

KEY CHANGES

The new Incoterms® 2020 have arrived and will go into effect January 1, 2020. Incoterms® are used in both **international** and **domestic** contracts. They clearly define the buyer and sellers responsibilities, risks, and costs. They are reviewed and updated every ten years and the new edition is now available with a few modifications that are highlighted below.

Group 1 (two changes)

Incoterms® that apply to any mode of transport:

EXW: Ex Works

FCA: Free Carrier

CPT: Carriage Paid To

CIP: Carriage and Insurance Paid To

DAT: Delivered at Terminal

DAP: Delivered at Place

DDP: Delivered Duty Paid

CIP - The Insurance piece has been refined and now the seller is obliged to provide cargo insurance as mandated by Institute Clause "A" or All Risk coverage.

DAT - Delivered at Terminal has been changed to DPU - Delivered at Place Un-Loaded.

Group 2 (no changes)

Incoterms® that apply to sea and inland waterway transport only:

FAS: Free Alongside Ship

FOB: Free on Board

CFR: Cost and Freight

CIF: Cost, Insurance, and Freight

New Additions

Not previously addressed

Security Requirements

Transport Security requirements are now addressed as they have become more prevalent (example container screening). Delays and costs are to be expected if not fulfilled. This is the sellers and buyers responsibility based on the agreed terms and a shared responsibility in all cases.

Sellers/ Buyers utilizing their own transport

Past assumptions were the seller/ buyer would contract the transport of their goods to third parties. The wording has now changed from "contract" to "contract or arrange" as listed under each applicable term.

FCA, FOB Bills of lading

The issue of sellers obtaining bills of lading under these terms has called for a clarification. Both terms if used, make it almost impossible for the seller to obtain a bill of lading from the carrier as the buyer is controlling the booking with the carrier and is the recipient of the bill of lading. It is important and recommended that the seller understand these risks and to shift away from using these terms when negotiating the terms of a Letter of Credit. As a "band aid", FCA terms now allow both parties to agree to direct the carrier to release the bill of lading to seller on these "rare" occasions.