

# Standard Trade Definitions Used In International Freight Transactions

## Incoterms 2010: Expanded Summary

**Note:** an Incoterm must be accompanied by a "named place" ex. "FOB Sydney", "EXW Tahiti"

### **EXW**

(Ex Works)

The buyer bears all costs and risks involved in taking the goods from the seller's premises to the desired destination. The seller's obligation is to make the goods available at his premises (works, factory, warehouse). This term represents minimum obligation for the seller. This term can be used across all modes of transport.

### **FCA**

(Free Carrier)

The seller's obligation is to hand over the goods, cleared for export, into the charge of the carrier named by the buyer at the named place or point. If no precise point is indicated by the buyer, the seller may choose within the place or range stipulated where the carrier shall take the goods into his charge. When the seller's assistance is required in making the contract with the carrier the seller may act at the buyers risk and expense. This term can be used across all modes of transport.

### **CPT**

(Carriage Paid To)

The seller pays the freight for the carriage of goods to the named destination. The risk of loss or damage to the goods occurring after the delivery has been made to the carrier is transferred from the seller to the buyer. This term requires the seller to clear the goods for export and can be used across all modes of transport.

### **CIP**

(Carriage & Insurance Paid To)

The seller has the same obligations as under CPT but has the responsibility of obtaining insurance against the buyer's risk of loss or damage of goods during the carriage. The seller is required to clear the goods for export however is only required to obtain insurance on minimum coverage. This term requires the seller to clear the goods for export and can be used across all modes of transport.

### **DAT**

(Delivered At Terminal)

#### **New Term - May be used for all transport modes**

Seller delivers when the goods, once unloaded from the arriving means of transport, are placed at the disposal of the buyer at a named terminal at the named port or place of destination. "Terminal" includes quay, warehouse, container yard or road, rail or air terminal. Both parties should agree the terminal and if possible a point within the terminal at which point the risks will transfer from the seller to the buyer of the goods. If it is intended that the seller is to bear all the costs and responsibilities from the terminal to another point, DAP or DDP may apply.

#### **Responsibilities**

- \* Seller is responsible for the costs and risks to bring the goods to the point specified in the contract
- \* Seller should ensure that their forwarding contract mirrors the contract of sale
- \* Seller is responsible for the export clearance procedures
- \* Importer is responsible to clear the goods for import, arrange import customs formalities, and pay import duty
- \* If the parties intend the seller to bear the risks and costs of taking the goods from the terminal to another place then the DAP term may apply

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## **DAF**

(Delivered At Place)

### **New Term - May be used for all transport modes**

Seller delivers the goods when they are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination. Parties are advised to specify as clearly as possible the point within the agreed place of destination, because risks transfer at this point from seller to buyer. If the seller is responsible for clearing the goods, paying duties etc., consideration should be given to using the DDP term.

### **Responsibilities**

- \* Seller bears the responsibility and risks to deliver the goods to the named place
- \* Seller is advised to obtain contracts of carriage that match the contract of sale
- \* Seller is required to clear the goods for export
- \* If the seller incurs unloading costs at place of destination, unless previously agreed they are not entitled to recover any such costs
- \* Importer is responsible for effecting customs clearance, and paying any customs duties

## **DDP**

(Delivered Duty Paid)

The seller is responsible for delivering the goods to the named place in the country of importation, including all costs and risks in bringing the goods to import destination. This includes duties, taxes and customs formalities. This term may be used irrespective of the mode of transport.

## **FAS**

(Free Alongside Ship -  
named port of shipment)

The seller must place the goods alongside the ship at the named port. The seller must clear the goods for export. Suitable only for maritime transport but NOT for multimodal sea transport in containers (see Incoterms 2010, ICC publication 715). This term is typically used for heavy-lift or bulk cargo.

## **FOB**

(Free On Board -  
named port of shipment)

The seller must load themselves the goods on board the vessel nominated by the buyer. Cost and risk are divided when the goods are actually on board of the vessel (this rule is new!). The seller must clear the goods for export. The term is applicable for maritime and inland waterway transport only but NOT for multimodal sea transport in containers (see Incoterms 2010, ICC publication 715). The buyer must instruct the seller the details of the vessel and the port where the goods are to be loaded, and there is no reference to, or provision for, the use of a carrier or forwarder. This term has been greatly misused over the last three decades ever since Incoterms 1980 explained that FCA should be used for container shipments.

## **CFR**

(Cost and Freight)

The seller must pay the costs and freight required in bringing the goods to the named port of destination. The risk of loss or damage is transferred from seller to buyer when the goods pass over the ship's rail in the port of shipment. The seller is required to clear the goods for export. This term should only be used for sea or inland waterway transport.

## **CIF**

(Cost, Insurance and  
Freight)

The seller has the same obligations as under CFR however he is also required to provide insurance against the buyer's risk of loss or damage to the goods during transit. The seller is required to clear the goods for export. This term should only be used for sea or inland waterway transport.