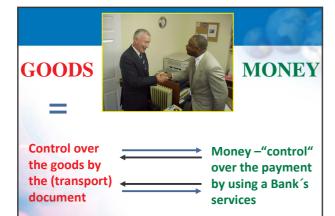


Incoterms 2010 Relationship to payment methods in

International Trade



Documents - Title v Non-Title

• TITLE

- -B/L
- Warrant list
- Delivery list
- Multimodal (combined B/L)

Who has the document

has the GOODS!

NON-TITLE

- -Airway bill
- -Road transport doc.
- Railway trans. doc.
- Multimodal transport documents not covering ocean transport

The Consignee gets the GOODS!

Non-title transport documents

- Goods sent to the Buyer – (L/C Applicant, Collection Drawee)
- Goods sent to the disposal of a Bank / freight forwarder -
- to release the goods to the Buyer only after payment (promise to pay – acceptance of a draft)

DELIVERY TERM – PAYMENT CONDITION



GOODS





EXPORTER

- constructive control over the goods or through:
- document of title
- another consignee which follows his instructions

IMPORTER

control over CASH
 instructions to the bank –
 payment order, collection
 approval, issuance of L/C

PAYMENT IN ADVANCE



GOODS

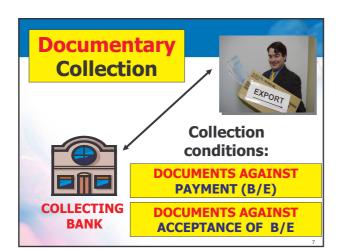
PAYMENT



IMPORTER

EXPORTER EXW FCA, CPT, CIP DAT, DAP, DDP FAS, FOB CFR, CIF

Inspection of goods on delivery acc. to delivery term is suitable, insurance



DOCUMENTARY COLLECTION



PAYMENT AGAINST RECEIPT OF GOODS OR AFTER



YPOPTED AFT

EXW – not used FCA, FAS, FOB – control over goods? CFR, CIF – control over goods? CPT, CIP – control over goods?

DAT, DAP, (DDP) - -"-

IMPORTER

D/P
D/A - deferred
payment
Inspection?
Insurance!

DOCUMENTARY CREDIT



PAYMENT
AGAINST
RECEIPT
OF GOODS
OR
AFTER



EXPORTER AF

EXW – cargo receipt, truck bill FCA, FAS, FOB – control? CFR, CIF – control over goods? CPT, CIP – control over goods? DAT, DAP, DDP - -"-!!!

- payment by bank:
- at sight or at usance
- "discrepant" with

D-terms! Inspection, insurance

GOODS PAYMENT EXPORTER EXW FCA, FAS, FOB CFR, CIF CPT, CIP DAT, DAP, DDP GOODS PAYMENT IMPORTER Most suitable for Importer!

The main Importer's mistakes

- Non-suitable delivery term
- •Inconsistency between delivery terms and required documents
- Logic inconsistency (transport mode x delivery term x documents)

The main Exporter's mistakes

- L/C does not comply with contract of sale – incorrect instructions given by Importer
- L/C does not comply with contract of sale – mistakes/differences done due to the processing in banks

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The main Exporter's mistakes

- Exporter believes, that L/C reflects the sale contact, does not check it. He/she underestimates the whole matter!
- •Often he/she does not appreciate the importance of the documentation requested.
- •He/she does not understand requirements of UCP 600 and international standard banking practice.

The main Exporter's mistakes

- The significant risk of discrepancies mainly with documents issued by third parties!
- •EXW, FCA, FOB, FAS... Contract of carriage is between Buyer and the Carrier could I get the freight-collect transport document?

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L/C and Incoterms 2010

- •L/C is separate to the contract of sale
- •L/C documentary requirements should reflect sale contract
- Banks advisors
- •Banks lendors understand of risks their customers are undertaking

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L/C and Incoterms 2010 - The Main Questions

- Consignment instructions
- Availability of documents
- Documentary requirements versus sales terms
- Does the L/C require prohibited documentation?

Problems in Practice

L/C advice refers to FOB Incoterms 2000.

- L/C requests Bill of Lading to be "Freight Collect"
- Shipper contracts for carriage to the port of discharge.
- Carrier refuses to do it on "Freight Collect" hasis!
- Freight must be paid in advance! I do not care about YOUR contract of sale!

ISBP, ICC Publication 681 – paragraph no. 61:

"If a trade term is part of the goods description in the credit, or stated in connection with the amount, the invoice must state the term specified, and if the description provides the source of the trade term, the same source must be identified (e.g., a credit term "CIF Singapore Incoterms 2000" would not be satisfied by "CIF Singapore Incoterms"). Charges and cost must be included within the value shown against the stated trade term in the credit and invoice. Any charges and cost shown beyond this value are not allowed."

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