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**United Nations Commission on  
International Trade Law**  
**Fifty-third session**  
New York, 6–17 July 2020

## **Endorsement of texts of other organizations: Incoterms® 2020 rules**

### **Note by the Secretariat**

1. By letter of 14 January 2020 (reproduced in annex I), the Director, Trade and Investment, of the International Chamber of Commerce (the “ICC”) requested the Commission to consider endorsing the 2020 Revision of the ICC rules for the use of domestic and international trade terms (“Incoterms® 2020 rules”) for worldwide use. With its request, the ICC submitted a summary of the Incoterms® 2020 rules (reproduced in annex II).
2. The Commission may wish to note that it has already endorsed a number of ICC texts, such as the Uniform Rules for Forfaiting (URF 800), the Uniform Rules for Demand Guarantees: 2010 Revision (URDG 758), the Uniform Customs and Practices for Documentary Credits (UCP 600), the International Standby Practices (ISP98), the Uniform Rules for Contract Bonds (URCB), the Uniform Customs and Practices for Documentary Credits (UCP 500) and others.<sup>1</sup>
3. In particular, the Commission may wish to recall that it endorsed the Incoterms® 1990, the Incoterms® 2000 and the Incoterms® 2010, respectively, at its twenty-fifth session, in 1992 (A/47/17, para. 161), at its thirty-third session, in 2000 (A/55/17, para. 434), and at its forty-fifth session, in 2012 (A/67/17, para. 144). On the later occasion, the Commission congratulated the ICC “on having made a further contribution to the facilitation of international trade by making Incoterms 2010 simpler and clearer, reflecting recent developments in international trade”. The Commission also noted that the Incoterms® 2010 constituted “a valuable contribution to facilitating the conduct of global trade” and “commend[ed] the use of the Incoterms 2010, as appropriate, in international sales transactions” (ibid.).
4. The Commission may also wish to note that the objective of the Incoterms® 2020 rules is to facilitate international trade by providing a set of uniform terms of trade applicable to sale of goods. Moreover, the Commission may wish to note that contracts for the international sale of goods are covered by several UNCITRAL and other uniform contract law texts, namely the United Nations Convention on Contracts for the International Sale of Goods (Vienna, 1980),<sup>2</sup> and that the Incoterms® 2020

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<sup>1</sup> The list of texts endorsed by UNCITRAL is available at <https://uncitral.un.org/en/texts/endorsed>.

<sup>2</sup> United Nations, *Treaty Series*, vol. 1489, p. 3.



rules complement and are consistent with the rules of that Convention. Thus, the Commission is invited to consider endorsing the Incoterms® 2020 rules.

## Annex I

[14 January 2020]

### **Letter of Ms. Emily O'Connor, Director, Trade and Investment, of the International Chamber of Commerce**

I am pleased to inform you that the International Chamber of Commerce (ICC) has revised the Incoterms® 2010 rules, following our practice since 1980 of revising the rules every 10 years. The rules were launched in the autumn of 2019, ICC's centennial, with an effective date of 1 January 2020.

The Incoterms rules, created by ICC in 1936, facilitate the conduct of global trade by providing trade terms that clearly define certain obligations of parties to a contract of sale and thereby reduce the risk of legal complications. Since their creation, the ICC rules have been regularly updated to take account of developments in international trade.

To keep pace with the rapidly-evolving global trade landscape, the Incoterms® 2020 Drafting Group, including lawyers, traders and company representatives from around the world, has consulted with ICC's global network of business stakeholders to ensure that the Incoterms® 2020 rules are clearer and more accessible to global users than previous versions.

The result of this two-year process is that the new Incoterms® 2020 rules are easier to use and understand, by the addition of a more comprehensive Introduction, upgraded Explanatory Notes for each rule, and an Annex setting out the rules article by article to make choosing the right rule simpler. Further changes include different levels of insurance cover in CIF and CIP; change in the three-letter name for DAT (Delivered at Terminal) to DPU (Delivered at Place Unloaded); provision for the possibility to obtain a bill of lading with an on-board notation under the FCA Incoterms® 2020 rule; and inclusion of security-related requirements within carriage obligations and costs.

ICC's long-time close cooperation with UNCITRAL in the area of international trade is a signal collaboration between the private sector and the United Nations and has strengthened ICC's mission to establish and reinforce standard international trade definitions. ICC has been particularly gratified that UNCITRAL has endorsed recent versions of the Incoterms rules. As you know, the current version, Incoterms® 2010, was endorsed by UNCITRAL at its forty-fifth session in New York in June 2012, confirming once more the rules' position as the global standard for international business-to-business transactions for the sale of goods.

Over the last decades, the Incoterms® rules have contributed significantly to the facilitation of international trade and to the removal of legal obstacles for global business transactions. These achievements have been greatly enhanced by the continued support of UNCITRAL.

We would kindly ask for your support to submit the Incoterms® 2020 rules for UNCITRAL's endorsement at the fifty-third session in 2020.

## Annex II

### Explanatory Note on the Incoterms® 2020 rules

#### What are Incoterms® rules?

The Incoterms® rules are the world's essential terms of trade for the sale of goods. Whether you are filing a purchase order, packaging and labelling a shipment for freight transport, or preparing a certificate of origin at a port, the Incoterms® rules are there to guide you. The Incoterms® rules provide specific guidance to individuals participating in the import and export of global trade on a daily basis.

#### Why use Incoterms® rules in international trade?

Although other clauses for global trade exist around the world, such as the Harmonised Tariff Schedule of the United States, Incoterms® rules are global in their reach. Similarly, Incoterms® rules do not include trade terms codified for national purposes, such as the “less than truckload shipping” (LTL) rule of the United States. Unlike national trade policies, Incoterms® rules are universal, providing clarity and predictability to business.

#### Who publishes the Incoterms® rules?

Since its founding in 1919, ICC has been committed to the facilitation of international trade. Different practices and legal interpretations between traders around the world necessitated a common set of rules and guidelines. As a response, ICC published the first Incoterms® rules in 1936. We have been maintaining and developing them ever since.

#### What does “Incoterms®” stand for?

“Incoterms®” is an acronym standing for international commercial terms. “Incoterms®” is a trademark of International Chamber of Commerce (“ICC”), registered in several countries. The Incoterms® rules feature abbreviations for terms, like FOB (“Free on Board”), EXW (“Ex Works”), CIP (“Carriage and Insurance Paid To”), which all have very precise meanings for the sale of goods around the world.

#### Which Incoterms rule should I use?

Incoterms® 2020 is the latest edition of the Incoterms® rules. It features an in-depth introduction to help users select the appropriate Incoterms® rule for their sale transaction. The introduction explains the purpose and use of the Incoterms® rules, identifies differences between Incoterms® 2010 and Incoterms® 2020, outlines best practice for incorporating the Incoterms® rules into contracts and explores the relation of contracts ancillary to the sale contract, the concepts of risk and delivery, the role of the carrier, and the care to be taken when using variants of the Incoterms® 2020 rules.

Incoterms® 2020 also incorporates expanded explanatory notes for users at the start of each Incoterms® rule. These explanatory notes assist users with accurately interpreting the latest edition of the Incoterms rules to avoid costly misinterpretations or misapplications.

Incoterms® 2020 feature 11 rules. Seven of them are rules for any mode or modes of transport (EXW, FCA, CPT, CIP, DAP, DPU, DDP) while the remaining four are rules for sea and inland waterway transport (FAS, FOB, CFR, CIF).

#### *EXW – Ex Works*

“Ex Works” means that the seller delivers when it places the goods at the disposal of the buyer at the seller's premises or at another named place (i.e., works, factory,

warehouse, etc.). The seller does not need to load the goods on any collecting vehicle, nor does it need to clear the goods for export, where such clearance is applicable.

*FCA – Free Carrier*

“Free Carrier” means that the seller delivers the goods to the carrier or another person nominated by the buyer at the seller’s premises or another named place. The parties are well advised to specify as clearly as possible the point within the named place of delivery, as the risk passes to the buyer at that point.

*CPT – Carriage Paid to*

“Carriage Paid To” means that the seller delivers the goods to the carrier or another person nominated by the seller at an agreed place (if any such place is agreed between parties) and that the seller must arrange or contract for and pay the costs of carriage necessary to bring the goods to the named place of destination.

*CIP – Carriage and Insurance Paid to*

“Carriage and Insurance Paid to” means that the seller delivers the goods to the carrier or another person nominated by the seller at an agreed place (if any such place is agreed between parties) and that the seller must arrange or contract for and pay the costs of carriage necessary to bring the goods to the named place of destination. The seller also contracts for insurance cover against the buyer’s risk of loss of or damage to the goods during the carriage. The buyer should note that under CIP the seller is now required to obtain insurance of a higher level than in the past, in line with the Institute Cargo Clauses (A) or similar clauses. Should the buyer wish to have more insurance protection, it will need either to agree as much expressly with the seller or to make its own extra insurance arrangements.

*DAP – Delivered at Place*

“Delivered at Place” means that the seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination. The seller bears all risks involved in bringing the goods to the named place.

*DPU – Delivered at Place Unloaded*

“Delivered at Place Unloaded” means that the seller delivers when the goods, once unloaded from the arriving means of transport, are placed at the disposal of the buyer at a named place of destination. The seller bears all risks involved in bringing the goods to and unloading them at the place of destination.

*DDP – Delivered Duty Paid*

“Delivered Duty Paid” means that the seller delivers the goods when the goods are placed at the disposal of the buyer, cleared for import on the arriving means of transport ready for unloading at the named place of destination. The seller bears all the costs and risks involved in bringing the goods to the place of destination and has an obligation to clear the goods not only for export but also for import, to pay any duty for both export and import and to carry out all customs formalities.

*FAS – Free Alongside Ship*

“Free Alongside Ship” means that the seller delivers when the goods are placed alongside the vessel (e.g., on a quay or a barge) nominated by the buyer at the named port of shipment. The risk of loss of or damage to the goods passes when the goods are alongside the ship, and the buyer bears all costs from that moment onwards.

*FOB – Free on Board*

“Free on Board” means that the seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel, and the buyer bears all costs from that moment onwards.

*CFR – Cost and Freight*

“Cost and Freight” means that the seller delivers the goods on board the vessel or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel. The seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination.

*CIF – Cost, Insurance and Freight*

“Cost, Insurance and Freight” means that the seller delivers the goods on board the vessel or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel. The seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination. The seller also contracts for insurance cover against the buyer’s risk of loss of or damage to the goods during the carriage. The buyer should note that under CIF the seller is required to obtain insurance only on minimum cover. Should the buyer wish to have more insurance protection, it will need either to agree as much expressly with the seller or to make its own extra insurance arrangements.

**Why has the FCA Incoterms rule been revised?**

Free Carrier (FCA) has been revised for Incoterms® 2020 to cater for a situation where goods are sold FCA for carriage by sea and buyer or seller (or either party’s bank) requests a bill of lading with an on-board notation. FCA in article A6/B6 now provides for the parties to agree that the buyer will instruct the carrier to issue an on-board bill of lading to the seller once the goods have been loaded on board, and for the seller then to tender the document to the buyer (often through the banks).

**Where are the costs listed in Incoterms® 2020?**

Within Incoterms® 2020, all costs associated with a given Incoterms rule now appear at article A9/B9 of that rule, allowing users to see the full list of expected costs at a glance. In addition to the aggregated presentation, the costs associated with each item – for example, carriage (article A4/B4) or export clearance (article A7/B7) – still appear in the respective articles to accommodate a user who wants to focus on a specific aspect of the sale transaction.

**What are the different levels of insurance coverage in CIF and CIP?**

The Incoterms® 2020 rules provide for different levels of insurance coverage in the Cost Insurance and Freight (CIF) rule and Carriage and Insurance Paid To (CIP) rule. Under the CIF Incoterms® rule, which is reserved for use in maritime trade and is often used in commodity trading, the Institute Cargo Clauses (C) remains the default level of coverage, giving parties the option to agree to a higher level of insurance cover. Taking into account feedback from global users, the CIP Incoterms® rule now requires a higher level of cover, compliant with the Institute Cargo Clauses (A) or similar clauses.

**How does Incoterms® 2020 account for arranging carriage?**

Incoterms® 2020 recognizes that not all commercial trade transactions from the seller to the buyer are conducted by a third-party carrier. In some cases, transactions are conducted without a third-party carrier at all, such as a seller using its own means of transportation, or a buyer using its own vehicle to collect goods.

**Where is information on security-related requirements?**

Building on the extensive security-related requirements established by Incoterms® 2010, the latest edition of the Incoterms® rules includes clearer and more detailed security-related obligations in articles A4 on carriage and A7 on export/import clearance of each Incoterms® rule. Costs relating to these requirements also appear in the consolidated costs article, A9/B9.

**Is the Incoterms® rule DPU new?**

No, simply renamed and moved to more accurately reflect the content of the rule. The former Delivered at Terminal (DAT) has been changed to Delivered at Place Unloaded (DPU) to emphasize that the place of destination can be any place and not just a “terminal,” and to underscore the sole difference between Delivered at Place (DAP) and Delivered at Place Unloaded (DPU) – under DAP the seller does not unload the goods, under DPU, seller does unload the goods. And since delivery under DAP happens before unloading, Incoterms® 2020 presents the newly named DPU after DAP.

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