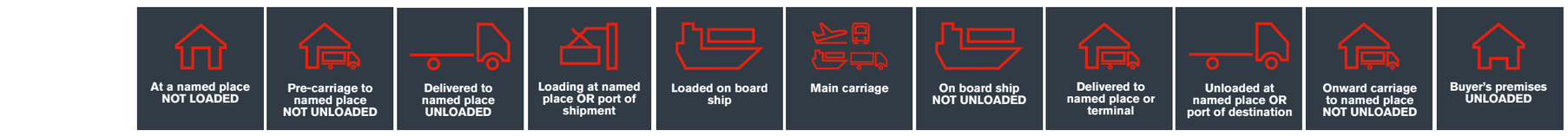
INCOTERMS® 2020

The use of ICC Incoterms rules in a contract for the sale of goods avoids misunderstandings, costly disputes and legal complications, by defining the buyer's and seller's obligations in respect of risk, cost, transport and insurance.

TT CLUB
established expertise



RISK transfers when the goods are available at the seller's premises, or a named place. The buyer bears the full risk from there to destination.

RISK transfers to the buyer after delivery to the custody of the carrier, at a named place ready for unloading, or loaded at seller's premises.

RISK transfers to the buyer when the goods are taken by the carrier at an agreed place. The seller pays for transport to the named destination.

RISK transfers to buyer when goods are delivered to carrier. Seller arranges carriage to destination. Seller insures buyer's risk which must be at Cargo Institute clause "A" cover levels*.

RISK transfers to the buyer at named destination ready for unloading.

RISK transfers to the buyer once goods are unloaded at named destination.

RISK transfers to the buyer at named destination ready for unloading, duty paid by seller.

RISK transfers to the buyer when goods are placed alongside the ship.

RISK transfers to the buyer as soon as the goods are on board the ship.

RISK transfers to the buyer as soon as the goods are on board the ship. Seller bears cost of freight, duty unpaid, to the named port of destination.

RISK transfers to the buyer when the seller delivers the goods on board the ship. Seller bears cost of freight and insures buyers risk, which must be at Cargo Institute clause "C" cover levels*.

FAS, FOB, CFR and CIF apply only to sea and inland waterways

**parties can expressly agree alternative levels of cover for both CIP and CIF.*

The **seven** Incoterms rules for 'any mode' are for use **where** the **goods handover** is not on board, or alongside a **ship**

The **four** 'maritime' rules are intended for goods **placed on board**, or alongside a **ship**, at a **port**

INTERNATIONAL TRADE CONTRACT CONSIDERATIONS

INTERNATIONAL TRADE LAW

Includes the appropriate rules and customs for handling trade between countries. Many governments have become part of the World Trade Organisation (WTO) and dispute settlement body, which has exclusive and compulsory jurisdiction.

HFW

CONTRACTS

A contract is an agreement between parties that is binding in law and means the rights and obligations of the parties may be enforced by the courts, or arbitral tribunals, who may also award damages for breach of contract.

HFW

CONTRACT NEGOTIATION

In additional to the standard elements of a sales contract, negotiating international procurement terms requires attention to more than just price. Ensuring quality, financial stability, capacity, shipment method, payment vehicle and terms of trade are equally critical. **CIPS**

DANGEROUS GOODS

The historic average for container ship fires is roughly every 60 days and the trend may be worsening. This underlines the critical importance of correct classification, declaration, packing and securing, marking and placarding, and stowage on board. All personnel, including ashore, handling dangerous goods have a legal obligation to be adequately trained. **READ MORE | TT Club**

FINANCIAL VEHICLES

Payment methods range from complete trust with open accounts, to 'no risk' advance payment, with Letters of Credit and Bank Collection providing additional levels of security. **CIPS**

CTU CODE

65% of incidents involving damage to cargo can be attributed to poor or improper packing and securing. In addition to damage, such incidents may result in liabilities, injuries or fatalities, which is why TT Club has a global #Fit4Freight initiative, in collaboration with CINS, GSF, ICHCA and WSC.

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EXPORTER/IMPORTER OF RECORD

At the loading point there is often a conflict between the terms and what happens in reality. For instance if the seller is not willing to be the exporter of record consideration must be given to using a more appropriate term. A freight forwarder acting as the Exporter/ Importer of Record will open themselves up to liabilities beyond their standard insurance cover. It is recommended that insurance coverage is reviewed where forwarders are undertaking such activities. **BIFA**

ORIGIN LOADING

At the loading point there is often a conflict between the terms and what happens in reality. The best solution is to resolve in the initial contract or use another more appropriate term such as FCA shippers door if the loader can place the goods on the collecting vehicle. **BIFA**

VERIFIED GROSS MASS (VGM)

Maritime regulation, which became mandatorily applicable in July 2016, requires that shippers obtain the 'verified gross mass' (VGM) of packed containers and communicate it to the ocean carrier sufficiently in advance of the ship stow planning. This clarified the existing statutory and contractual obligation to provide accurate information relating to all aspects of cargo to be transported. **READ MORE | TT Club**

IMPORT CLEARANCE

Problems are often encountered (under DDP) where there is no importer established in the territory where the goods are consigned to, which could delay customs clearance and risk rent/demurrage charges. This matter should be considered and a party identified and appointed to act as a customs representative in the country of destination. **BIFA**

CUSTOMS

To import you'll need the commodity code to classify your goods, register for an EORI number, declare your imports to customs - most businesses use a freight forwarder for this - and pay VAT and duty. You may also need an import licence. **CILT**

INSURABLE RISK

Goods in transit are at risk from a huge range of potential problems, from cargo theft and damage to fire and other perils. Carriers' liabilities are limited, so it is critical to ensure that goods are covered with an appropriate policy from departure to arrival. **TT Club**

CONTAINER DEMURRAGE/ DETENTION

Demurrage is the daily charge applied by the shipping line for packed containers that have arrived at the destination port, but were not collected within the prescribed free time period. Detention is the daily charge applied by the shipping line, where containers which have been discharged of the carried cargo are not returned within the prescribed free time period.

READ MORE | CILT

DUE DILIGENCE

The international supply chain requires freight forwarders and other suppliers to contract with business entities domiciled in other countries. All stakeholders, including sellers/buyers and every transport service provider, need to implement rigorous due diligence processes in order to manage the risks involved.

READ MORE | TT Club/BIFA

MANDATE FRAUD

Fraudulent payment instructions may redirect payment from the legal beneficiary. From simple scams to cyber-attacks, mandate fraud is a recurring threat in international trade, that is magnified by the importance of Bills of Lading and other documents of title, including electronic bills of lading.

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CRIME

Cargo theft continues to be one of the primary supply chain disruptors. Incidents not only result in direct financial loss, but also have severe impacts on brand reputation and the ability to manage stock availability. The internet has become an increasing enabler of cargo theft on an international scale.

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AUTHORISED ECONOMIC OPERATOR (AEO)

The World Customs Organisation's Framework of Standards to Secure and Facilitate global trade (SAFE) is securing international trade with programmes including Authorised Economic Operator (AEO) in Europe and Customs Trade Partnership Against Terrorism (CTPAT) in the USA.

CILT

CONTRIBUTING PARTNERS

The British International Freight Association (BIFA) is the trade association for 1,500 UK-registered companies engaged in international movement of freight by all modes of transport, air, road, rail and sea.

CILT is the membership organisation for professionals involved in the movement of goods and people and their associated supply chains.

CIPS exists to promote and develop high standards of professional skill, ability and integrity among all those engaged in procurement and supply chain management. CIPS assists individuals, organisations and the profession as a whole.

HFW is a global, sector focussed law firm with over 450 lawyers working across Asia, Australia, the Middle East, Europe and the Americas. Its expertise spans Shipping, Aerospace, Construction, Energy and Resources, Commodities, and Insurance and Reinsurance.

TT Club is the leading provider of insurance and related risk management services to the international transport and logistics industry, insuring 80% of all maritime containers and an insurable interest in 45% of the world's top 100 ports.

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Further details and the official text relating to Incoterms® rules can be found at the official Chamber of Commerce (ICC) website iccwbo.org