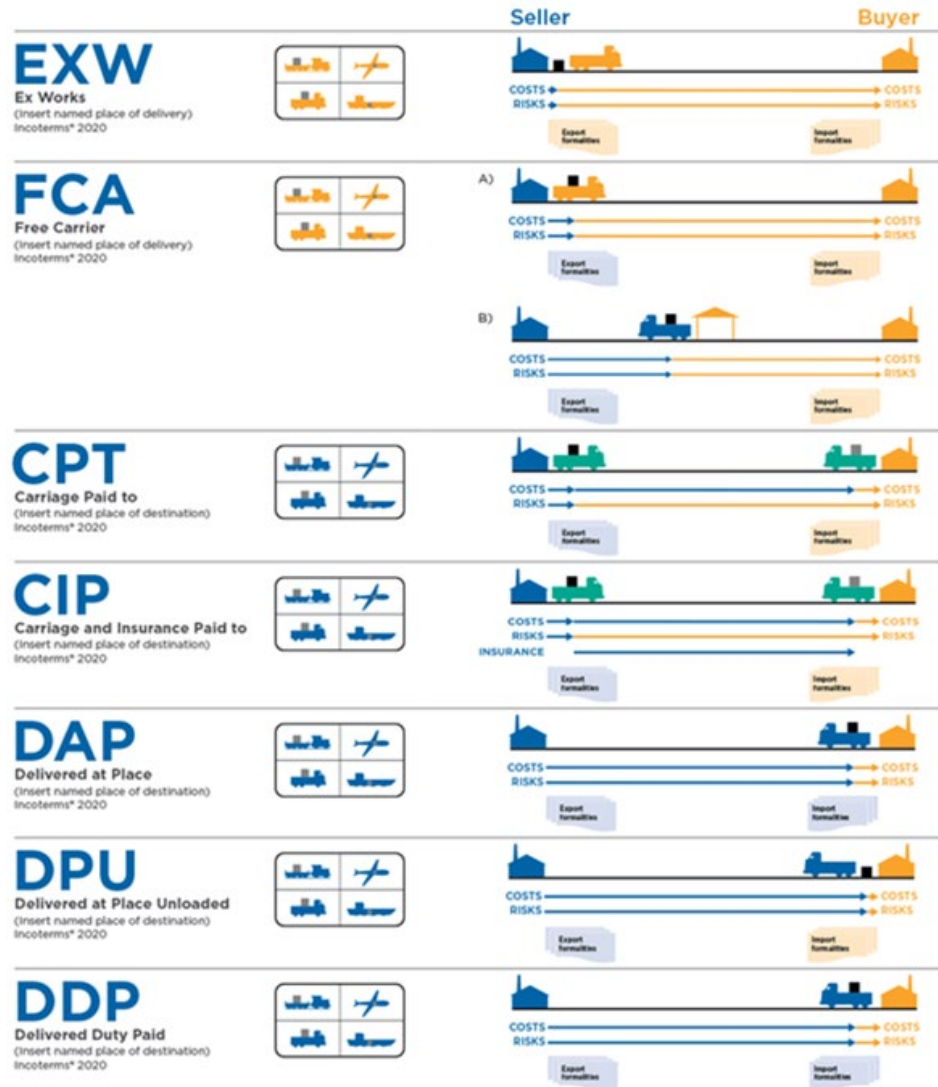
The logo for Incoterms 2020, featuring the word "Incoterms" in blue with a multi-colored dot above the 'o', followed by "2020" in blue and "by the International Chamber of Commerce (ICC)" in smaller grey text below it.

Incoterms®
2020 by the International
Chamber of Commerce (ICC)

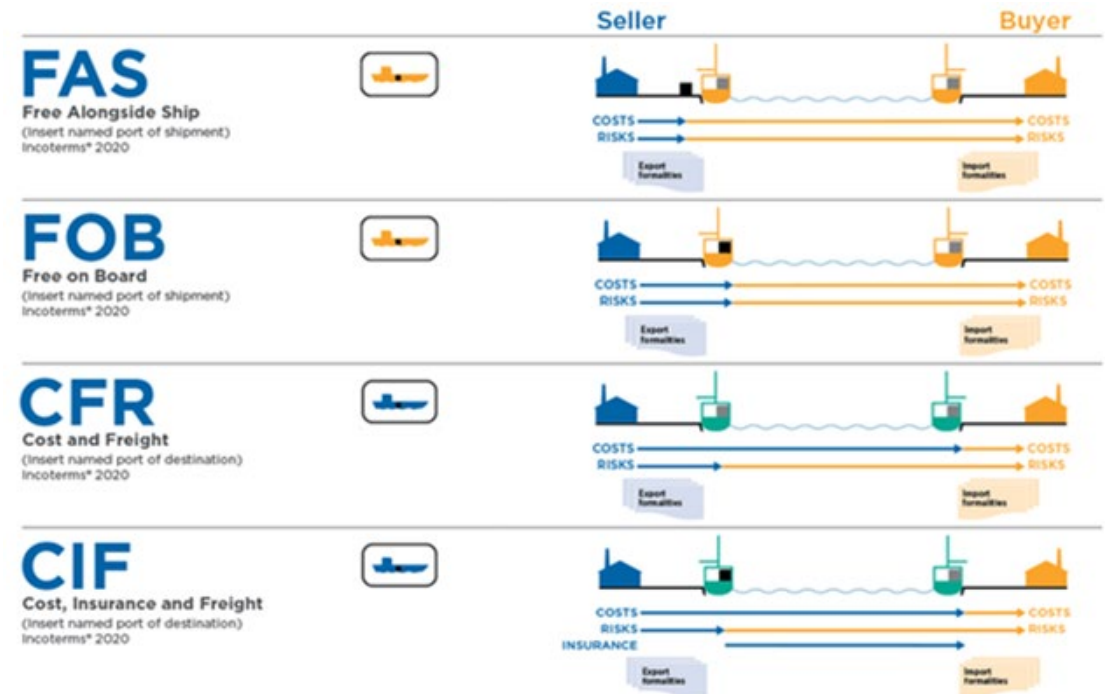
Definitions

- ① Overview
- ① Rules for Any Mode or Modes of Transportation
- ① Rules for Sea and Inland Waterways Transport

Rules for Any Mode or Modes of Transportation



Rules for Sea and Inland Waterways Transport



Transport Obligations, Costs and Risks

Blue indicates seller's
Gold indicates buyer's
Green indicates mixed or shared

Incoterms® 2020 eBook

Adobe Digital Editions - PDF Incoterms® 2020 English

File Edit Reading Help

Library

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- Contents
- Introduction to Incoterms® 2020
- RULES FOR ANY MODE OR MODES OF TRANSPORT
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 - CIP | Carriage and Insurance Paid To
 - DAP | Delivered at Place
 - DPU | Delivered at Place Unloaded
 - DDP | Delivered Duty Paid
- RULES FOR SEA AND INLAND WATER WAY
 - FAS | Free Alongside Ship
 - FOB | Free On Board
 - CFR | Cost and Freight
 - CIF | Cost Insurance and Freight
- Article-by-Article Text of Rules
- Incoterms® 2020 Drafting Group
- Incoterms® Publications and Resources
- Other International Trade Related Publications

INCOTERMS® 2020

EXW | Ex Works

EXW (insert named place of delivery) Incoterms® 2020

COSTS → RISKS

Export formalities Import formalities

EXPLANATORY NOTES FOR USERS

- Delivery and risk**—“Ex Works” means that the seller delivers the goods to the buyer
 - when it places the goods at the disposal of the buyer at a named place (like a factory or warehouse), and
 - that named place may or may not be the seller’s premises.

DELIVERY

COSTS → RISKS

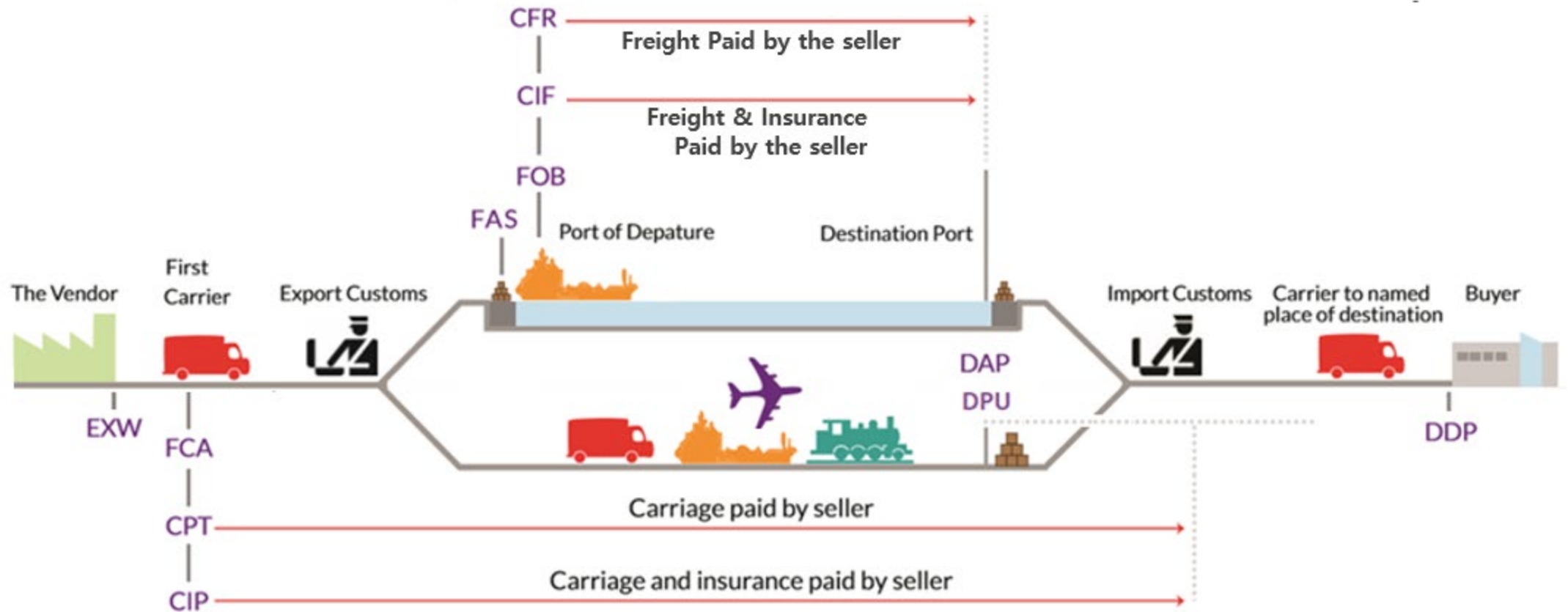
For delivery to occur, the seller does not need to load the goods on any collecting vehicle, nor does it need to clear the goods for export, where such clearance is applicable.- Mode of transport**—This rule may be used irrespective of the mode or modes of transport, if any, selected.

- Place or precise point of delivery**—The parties need only name the *place* of delivery. However, the parties are well advised *also* to specify as clearly as possible the *precise point* of delivery within the named place of delivery. A named *precise point* of delivery makes it clear to both parties when the goods are

INTERNATIONAL CHAMBER OF COMMERCE (ICC) | 21

21 (28/201)

Incoterms® 2020 – Visual Depiction



Source: Adapted from Credit Industriel et Commercial (CIC), 'Bien utiliser les Incoterms®'

Visual Shorthand

Visual Shorthand

Any Mode(s) of Transport

Named Place of DELIVERY

- EXW
- FCA

Seller's location OR Forward location

Named Place of DESTINATION

- CPT
- CIP
- DAP
- DPU
- DDP

Carriage Paid = Buyer Clears Customs (if needed)
 Carriage & Insurance Paid = Buyer Clears Customs (if needed)
 Insurance = Max Coverage/All Risks

Buyer Clears Customs (if needed)
 Buyer Clears Customs (if needed)

Customs

Sea/Waterways Mode(s) of Transport

Named PORT OF SHIPMENT

- FAS
- FOB

Vessel

Named PORT OF DESTINATION

- CFR
- CIF

Freight Paid
 Freight & Insurance Paid
 Insurance = Minimum Coverage
 Institute of Cargo Clause C

Key

- Goods placed at the disposal of
- Goods unloaded
- Goods "handed over"
- Goods placed at disposal of (unloading not required, not recoupable)

****Note - RED LINE = "Delivery" (Risk Transfer)**

Incoterms 2020 by the International Chamber of Commerce (ICC)

Training in Canada

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 Trade Commission Service / Service des relations commerciales

EDC x **FITT**

Key

- Goods placed at the disposal of
- Goods unloaded
- Goods "handed over"
- Goods placed at disposal of (unloading not required, not recoupable)

****Note - RED LINE = "Delivery" (Risk Transfer)**

Course Handout

Incoterms® 2020

Definitions (Any Mode)



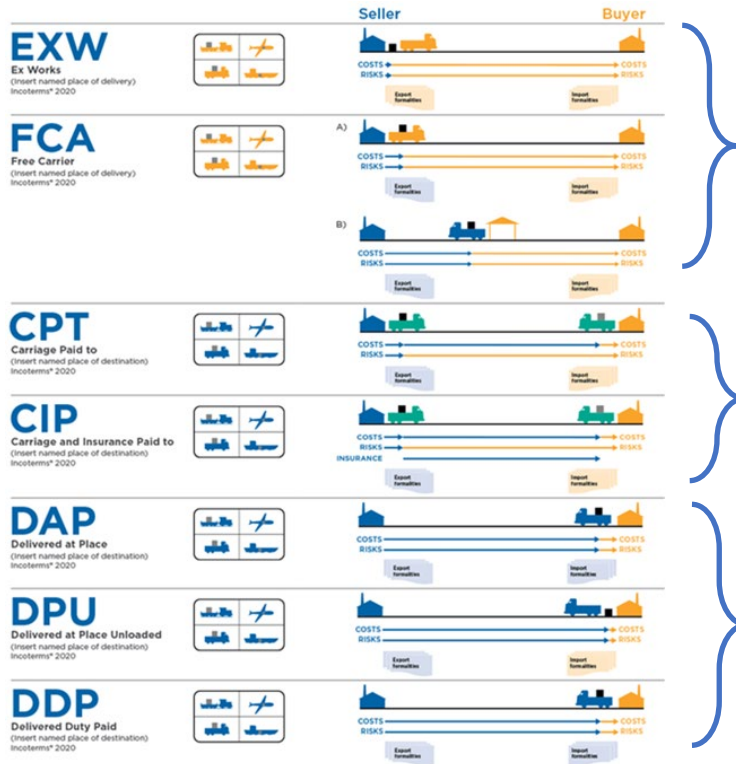
- ◎ EXW, FCA (Minimal Seller Obligations)
- ◎ CPT, CIP (Mixed/shared Obligations)
- ◎ DAP, DPU, DDP (Greatest Seller Obligations)

Rules for Any Mode or Modes of Transportation

7 Incoterms® intended for situations where:

- the point at which the seller hands the goods over to, or places them at the disposal of, a carrier, or
- the point at which the carrier hands the goods over to the buyer, or the point at which they are placed at the disposal of the buyer...
-are not on board (or alongside) a vessel

Rules for Any Mode or Modes of Transportation



EXW
Ex Works
(Insert named place of delivery)
Incoterms® 2020

FCA
Free Carrier
(Insert named place of delivery)
Incoterms® 2020

Minimal Seller Obligations

(Named Place of DELIVERY)

CPT
Carriage Paid to
(Insert named place of destination)
Incoterms® 2020

CIP
Carriage and Insurance Paid to
(Insert named place of destination)
Incoterms® 2020

Mixed/Shared Obligations

(Named Place of DESTINATION)

DAP
Delivered at Place
(Insert named place of destination)
Incoterms® 2020

DPU
Delivered at Place Unloaded
(Insert named place of destination)
Incoterms® 2020

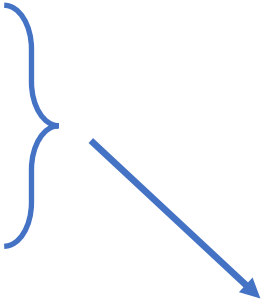
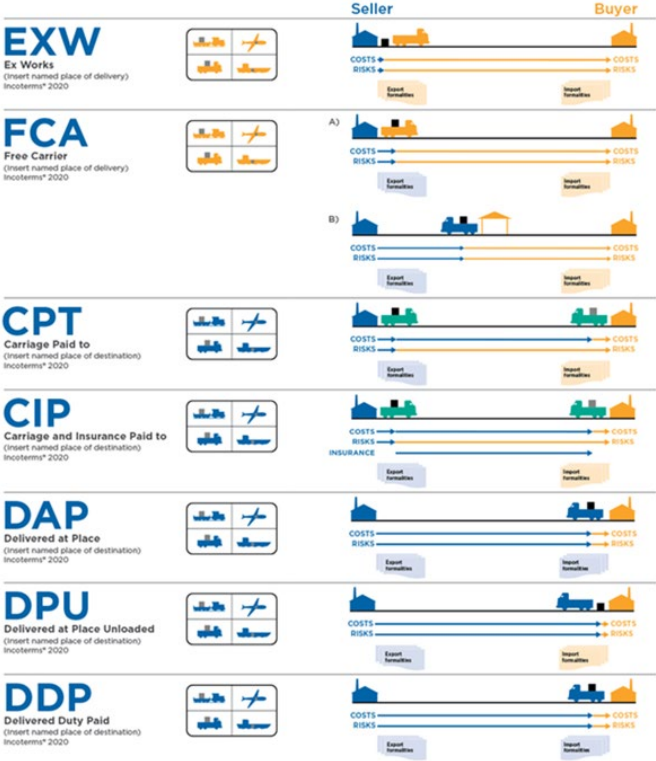
DDP
Delivered Duty Paid
(Insert named place of destination)
Incoterms® 2020

Greatest Seller Obligations

(Named Place of DESTINATION)

Incoterms® 2020
by the International Chamber of Commerce (ICC)

Rules for Any Mode or Modes of Transportation



EXW
Ex Works
(Insert named place of delivery)
Incoterms® 2020

FCA
Free Carrier
(Insert named place of delivery)
Incoterms® 2020

Minimal Seller Obligations

(Named Place of DELIVERY)

EXW (Ex Works)

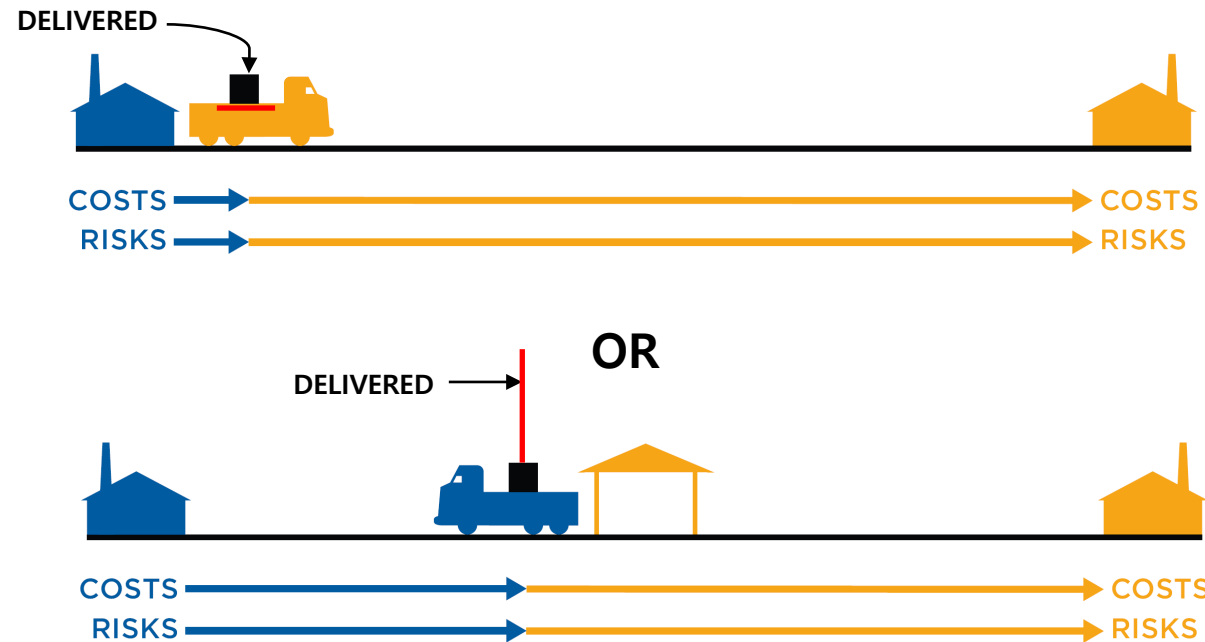
Transport Obligations,
Costs and Risks

Blue = seller's
Gold = buyer's
Green = mixed or shared



EXW (Insert named place of delivery) Incoterms® 2020

FCA (Free Carrier)



Transport Obligations,
Costs and Risks

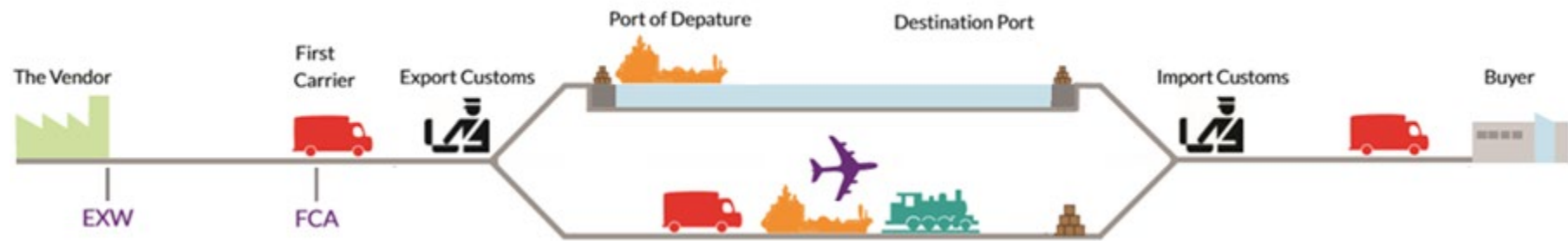
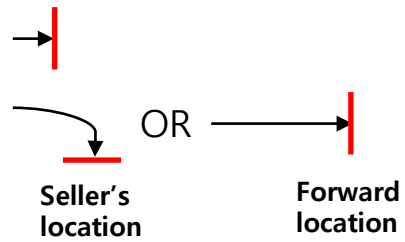
Blue = seller's
Gold = buyer's
Green = mixed or shared

FCA (Insert named place of delivery) Incoterms® 2020

Visual Shorthand (EXW, FCA)

⊙ EXW

⊙ FCA



Source: Adapted from Credit Industriel et Commercial (CIC), 'Bien utiliser les Incoterms®'

Question 1

A Canadian seller of canola seed references “EXW Calgary, Alberta Incoterms® 2020” in the contract with a US-buyer. The seller gives the buyer notice that the goods under their contract of sale will be available for pick up at the seller’s warehouse (4th loading bay) between 4pm and 5pm on a given date. On the date of the scheduled pickup, the seller places the goods in front of the 4th loading bay at the seller’s location at 4pm, but when the buyer arrives at 4:45pm there is no access to the seller’s yard because the local fire department is there. The seller’s warehouse is on fire and the goods are ultimately destroyed. Should the buyer be concerned about the loss?

EXW, FCA - Discussion Questions

Q1. A Canadian seller of canola seed

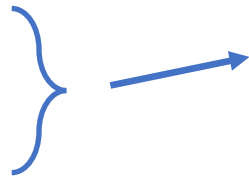
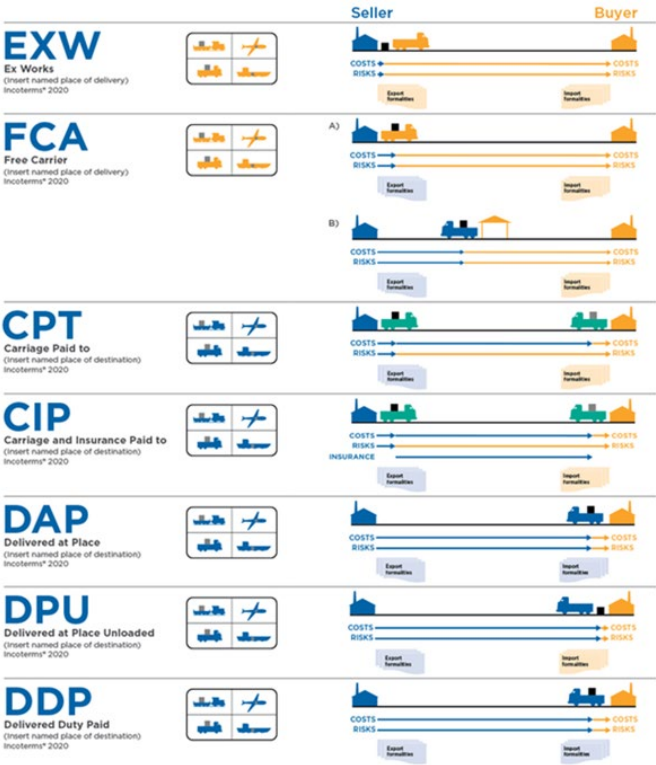
Q2. A Canadian exporter of industrial equipment

Q3. Vancouver, BC exporter and a Japanese importer

Q4. An Ottawa based manufacturer of LED lighting equipment

Q5. Reach stacker drops the goods owned by an FCA seller

Rules for Any Mode or Modes of Transportation



CPT
Carriage Paid to
(Insert named place of destination)
Incoterms® 2020

CIP
Carriage and Insurance Paid to
(Insert named place of destination)
Incoterms® 2020

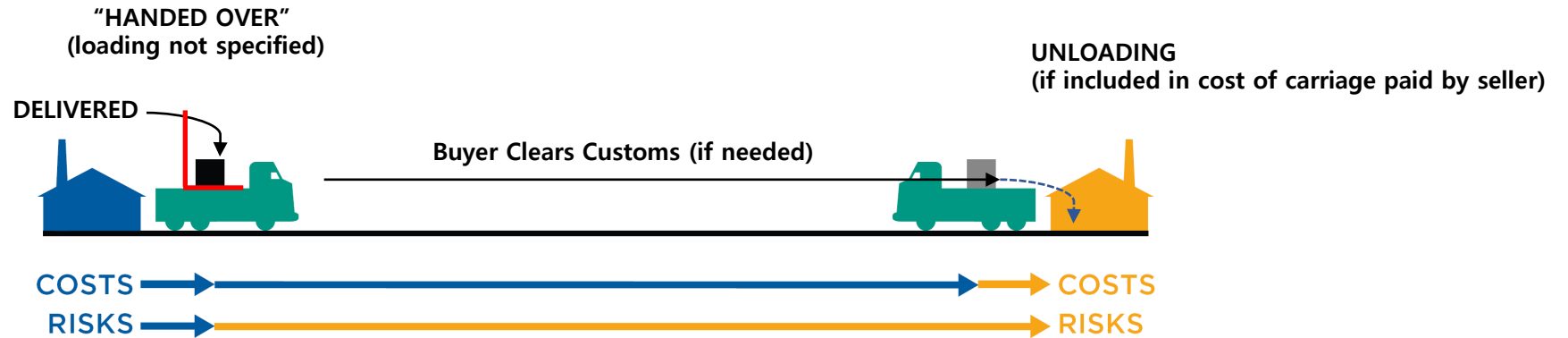
Mixed/Shared Obligations

(Named Place of DESTINATION)

CPT (Carriage Paid to)

Transport Obligations,
Costs and Risks

Blue = seller's
Gold = buyer's
Green = mixed or shared

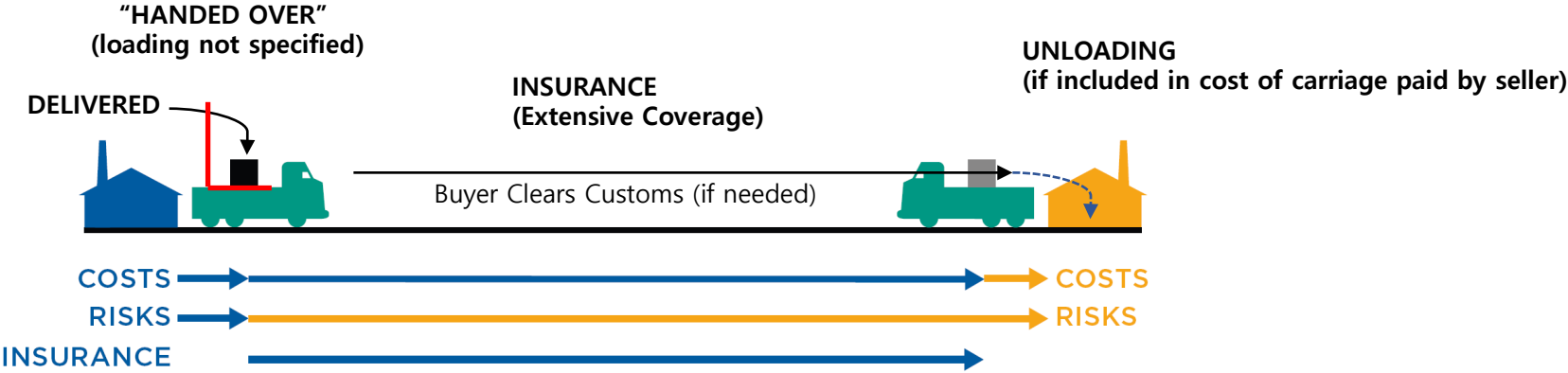


CPT (Insert named place of destination) Incoterms® 2020

CIP (Carriage and Insurance Paid to)

Transport Obligations,
Costs and Risks

Blue = seller's
Gold = buyer's
Green = mixed or shared



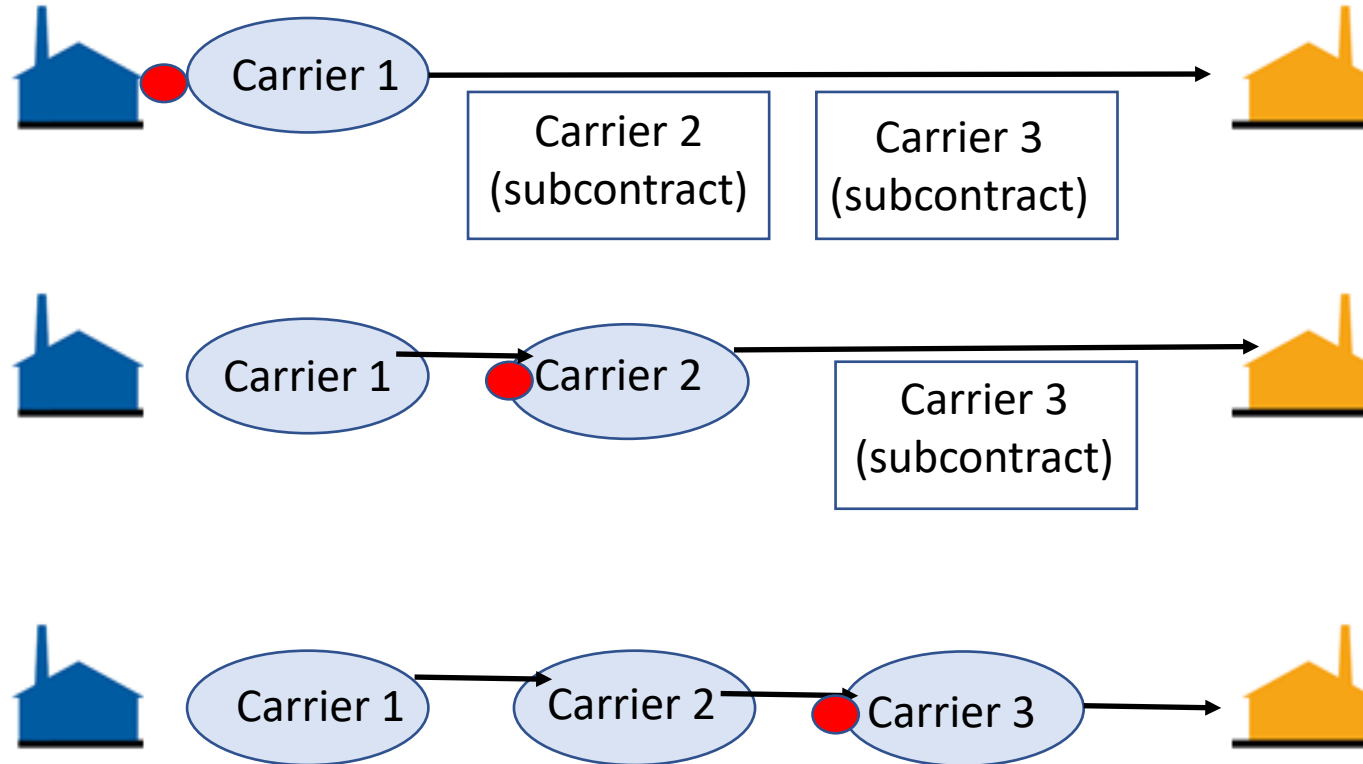
CIP (Insert named place of destination) Incoterms® 2020

CPT & CIP (Named Carrier vs. First Carrier)

When multiple carriers involved, at which point does delivery occur and risk transfer between seller and buyer?

- In CPT and CIP, the relevant carrier is the first carrier to whom the seller hands over the goods (unless the point of delivery has been named)
- This places buyer at risk (first carrier may be unknown to the buyer)
- Better to precisely name the point of delivery
- Also note - Under A4 Carriage, "The seller must contract or procure a contract for the carriage of the goods from the agreed point of delivery, if any, at the place of delivery to the named place of destination..." (this implies a through contract of carriage)

CPT & CIP (First Carrier)



Visual Shorthand (CPT, CIP)

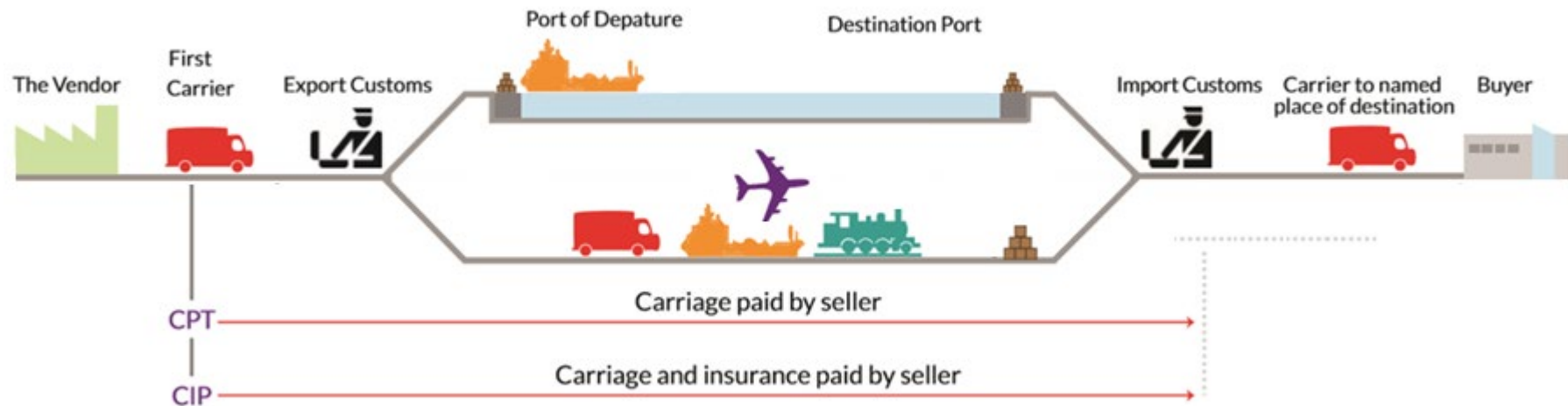
◎ CPT



◎ CIP



Insurance = Max Coverage/All Risks
Institute of Cargo Clause A



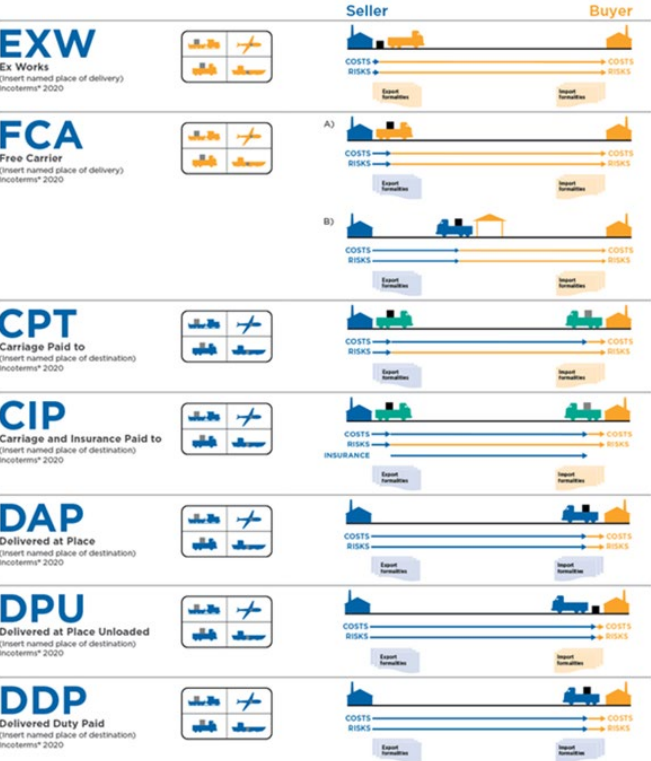
Source: Adapted from Credit Industriel et Commercial (CIC), 'Bien utiliser les Incoterms®'

CPT, CIP - Discussion Questions

Q6. A Canadian seller of auto parts near Toronto, Ontario

Q7. A Canadian seller of agricultural products in Northern Ontario

Rules for Any Mode or Modes of Transportation



DAP
Delivered at Place
(Insert named place of destination)
Incoterms® 2020

DPU
Delivered at Place Unloaded
(Insert named place of destination)
Incoterms® 2020

DDP
Delivered Duty Paid
(Insert named place of destination)
Incoterms® 2020

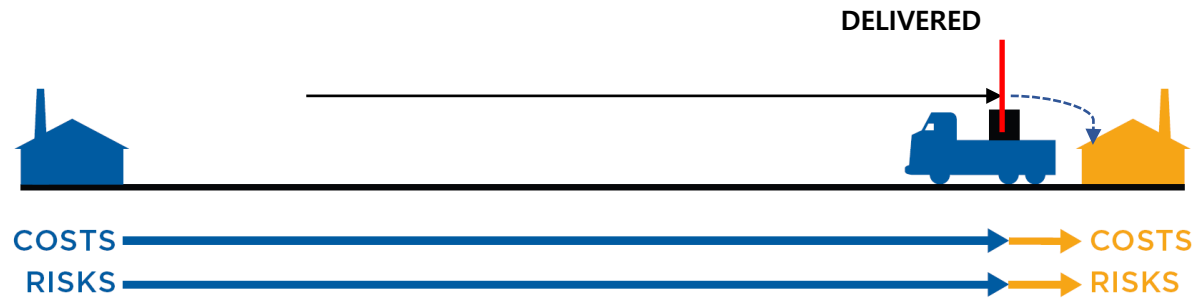
Greatest Seller Obligations

(Named Place of DESTINATION)

DAP (Delivered at Place)

Transport Obligations,
Costs and Risks

Blue = seller's
Gold = buyer's
Green = mixed or shared

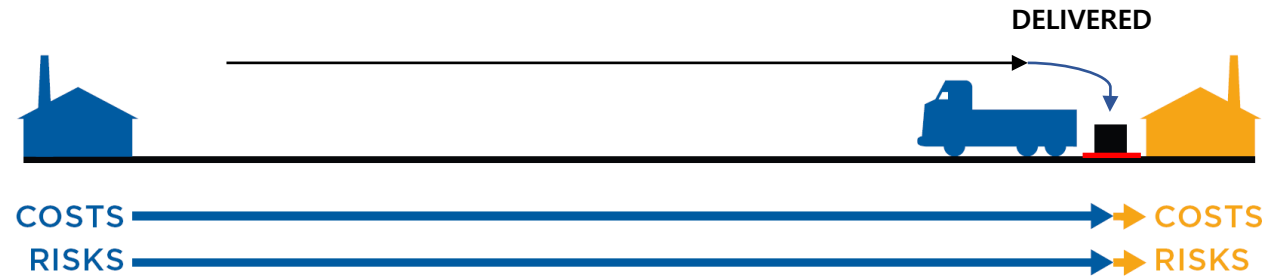


DAP (Insert named place of destination) Incoterms® 2020

DPU (Delivered at Place Unloaded)

Transport Obligations,
Costs and Risks

Blue = seller's
Gold = buyer's
Green = mixed or shared

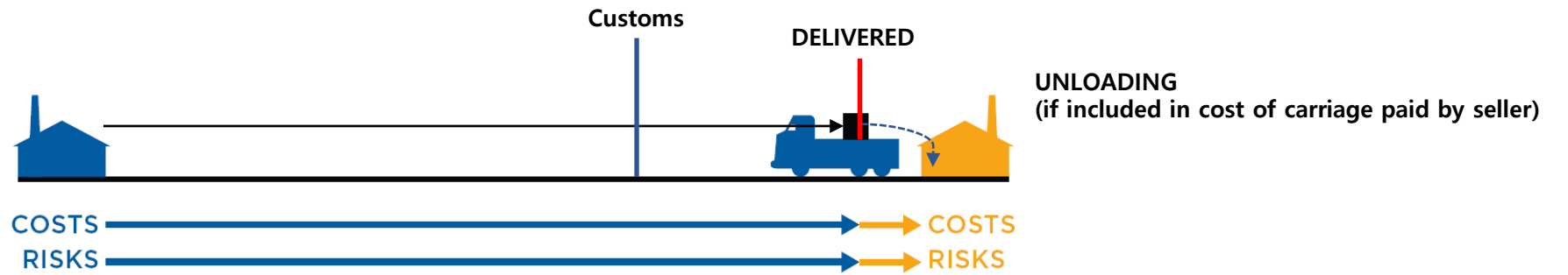


DPU (Insert named place of destination) Incoterms® 2020

DDP (Delivered Duty Paid)

Transport Obligations,
Costs and Risks

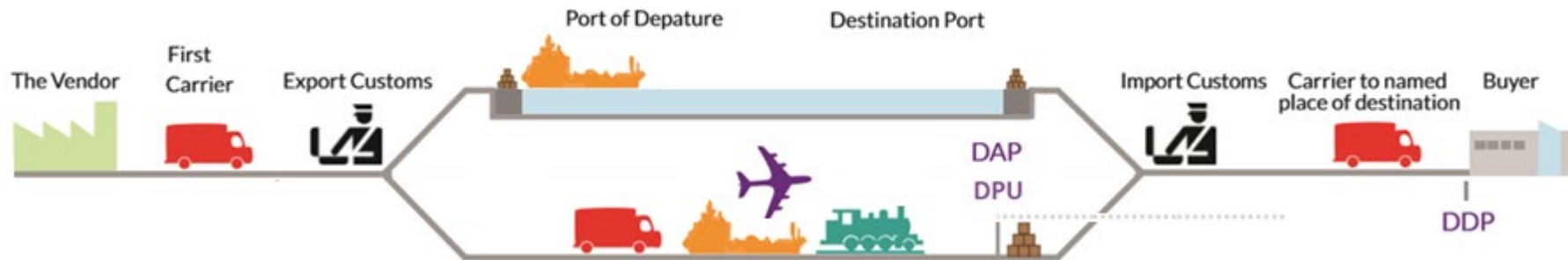
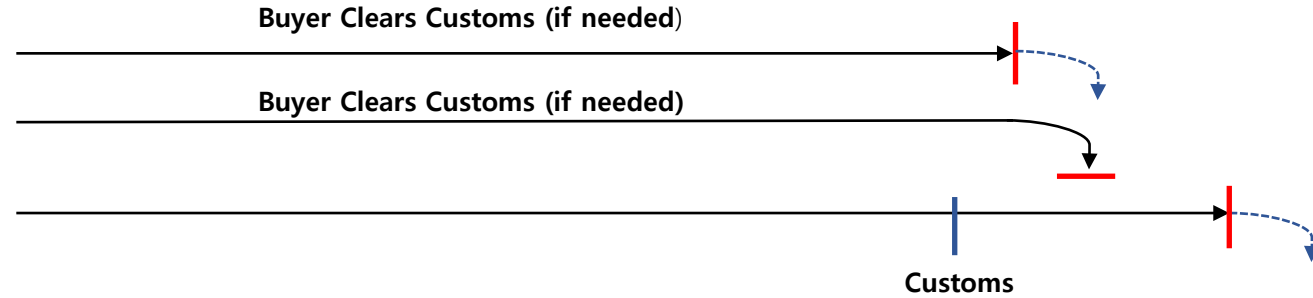
Blue = seller's
Gold = buyer's
Green = mixed or shared



DDP (Insert named place of destination) Incoterms[®] 2020

Visual Shorthand (DAP, DPU, DDP)

- ⊙ DAP
- ⊙ DPU
- ⊙ DDP



Source: Adapted from Credit Industriel et Commercial (CIC), 'Bien utiliser les Incoterms®'

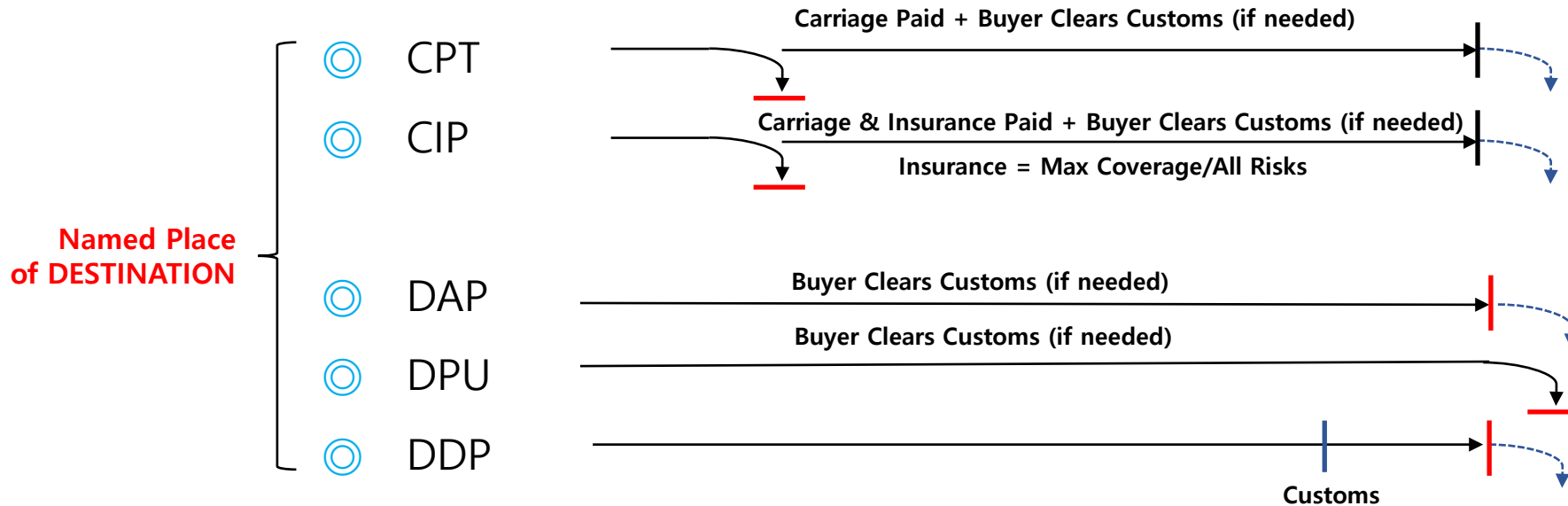
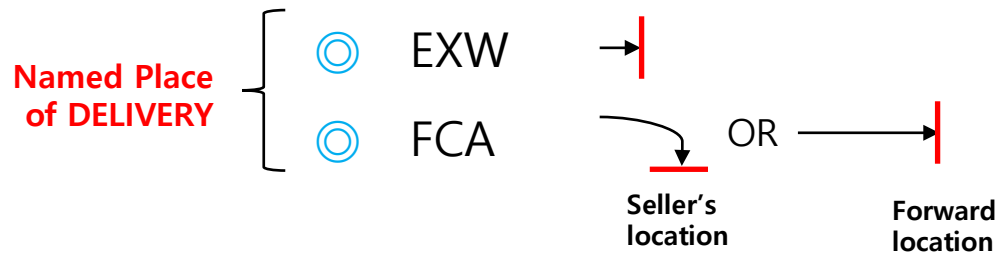
DAP, DPU, DDP - Discussion Questions

Q8. An Alberta seller of manufactured products delivers to Monterrey, Mexico

Q9. A Quebec garment manufacturer sells to a prominent clothing retailer in the United States

Q10. An exporter of farm equipment in Winnipeg, Manitoba sells a large combine tractor to a buyer in Montana, USA

Visual Shorthand (Any Mode)



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2020 by the International
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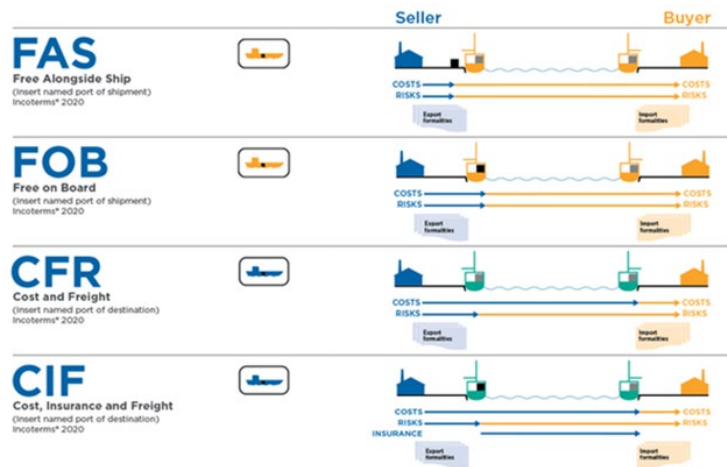
Definitions (Sea/Waterways)

- ⦿ FAS, FOB (Minimal Seller Obligations)
- ⦿ CFR, CIF (Mixed/shared Obligations)

Rules for Sea and Inland Waterways Transport

- 4 Incoterms® intended for situations when the means of transport used is a vessel, either carrying the goods by ocean or an inland waterway
- These rules are not appropriate when goods are handed over to the carrier at an inland point (e.g., a container terminal)

Rules for Sea and Inland Waterways Transport



FAS
Free Alongside Ship
(Insert named port of shipment)
Incoterms® 2020

FOB
Free on Board
(Insert named port of shipment)
Incoterms® 2020

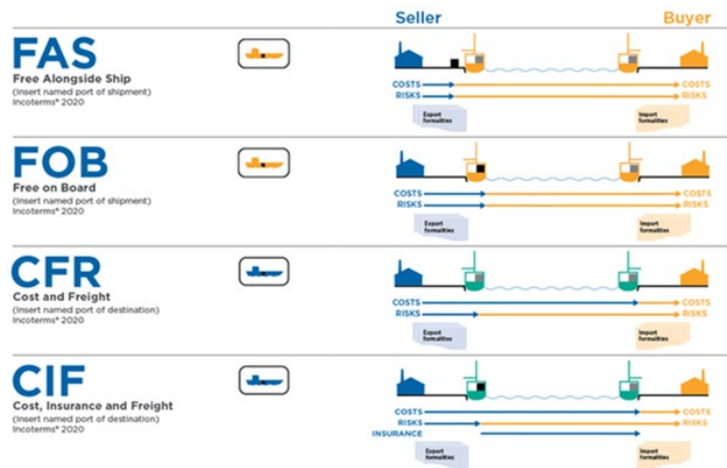
Minimal Seller Obligations
(Named PORT OF SHIPMENT)

CFR
Cost and Freight
(Insert named port of destination)
Incoterms® 2020

CIF
Cost, Insurance and Freight
(Insert named port of destination)
Incoterms® 2020

Mixed/Shared Obligations
(Named PORT OF DESTINATION)

Rules for Sea and Inland Waterways Transport



FAS
Free Alongside Ship
(Insert named port of shipment)
Incoterms® 2020

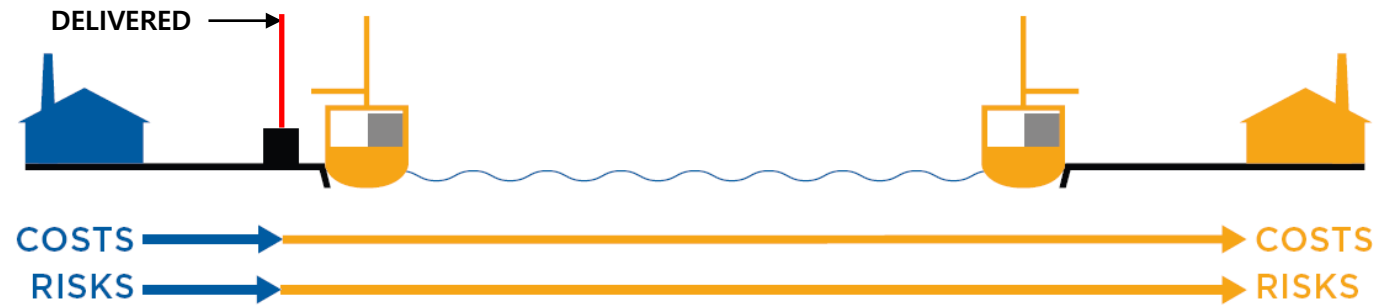
FOB
Free on Board
(Insert named port of shipment)
Incoterms® 2020

Minimal Seller Obligations
(Named PORT OF SHIPMENT)

FAS (Free Alongside Ship)

Transport Obligations,
Costs and Risks

Blue = seller's
Gold = buyer's
Green = mixed or shared

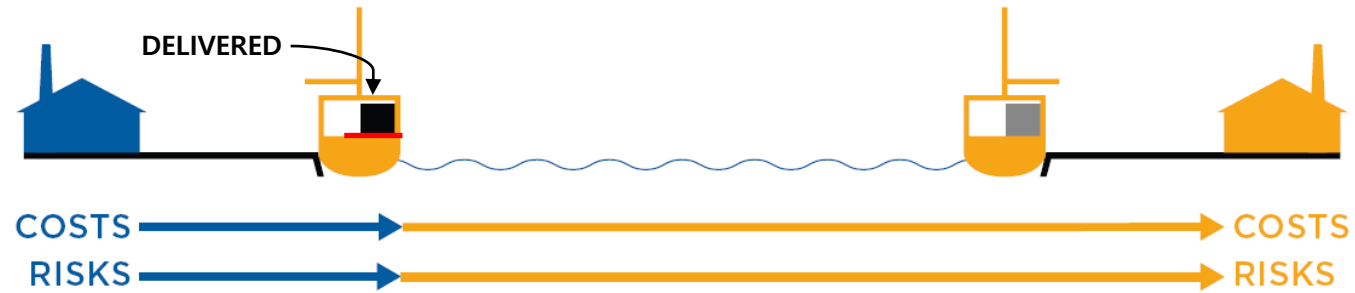


FAS (Insert named port of shipment) Incoterms® 2020

FOB (Free on Board)

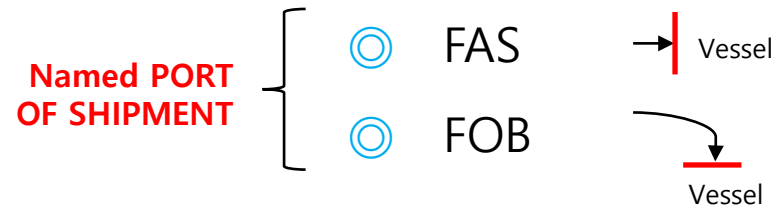
Transport Obligations,
Costs and Risks

Blue = seller's
Gold = buyer's
Green = mixed or shared



FOB (Insert named port of shipment) Incoterms® 2020

Visual Shorthand (FAS, FOB)



Source: Adapted from Credit Industriel et Commercial (CIC), 'Bien utiliser les Incoterms®'

FAS, FOB - Discussion Questions

Q11. An exporter of frozen seafood in Halifax, Nova Scotia sells crab to a buyer in UK

Q12. A Vancouver exporter of radio equipment has an agreement to sell a full container of electronics to a buyer in Japan

Rules for Sea and Inland Waterways Transport



CFR
Cost and Freight
(Insert named port of destination)
Incoterms® 2020

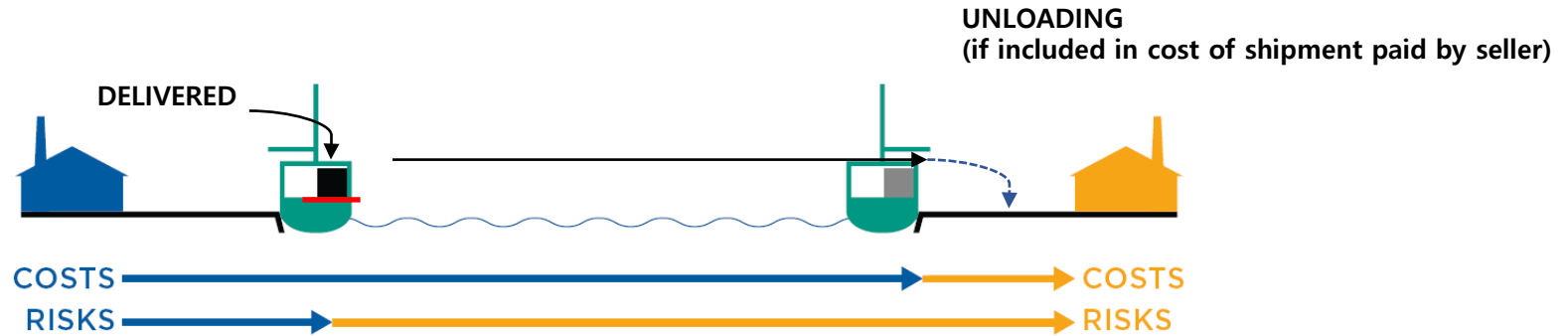
CIF
Cost, Insurance and Freight
(Insert named port of destination)
Incoterms® 2020

Mixed/Shared Obligations
(Named PORT OF DESTINATION)

CFR (Cost and Freight)

Transport Obligations,
Costs and Risks

Blue = seller's
Gold = buyer's
Green = mixed or shared

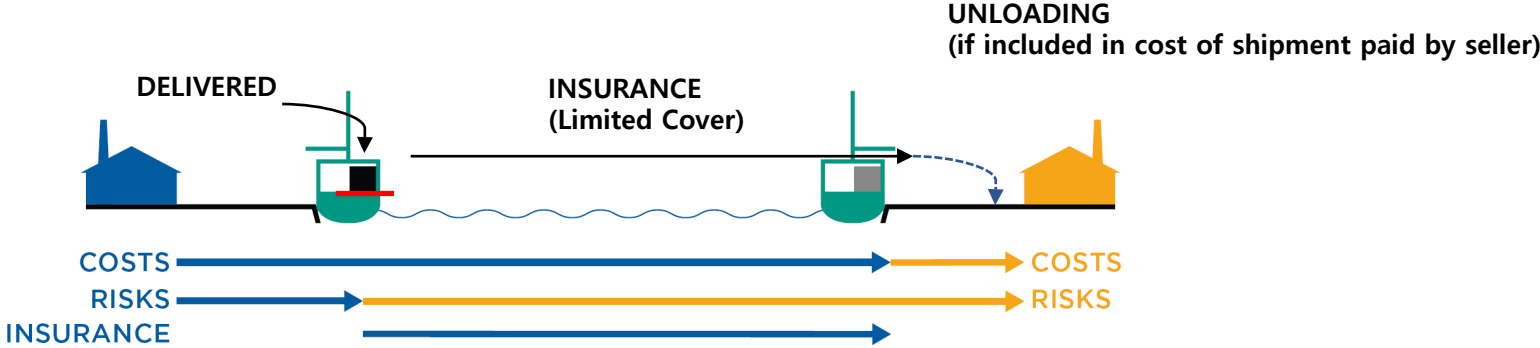


CFR (Insert named port of destination) Incoterms® 2020

CIF (Cost, Insurance and Freight)

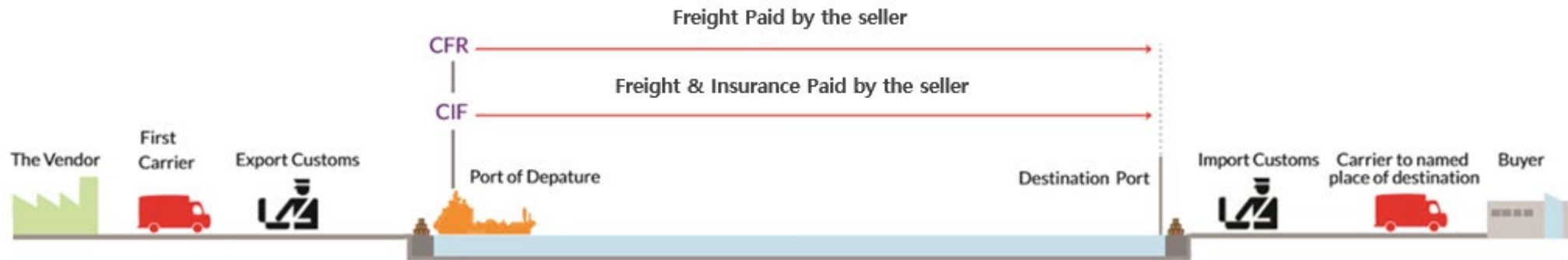
Transport Obligations,
Costs and Risks

Blue = seller's
Gold = buyer's
Green = mixed or shared



CIF (Insert named port of destination) Incoterms® 2020

Visual Shorthand (CFR, CIF)



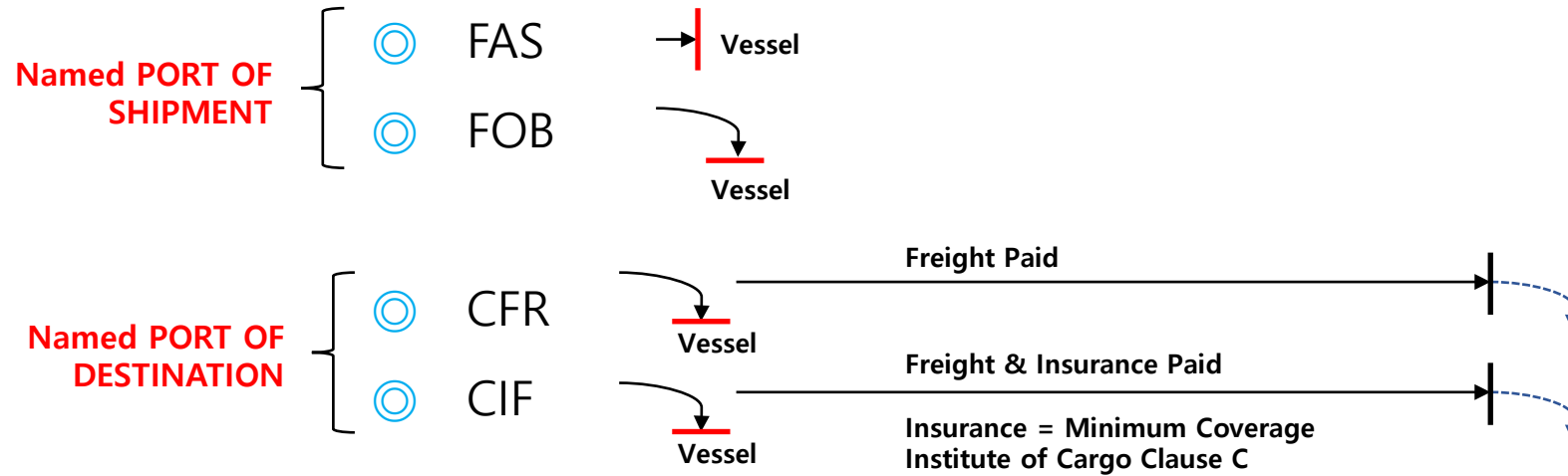
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FAS, FOB - Discussion Questions

Q11. An exporter of frozen seafood in Halifax, Nova Scotia sells crab to a buyer in UK

Q12. A Vancouver exporter of radio equipment has an agreement to sell a full container of electronics to a buyer in Japan

Visual Shorthand (Sea/Waterways)



Incoterms® 2020



Obligations

- ① Who Are the Stakeholders and What Do They Do?
- ① Commercial Transaction Participants
- ① Government and Regulatory Agents
- ① Shipping and Transportation Providers
- ① Financial Organizations

Seller/Buyer Obligations

- **A1/B1** General obligations
- **A2/B2** Delivery/taking delivery
- **A3/B3** Transfer of risks
- **A4/B4** Carriage
- **A5/B5** Insurance
- **A6/B6** Delivery/transport document
- **A7/B7** Export/import clearance
- **A8/B8** Checking/packaging/marking
- **A9/B9** Allocation of costs
- **A10/B10** Notices

A1/B1 General Obligations

All 11 Incoterms® 2020 rules include the same general obligations:

- “Seller must provide the goods and the commercial invoice in conformity with the contract of sale and any other evidence of conformity that may be required by the contract”
- “The buyer must pay the price of the goods as provided in the contract of sale”
- “Any document to be provided...” (by the buyer or seller) “...may be in paper or electronic form as agreed or, where there is no agreement, as is customary”

A2/B2 Delivery/Taking Delivery

Common themes:

- In all 11 rules, it is stated that “the seller must deliver the goods on the agreed date or within the agreed period”
- In all 11 rules except EXW, the seller can perform its obligation to deliver goods either by physically delivering those goods in the manner prescribed by the particular Incoterms® rule “or by procuring the goods so delivered”
- Parties need to be aware of the difference between places and points of delivery as this distinction can impact costs and risks in various Incoterms®

A2/B2 Delivery/Taking Delivery (continued)

- Although DPU is the only Incoterm[®] that requires unloading, the seller contracts carriage in CPT, CIP, CFR and CIF and if unloading is prepaid, the seller cannot reclaim from the buyer
- The B2 terms the buyer “must take delivery of the goods” when they have been delivered
 - In most Incoterms[®] rules, the buyer is not obliged to take physical possession of the goods (although the goods are still at risk after the moment of delivery)
 - In all CPT, CIP, CFR and CIF, the buyer owes the seller a duty to receive the goods from the carrier (i.e., if the buyer fails to take physical possession of the goods from the carrier, the buyer will be liable to the seller for costs incurred)

A3/B3 Transfer of Risks

In A3 the risk of loss or damage to the goods occurring before delivery normally rests with the seller BUT some losses occurring before delivery rest with the buyer (despite the goods not having been delivered) –

Example 1:

- 1. Failure to give timely notice** (e.g., In FOB, if buyer fails to give the seller "*sufficient notice of any transport-related security requirements, the vessel name, loading point and, if any, the selected delivery date within the agreed period*", the seller cannot deliver "*by placing them on board the vessel nominated by the buyer at the loading point, if any, indicated by the buyer*")

Note - for pre-delivery risk to rest with the buyer, the goods must "have been clearly identified as the contract goods"

A3/B3 Transfer of Risks (continued)

In A3 the risk of loss or damage to the goods occurring before delivery normally rests with the seller BUT some losses occurring before delivery rest with the buyer (despite the goods not having been delivered) – Example 2:

2. Failure to perform obligations other than giving notice

- In FCA, the buyer notifies the seller of the carrier to use, but the carrier fails to take the goods into its charge. Although not the buyer's fault, it is the buyer's carrier that has failed and therefore the buyer is responsible for seller not being able to deliver, so buyer is liable.
- Similarly, in Incoterms® where the seller must contract carriage/freight, but the buyer is responsible for import clearance, the buyer can be liable pre-delivery if a failure to attain import clearances prevents delivery and loss or damage to the goods occurs

Note - for pre-delivery risk to rest with the buyer, the goods must "have been clearly identified as the contract goods"

A4/B4 Carriage

Under A4 the seller has obligation in D Rules (DAP, DPU, DDP) to **“organize” carriage**

- Seller can contract with a 3rd-party carrier for carriage of the goods
- Seller can use its own means of transport

Parties should specify **the point of delivery** (within the place of destination) as precisely as possible in the contract of sale

- D rules (DAP, DPU, DDP) when seller is responsible
- C rules (CPT, CIP, CFR, CFR) when buyer is responsible

A4/B4 Carriage (continued)

Transport Security

In D rules (DAP, DPU, DDP) when seller is responsible and in C rules (CPT, CIP, CFR, CFR) when buyer is responsible, the seller must comply with any transport-related security requirements for transport of the goods to the destination

If the seller fails to comply with security requirements and there are resulting delays, the buyer may incur losses (for which the seller will be liable)

A3/B3-A4/B4 Discussion Questions

Q15. An exporter of canola seed located in Edmonton, Alberta

Q16. An exporter of optical equipment and electronics located in London, Ontario

A5/B5 Insurance

The seller owes the buyer a duty to insure the goods in CIP and CIF

- Coverage by “underwriters or an insurance company of good repute”
- Must cover goods from the point of delivery to the point of destination
- Coverage for at least 110% of the contract price
- Coverage must entitle the buyer to claim directly from the insurer

A5/B5 Insurance

CIP - “all risks” policy/cover, where cover is assumed unless excluded by the policy (Clause (A) of the Institute Cargo Clauses (LMA/IUA))

CIF - “named risks” policy/cover, where only risks expressly listed in the policy are covered (Clauses (C) of the Institute Cargo Clauses (LMA/IUA))

Parties can agree that the seller must obtain more coverage than the default position specified in the rules

If buyer requests information to obtain further insurance coverage, the seller must provide such information at the buyer’s cost and risk

A6/B6 Delivery/transport document

These obligations deal with the documents proving that the seller has delivered the goods.

- EXW - No documents for the seller to give the buyer
- FCA - If agreed in the contract, the buyer owes the seller a duty to instruct its carrier to issue to the seller a bill of lading stating that the goods have been shipped on board (issued to the seller by the carrier at the buyer's cost and risk)
- D rules (DAP, DPU, DDP) - Seller must provide the buyer, at the seller's cost, with any document that enables the buyer to take over the goods
- In FAS and FOB, the seller's duty is to provide the buyer with the usual proof that the goods have, FAS been placed alongside the vessel and in FOB on board the vessel

A6/B6 Delivery/transport document (continued)

A6/B6 also deals with circumstances where the seller owes the buyer carriage and covers the transport documents for the goods which have been shipped (CPT, CIP, CFR, CIF).

The A6 article is identical for all C rules. The document tendered:

- Must be the “usual” transport document
- Must cover the contract goods
- Be dated within the period agreed for shipment
- It must entitle the buyer to claim the goods from the carrier at their destination
- Enable the buyer to sell the goods on by transferring the document (in a full set of originals where the document is issued in sets) or by notifying the carrier that the goods have been sold on

In all instances (B6), the buyer must accept the delivery document provided by the seller

A3/B3-A4/B4 Discussion Questions

Q15. An exporter of canola seed located in Edmonton, Alberta

Q16. An exporter of optical equipment and electronics located in London, Ontario

A5/B5-A6/B6 Discussion Questions

Q17. A Canadian exporter in Vancouver is selling a rare, and very expensive Porsche to a buyer in Shanghai, China

Q18. A Canadian exporter based in Montreal, Quebec selling a pre-fabricated home to a buyer in Portugal

A7/B7 Export/Import Clearance

Basic principle in all rules except EXW and DDP:

- Export clearance is for the seller
- Import clearance is for the buyer
- The seller must provide the buyer with any assistance requested by the buyer to obtaining documents and/or information required for transit or import clearance in countries of intermediate transit or by the country of import

A7/B7 Export/Import Clearance (continued)

EXW

- Burden for clearance (for export, transit and import) is on the buyer
- Seller has obligation to assist, at buyer's risk and cost, obtaining any documents or information needed for clearances

DDP

- Burden for clearance (for export, transit and import) is on the seller
- Buyer has obligation to assist, at seller's risk and cost, obtaining any documents or information needed for clearances

A8/B8 Checking/Packaging/Marking

A8/B8 articles are identical for all eleven Incoterms® rules:

- The seller must pay the costs of those checking operations (such as checking quality, measuring, weighing, counting) that are necessary for the purpose of delivering the goods in accordance with A2
- The seller must, at its own cost, package the goods, unless it is usual for the particular trade to transport the type of goods sold unpackaged
- The seller must package and mark the goods in the manner appropriate for their transport, unless the parties have agreed on specific packaging or marking requirements
- The buyer has no obligation to the seller

A9/B9 Allocation of Costs

Incoterms® 2020 rules aggregate all categories of costs under one heading for simplicity

Basic principle is the same for all 11 rules - the dividing line for costs lies at the point of delivery

A10/B10 Notices

- International trade transactions require significant level of cooperation between seller and buyer
- There are positive physical or documentary duties which one party can only perform for the other if the other passes information to the party that has a primary duty
- These duties of notification vary for each Incoterm[®], but they have been aggregated and listed in A10/B10

Incoterms® 2020



Incoterms®
2020 by the International
Chamber of Commerce (ICC)

Main Changes

- ① Overview
- ① Incoterms® 2010 vs Incoterms® 2020

Main Changes - Overview

The main changes found in Incoterms® 2020 rules are as follows:

- Prioritization of delivery and transfer of risk
- FCA - Bills of Lading with an on-board notation
- Aggregated cost obligations
- Different levels of insurance cover in CIF and CIP
- Carriage with own means of transport (FCA, DAP, DPU and DDP)
- DAT changed to DPU
- Security-related requirements added to carriage obligations and costs
- Explanatory notes for users

Prioritizing Delivery and Transfer of Risk

The order in which the Incoterms® rules have been presented in the 2020 version has been radically changed to emphasize:

- The point at which the goods are “delivered” by the seller to the buyer
- The point at which the risk of loss of or damage transfers from seller to buyer

Users of Incoterms® have historically focused too heavily on costs and have frequently been surprised by responsibilities in situations where losses have occurred

FCA and the Bill of Lading

- Normally when goods handed to a carrier at an inland location (e.g., container terminal), the Bill of Lading will state “received for shipment”
- FCA addresses need for an “onboard” Bill of Lading (e.g., for a Letter of Credit)
- If the parties agree, the buyer must instruct the carrier to issue to the seller a shipped “onboard” Bill of Lading
- In turn, the seller must provide that document, once issued, to the buyer

Aggregated Costs

- Aggregated costs (from all rules) now appear in A9/B9 of each Incoterms® rule
- One-stop list of costs, so that the seller or buyer can now find in one place
- Items of cost are also captured in the relevant obligation category (e.g. the costs involved in obtaining documents in FOB appear in A6/B6 Delivery Transport Document obligations as well as in A9/B9 Allocation of Costs)

Different Levels of Insurance

- CIP and CIF in Incoterms® 2010: The seller had the obligation to "obtain minimum cover insurance as provided by Clauses (C) of the Institute Cargo Clauses (Lloyd's Market Association/International Underwriting Association 'LMA/IJA') or any similar clauses"
- In Incoterms® 2020: CIP rules requires seller to obtain Institute Cargo Clauses (A) "all risks" coverage, thus increasing the cover obtained by the seller for the benefit of the buyer

Carriage with own Means of Transport

- Incoterms® 2010 rules assumed that goods to be carried from the seller to the buyer, would be carried by a third-party carrier
- Incoterms® 2020 rules for FCA, DAP, DPU and DDP expressly allow “arranging” carriage, not just contracting carriage

DAT now DPU

- In Incoterms® 2020 the name of the rule DAT has been changed to DPU (Delivered at Place Unloaded)
- The place of destination can be any place (not only a "terminal")
- If the place is not in a terminal, the seller should make sure that the place where it intends to deliver the goods is a place where it is able to unload the goods

Security Requirements

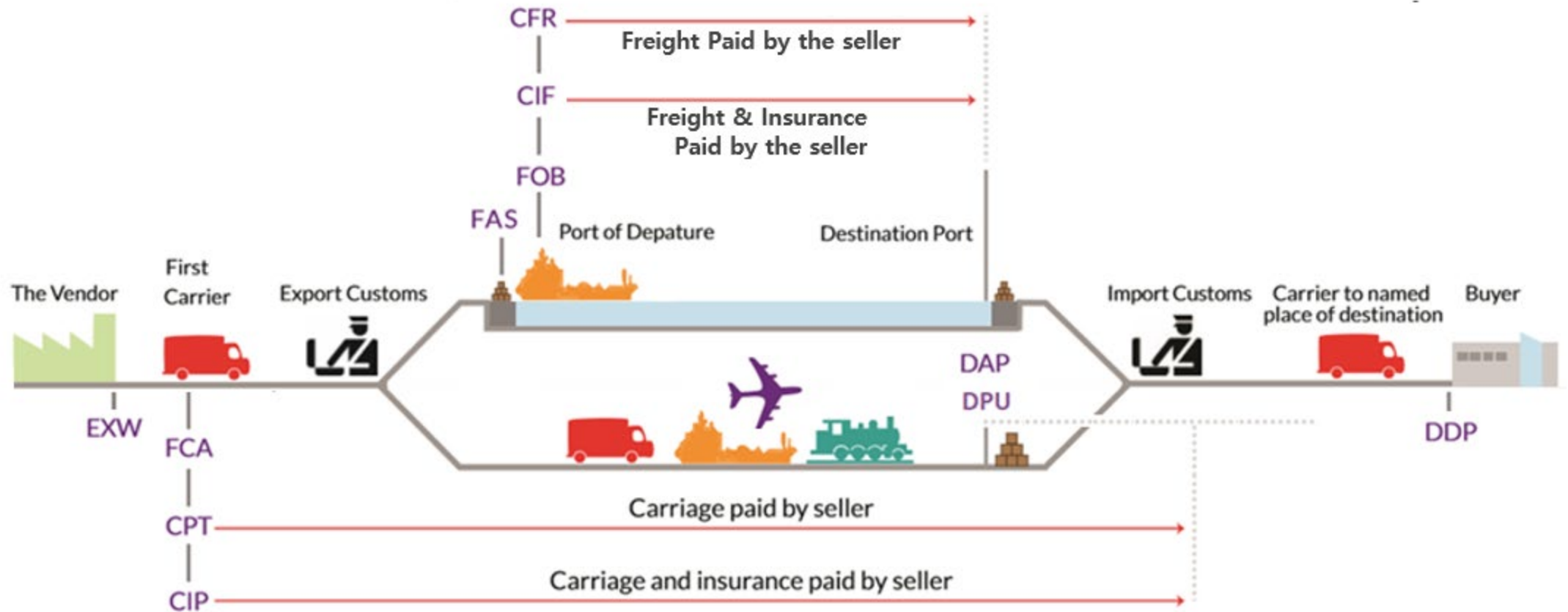
- Security-related obligations (including costs) have now been added to A4 Carriage and A7 Export Clearance of each Incoterms® rule
- The costs incurred by these requirements are also captured in A9/B9 Allocation of Costs

REVIEW



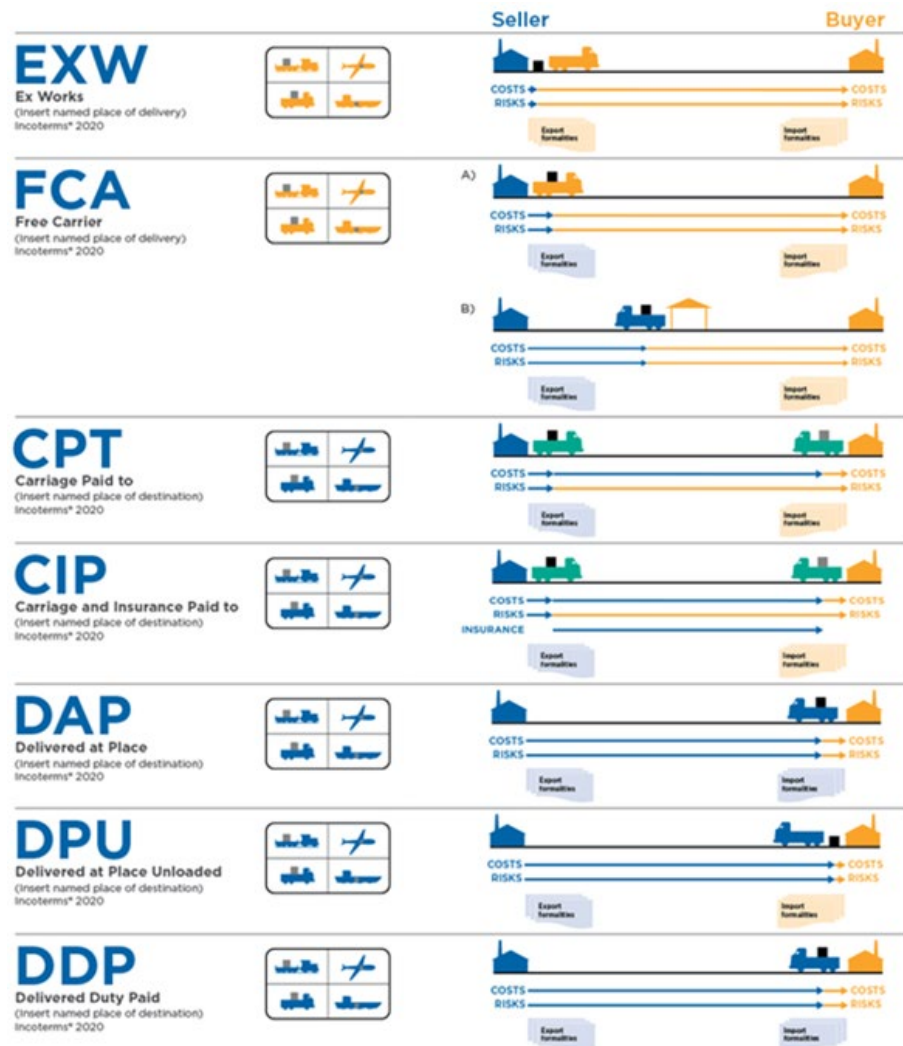
1. Background
2. Incoterms® 2020 Definitions/Rules
3. Incoterms® 2020 Obligations
4. Main Changes

Incoterms® 2020 – Visual Depiction

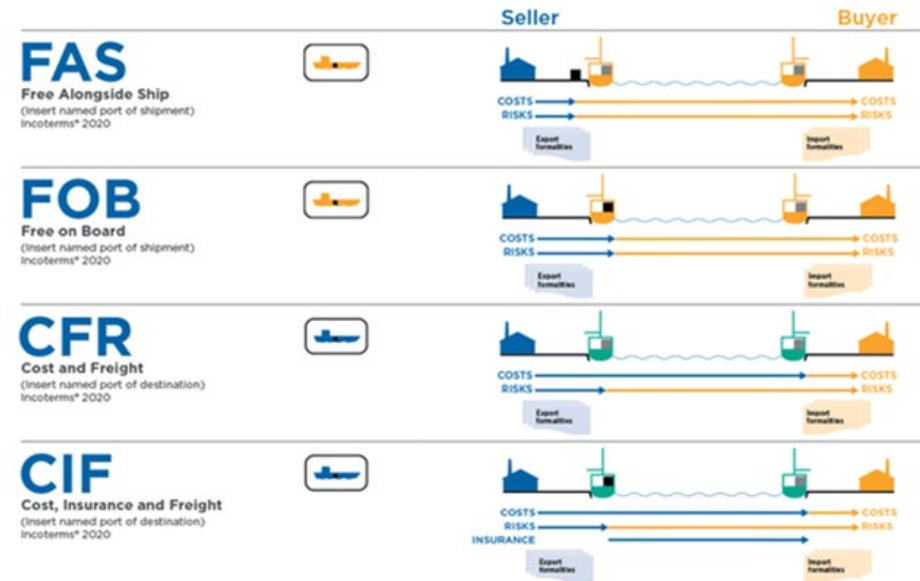


Source: Adapted from Credit Industriel et Commercial (CIC), 'Bien utiliser les Incoterms®'

Rules for Any Mode or Modes of Transportation



Rules for Sea and Inland Waterways Transport



Transport Obligations, Costs and Risks

Blue indicates seller's
Gold indicates buyer's
Green indicates mixed or shared

Incoterms® 2020 eBook

Adobe Digital Editions - PDF Incoterms® 2020 English

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 - CIP | Carriage and Insurance Paid To
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 - DDP | Delivered Duty Paid
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INCOTERMS® 2020

EXW | Ex Works

EXW (insert named place of delivery) Incoterms® 2020

COSTS → RISKS

Export formalities Import formalities

EXPLANATORY NOTES FOR USERS

- Delivery and risk**—“Ex Works” means that the seller delivers the goods to the buyer
 - when it places the goods at the disposal of the buyer at a named place (like a factory or warehouse), and
 - that named place may or may not be the seller’s premises.

DELIVERY

COSTS → RISKS

For delivery to occur, the seller does not need to load the goods on any collecting vehicle, nor does it need to clear the goods for export, where such clearance is applicable.- Mode of transport**—This rule may be used irrespective of the mode or modes of transport, if any, selected.

- Place or precise point of delivery**—The parties need only name the *place* of delivery. However, the parties are well advised *also* to specify as clearly as possible the *precise point* of delivery within the named place of delivery. A named *precise point* of delivery makes it clear to both parties when the goods are

INTERNATIONAL CHAMBER OF COMMERCE (ICC) | 21

21 (28/201)

Explanatory Notes

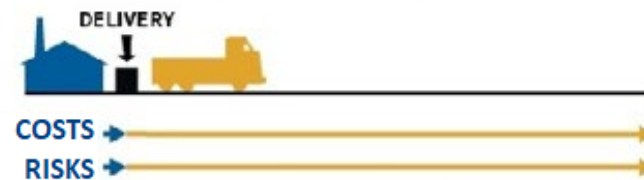
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EXW (insert named place of delivery) Incoterms® 2020



EXPLANATORY NOTES FOR USERS

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Seller/Buyer Obligations

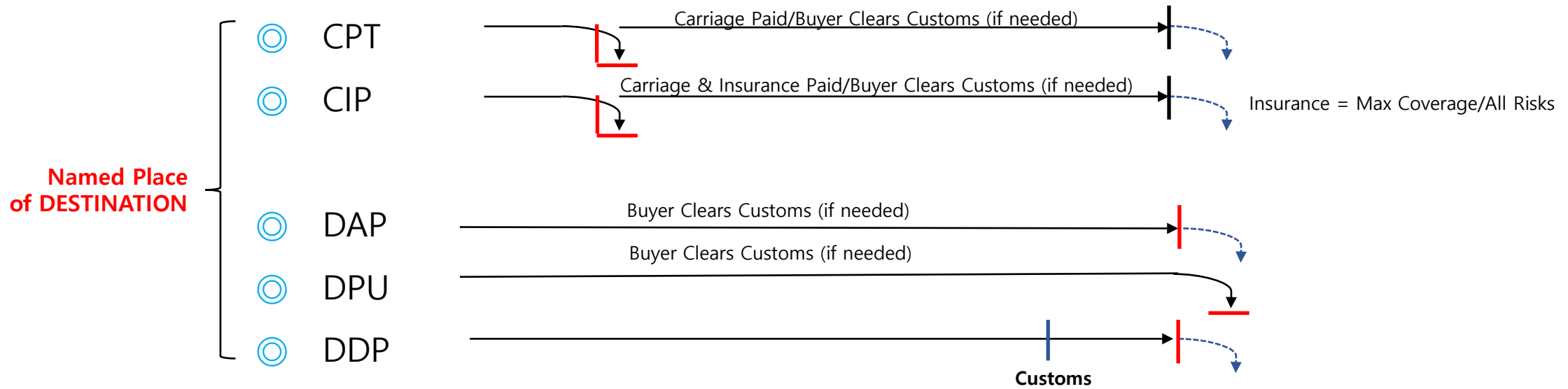
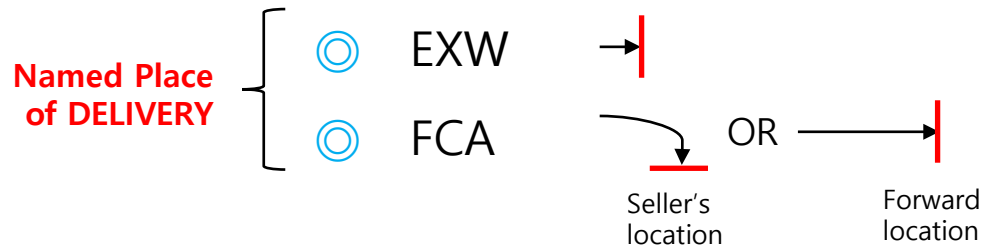
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- **A10/B10** Notices

Visual Shorthand (Any Mode)

Key


-  Goods placed at the disposal of
-  Goods unloaded
-  Goods "handed over"
-  Goods placed at disposal of (unloading not required, not recoupable)

****Note - RED LINE = "Delivery" (Risk Transfer)**



Visual Shorthand (Sea/Waterways)

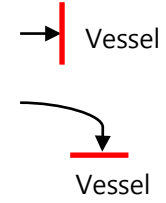
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****Note - RED LINE = "Delivery" (Risk Transfer)**

Named PORT OF SHIPMENT

- ⊙ FAS
- ⊙ FOB



Named PORT OF DESTINATION

- ⊙ CFR
- ⊙ CIF



**Insurance = Minimum Coverage
Institute of Cargo Clause C**



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