

INCOTERMS 2010

What are INCOTERMS?

The International Commercial Terms (INCOTERMS) are abbreviated codes identifying the obligations and responsibilities of the Buyer and Seller under sales contracts, usually of an international nature. They have been written and published by the International Chamber of Commerce (ICC) for over 70 years, and are revised periodically to reflect changes in modes of shipping and transportation and related insurance practices. Hence it is important to identify and incorporate the correct version of the INCOTERMS to be applied (the current version is INCOTERMS 2010, ICC Pub No 715E).

Structure of INCOTERMS 2010

It should not be assumed that simply understanding the code words in INCOTERMS 2010 are sufficient. Each code has an accompanying list of rules relating to the obligations and responsibilities of the Buyer and Seller and should be read in detail. However, we have provided a brief synopsis of the eleven terms below.

Groupings under INCOTERMS 2010

Rules Applicable to Any Mode of Transport

- **EXW : Ex Works (named place of delivery)**
Used mostly for domestic trade, the Seller makes the goods available at a named place (usually his factory / warehouse). The Buyer accepts responsibility for all other matters, including cost of loading and transportation when collecting goods, risks (Buyer usually buys insurance or bears the risk of loss / damage to his goods himself) AND clearing goods for export. EXW represents the minimum obligations for the Seller.
- **FCA : Free Carrier (named place of delivery)**
Same as EXW except that Seller has an obligation to clear goods for export. Used mostly for containerized cargo, where delivery is will take place at an identified container freight station or to a storage area at an airport for shipment.
- **CPT – Carriage Paid To (named place of destination)**
Seller fulfils delivery when it delivers goods to the Carrier or any other person nominated by the Seller. Seller bears the cost of carriage to named place of destination. Seller meets its delivery obligation when it hands goods over to Carrier at place of loading (i.e. Buyer bears risk of loss / damage to goods).
- **CIP – Carriage and Insurance Paid To (named place of destination)**
“Carriage and Insurance Paid to” means that the seller delivers the goods to the carrier or another person nominated by the seller at an agreed place (if any such place is agreed between parties) and that the seller must contract for and pay the costs of carriage necessary to bring the goods to the named place of destination.
“The seller also contracts for insurance cover against the buyer’s risk of loss of or damage to the goods during the carriage. The buyer should note that under CIP the seller is required to obtain insurance only on minimum cover. Should the buyer wish to have more insurance protection, it will need either to agree as much expressly with the seller or to make its own extra insurance arrangements.”

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- **DAT – Delivered At Terminal** (named terminal at port of discharge / place of destination)
The Seller delivers goods to a named terminal at his cost and must provide the necessary export licensing documentation. Seller does not need to insure for the delivery. Costs for unloading the cargo and any duties or taxes are for the buyer's account.
- **DAP– Delivered At Place** (named port)
Seller must deliver goods to Buyer at place of destination **WITHOUT UNLOADING**. Costs for delivery including export licensing are at Seller's cost.
- **DDP – Delivery Duty Paid** (named place of destination place)
Seller must deliver goods at disposal of Buyer, cleared for export and subsequently for import at the destination. Seller pays for freight charges, risk (insurance) and other clearance charges (including customs formalities. DDP represents maximum obligation for Seller

Rules Applicable to Shipments by Sea or Inland Waterways

- **FAS – Free Alongside Ship** (named loading port)
The seller must place the goods alongside the ship at the named port. The seller must clear the goods for export. Buyer incurs cost of loading, freight charges and voyage risk.
- **FOB – Free on Board** (named loading port)
The seller must load the goods on board the ship nominated. Costs and risks after loading are at Buyer's cost. Not suitable for container shipments where goods are handed to carrier for storage pending loading on vessel (FCA more appropriate). .
- **CFR – Cost and Freight** (named destination port)
Seller must pay the costs and freight to bring the goods to the port of destination. Risk is transferred to the Buyer once the goods have been loaded into the vessel.
- **CIF – Cost, Insurance and Freight** (named destination port)
Seller must pay for insurance and freight to deliver the goods to the named place of to the destination.

Summary of Incoterms' Responsibilities

INCOTERMS 2010											
	Any Transport Mode		Sea/Inland Waterway Transport				Any Transport Mode				
	Ex Works	Free Carrier	Free Alongside Ship	Free On Board	Cost & Freight	Cost Insurance & Freight	Carriage Paid To	Carriage Insurance Paid To	Delivered at Terminal	Delivered at Place	Delivered Duty Paid
Charges/Fees	EXW	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DAT	DAP	DDP
Packaging	Buyer or Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading Chgs	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Duty & Taxes	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Origin Terminal Chgs	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading on Carriage	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Carriage Chgs	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Insurance						Seller		Seller			
Destination Terminal Chgs	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller
Delivery to Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller
Import Duty & Taxes	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller

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