

The nature of international trade changes, and with it, the need to update the fundamental rules and regulations that govern it.

International Commercial Terms, or Incoterms®, represents a set of terms and conditions aimed at reducing the confusion that may arise between importers and exporters. They seek to improve negotiations and allow a smoother flow of business.

In order to stay relevant with the changing times, these terms are updated almost every 10 years. The latest version, Incoterms® 2020 will come in to effect from **1st January 2020**.

What Incoterms Do and Do Not cover?

Incoterms Cover



- Who pays what
- When and where the risk is transferred from Seller to buyer
- Place of delivery of the goods
- Who hire and pay for the transport
- Who must arrange and pay for the insurance
- Who is responsible for customs clearance (Export/Import)?

Incoterms DO NOT Cover



- Passing of title/ownership of the goods
- Price or payment method
- Consequences of breach of the contract
- Warranties
- Intellectual property rights
- Relief from obligations and exemptions from liability in case of unexpected events

What's new with Incoterms® 2020?

There are two key changes to Incoterms® 2020 compared to the 2010 edition:

- DAT (Delivered at Terminal) is renamed as Delivered at Place Unloaded (DPU)
- FCA (Free Carrier) now allows for Bills of Lading to be issued after loading

Other changes include:

- CIF (Cost, Insurance and Freight) and CIP (Carriage and Insurance Paid to) change seller levels of insurance cover, but level of insurance continues to be negotiable between buyer and seller
- Cost allocation between buyer and seller is stated more clearly
- FCA (Free Carrier), DAP (Delivered at Place), DPU (Delivered at Place Unloaded) and DDP (Delivered Duty Paid) now take account of buyer and seller arranging their own transport rather than using a third party
- Security-related obligations are now more prominent
- "Explanatory Notes for Users" for each Incoterm® have replaced the 2010 edition's Guidance Notes and are designed to be easier for users.

Rules of Incoterms® 2020

Risk

The possibility that an event may occur which could cause loss of or damage to the goods is a "risk". Buyers and/or sellers can protect themselves against risks by transport-insurance.

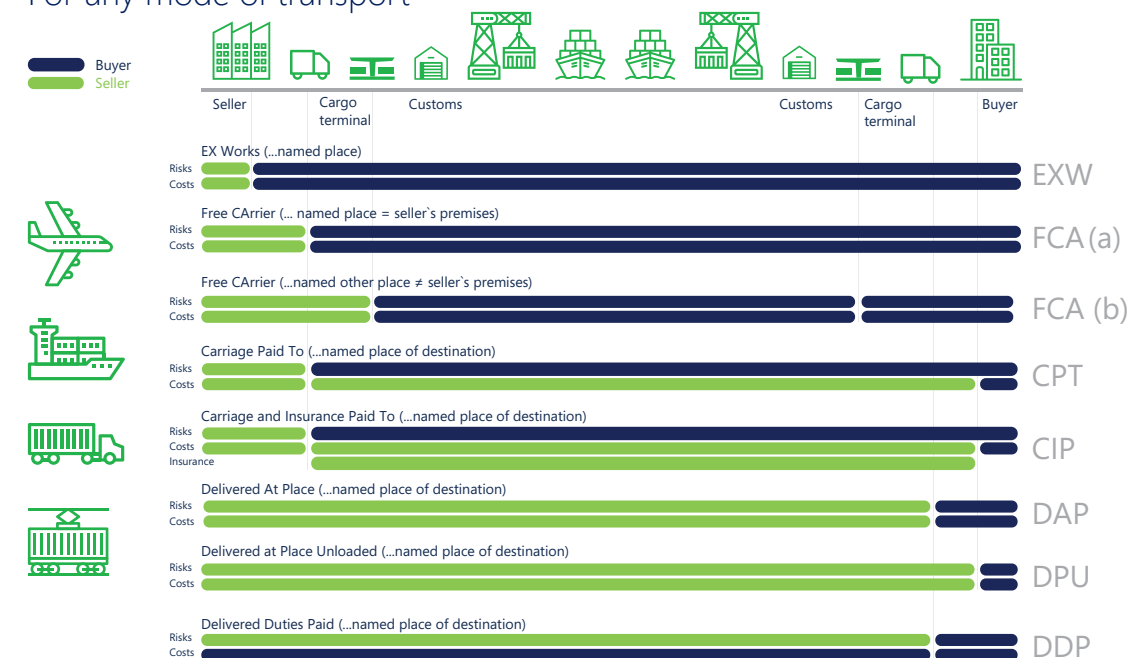
Costs

Covers all costs except the costs of documents. Sales and purchase contracts should clearly state which costs on the transfer of the goods are for the account of the buyer and/or seller.

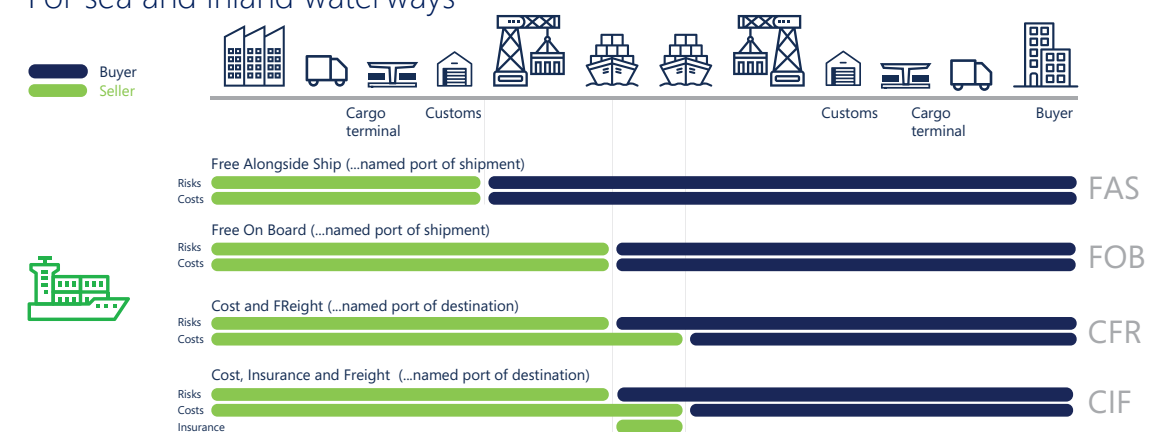
Insurance

Transport insurance is the responsibility of the seller.

For any mode of transport



For sea and inland waterways



To know more about Incoterm® 2020, [click here](#) to go to the International Chamber of Commerce (ICC) for detailed information.