

Understanding Incoterms 2000

What are Incoterms 2000?

Incoterms or International Commercial Terms are a series of international sales terms, published by the International Chamber of Commerce (ICC) and widely used in international commercial transactions. They are used to specify the transaction costs (cost of Freight and Insurance) and responsibilities (including risks) between the buyer and the seller.

Incoterms constitute only a part of the contract of sale. While the contract of sale determines the price, quality and quantity of the goods, Incoterms deal with questions relating to the delivery of the goods.

Rules for any mode of transport:

- EXW – Ex Works (named place)
- FCA – Free Carrier (named place)
- CPT – Carriage Paid To (named place of destination)
- CIP – Carriage and Insurance Paid To (named place of destination)
- DAT – Delivered At Terminal
- DAP – Delivered At Place
- DDP – Delivery Duty Paid (named destination place)

Rules for Sea and Inland Waterway Transport

- FAS – Free Alongside Ship (named loading port)
- FOB – Free On Board (named loading port)
- CFR – Cost and Freight (named destination port)
- CIP – Carriage and Insurance Paid To (named place of destination)

EXW – Ex Works

The seller makes the goods available at his premises. The buyer is responsible for all charges.

FCA – Free Carrier

The seller hands over the goods, cleared for export, into the custody of the first carrier (named by the buyer) at the named place. This term is suitable for all modes of transport.

FAS – Free Alongside Ship

The seller must place the goods alongside the ship at the named port. The seller must clear the goods for export. This term is suitable for maritime transport only.

FOB – Free On Board

The seller must load the goods on board the ship nominated by the buyer, costs and risks being divided at the ship's rail. The seller must clear the goods for export. This term is suitable for maritime transport only.

CFR – Cost and Freight

Seller must pay the costs and freight to bring the goods to the port of destination. However, risk is transferred to the buyer once the goods have crossed the ship's rail. This term is suitable for maritime transport only.

CIF – Cost, Insurance and Freight

This term is exactly the same as CFR except that the seller must procure and pay for insurance for the buyer. This term is suitable for maritime transport only.

CPT – Carriage Paid To

This term is similar to CFR except that it is suitable for all modes of transport. The seller pays for carriage to the named point of destination, but risk passes to the buyer when the goods are handed over to the first carrier.

CIP – Carriage and Insurance Paid To

This term is similar to CIF except that it is suitable for all modes of transport. The seller pays for carriage and insurance to the named point of destination, but risk passes to the buyer when the goods are handed over to the first carrier.

DAT – Delivered At Terminal

The seller to deliver the goods at the named place and arrange for export clearance. The seller to provide document(s) to buyer to take delivery of the goods.

DAP – Delivered At Place

Seller to deliver the goods unloaded from the arriving means of transport at the named terminal at the named port or place of destination. The seller also has to arrange for export clearance and provide document(s) to buyer to take delivery of the goods.

DDP – Delivered Duty Paid

The seller pays for all transportation costs, duties and taxes. In addition, he must clear the goods and bears all risk until the goods have been delivered to the named destination.

Summary of Responsibilities under Incoterms 2000

Trade Term	Load to Truck	Export Duty	Transport to Seller's Port	Unload at Port of Origin	Landing Charges at Port of Origin	Transport to Buyer's Port	Landing Charges at Buyer's Port	Unload onto Trucks from Buyer's Port	Transport to Destination	Insurance	Import Customs Clearance	Import Duties and Taxes
EXW	B	B	B	B	B	B	B	B	B	B	B	B
FCA	S	S	S	B	B	B	B	B	B	B	B	B
FAS	S	S	S	S	B	B	B	B	B	B	B	B
FOB	S	S	S	S	S	B	B	B	B	B	B	B
CFR	S	S	S	S	S	S	B	B	B	B	B	B
CIF	S	S	S	S	S	S	B	B	B	S	B	B
CPT	S	S	S	S	S	S	B	B	B	B	B	B
CIP	S	S	S	S	S	S	B	B	B	S	B	B
DAT	S	S	S	S	S	S	S	B	B	B	B	B
DAP	S	S	S	S	S	S	S	S	S	B	B	B
DDP	S	S	S	S	S	S	S	S	S	S	S	S

"B" denotes Buyer's responsibility

"S" denotes Seller's responsibility

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