



Incoterms 2010 Relationship to payment methods in International Trade

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GOODS

=



MONEY

Control over
the goods by
the (transport)
document



Money –“control“
over the payment
by using a Bank’s
services

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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!

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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)

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DELIVERY TERM – PAYMENT CONDITION



→
GOODS
←
PAYMENT



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

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PAYMENT IN ADVANCE



→
GOODS
←
PAYMENT



EXPORTER


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

IMPORTER

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

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Documentary Collection



Collection conditions:

DOCUMENTS AGAINST PAYMENT (B/E)

DOCUMENTS AGAINST ACCEPTANCE OF B/E




COLLECTING BANK

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DOCUMENTARY COLLECTION

PAYMENT AGAINST RECEIPT OF GOODS OR AFTER



EXPORTER

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!

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DOCUMENTARY CREDIT

PAYMENT AGAINST RECEIPT OF GOODS OR AFTER



EXPORTER

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



IMPORTER

- payment by bank:
- at sight or at usance
- „discrepant“ with
D-terms!
Inspection, insurance

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OPEN ACCOUNT



EXPORTER

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

→
GOODS
←
PAYMENT



IMPORTER

**Most suitable
for
Importer!**

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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)

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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 contract, **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.

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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 – lenders** – 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?

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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“ basis!
- Freight must be paid in advance! I do not care about **YOUR** contract of sale!

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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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