

## The Incoterms

The Incoterms (International Commercial Terms) are the commercial expressions used in international trade, based on the more or less standardized uses of the world's traders.

Their use is optional and translates into contractual clauses that regulate the relationship between sellers and buyers in an operation of sale and purchase of goods, by determining the distribution of the price, the transfer of risk and the place where the goods are to be delivered.

They have been published by the International Chamber of Commerce (ICC) since 1936, which usually produces updates at ten-year intervals.

### Changes introduced by Incoterms 2020

On January 1, 2020 Incoterms 2020 came into force, which maintains the 11 types existing to date, but now classifies them in 2 groups (instead of 4):

- Multimodal transport Incoterms (EXW - FCA - CPT - CIP - DPU - DAP - DDP).
- Inland waterways and maritime transport Incoterms (FOB - FAS - CIF - CFR).

In addition, the following new features are introduced:

- **DAT (Delivered at Terminal)**  
It is substituted by DPU (Delivered at Place Unloaded). The ICC intends to emphasize that the destination could be any destination and not just a terminal.
- **FCA (Free Carrier)**  
It now allows Bills of Lading to be issued after the goods have been loaded, with the only reference to the goods being "on board".
- **CIP (Carriage and Insurance Paid to)**  
The seller's "all risks" insurance coverage must now be included, although buyer and seller can negotiate the level of coverage.
- **CIF (Cost, Insurance, Freight)**  
Obligation to take out minimum insurance, with the possibility of buyer and seller agreeing on higher coverage.

With this, the ICC intends to modernize and adapt the rules to the commercial scenarios that, in practice, require new needs.



## Summary of the Incoterms

<b>EXW</b>	Ex Works	The seller delivers when he makes the goods available to the buyer at the seller's premises (or factory), on a specified date or within a specified period of time. The seller is not responsible for the loading and export clearance of the goods. The risk from the factory to destination belongs to the buyer.
<b>FCA</b>	Free Carrier	The seller delivers the goods to the carrier or person appointed by the buyer at a designated place. The seller clears the goods for export. The risk passes to the buyer when the goods are placed at the disposal of the carrier named by the buyer.
<b>FAS</b>	Free Alongside Ship	The seller delivers the goods by placing them alongside the vessel named by the buyer. The seller clears the goods for export. The risk passes to the buyer with the placement of the goods at that point. <i>Incoterm only for sea or inland waterway transport.</i>
<b>FOB</b>	Free on Board	The seller delivers the goods by placing them on board the vessel named by the buyer. The seller clears the goods for export. The risk passes to the buyer when the goods are on the vessel. <i>Incoterm only for sea or inland waterway transport.</i>
<b>CFR</b>	Cost and freight	The seller delivers the goods by placing them on board the vessel designated by the buyer and assumes the cost and freight to the named port of destination. The seller clears the goods for export. The risk passes to the buyer when the goods are on the vessel. <i>Incoterm only for sea or inland waterway transport.</i>
<b>CPT</b>	Carriage and insurance paid to	The seller delivers the goods to the carrier at an agreed place, paying the transport costs to that destination. The seller clears the goods for export. The risk passes to the buyer when the goods are in the possession of the carrier at the seller's expense.
<b>CIF</b>	Cost, insurance and freight	The seller delivers the goods by placing them on board the vessel designated by the buyer and assumes the cost, insurance and freight to the named port of destination. The seller clears the goods for export. The risk passes to the buyer when the goods are in the possession of the carrier at the seller's expense. <i>Incoterm only for sea or inland waterway transport.</i>
<b>CIP</b>	Carriage and insurance paid to	The seller delivers the goods to the carrier at an agreed place, paying the costs of transport and insurance to that destination. The seller clears the goods for export. The risk passes to the buyer when the goods are in the possession of the carrier at the seller's expense.
<b>DAP</b>	Delivered at place	The seller delivers the goods when he places them at the disposal of the buyer on the arriving means of transport, ready for unloading but not unloaded, at the agreed point of destination. The seller clears the goods for export. The risk passes to the buyer when the goods are at the disposal of the buyer at the agreed point of destination.
<b>DPU</b>	Delivered at place unloaded	The seller delivers the goods when he places them at the disposal of the buyer on the arriving means of transport, unloaded, at the agreed point of destination. The seller clears the goods for export. The risk passes when the goods are unloaded, at the disposal of the buyer at the agreed point of destination.
<b>DDP</b>	Delivered duty paid	The seller delivers the goods when he places them at the disposal of the buyer on the arriving means of transport, ready for unloading but not unloaded, at the agreed point of destination. The seller clears the goods for export and import. The risk passes to the buyer when the goods are made available to the buyer at the agreed point of destination.



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