



富升工程貿易有限公司
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Incoterms® 2020 Explanation & Comparison Report

The 11 International Commercial Terms

Based on ICC Incoterms® 2020, in force since 1 January 2020

Date of preparation: October 2026

Audience: import/export professionals, supply-chain and logistics specialists

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1 Preface

1.1 Introduction

Incoterms is short for International Commercial Terms, published by the International Chamber of Commerce (ICC). The rules use standard three-letter codes (e.g. EXW, FOB, CIF) to define the delivery obligations, the point at which risk passes, and the allocation of costs between buyer and seller in an international sales contract. The latest edition, Incoterms® 2020, has been in force since 1 January 2020 and contains eleven rules.

Incoterms are not law. They take effect only when they are expressly incorporated into a sales contract (e.g. a sales confirmation, purchase contract or letter of credit) with the edition stated. They govern delivery, risk, costs and customs/documentary duties; they do not cover payment terms, quality claims or transfer of ownership.

1.2 Four Groups (E / F / C / D)

Group E (Departure): EXW. The seller delivers at its own premises; the buyer bears almost all subsequent risk and cost; the seller has the minimum obligations.

Group F (Main carriage unpaid): FCA, FAS, FOB. The seller hands the goods to the carrier or vessel nominated by the buyer; the buyer pays the main carriage.

Group C (Main carriage paid): CFR, CIF, CPT, CIP. The seller pays the main carriage, but risk passes to the buyer at the point of delivery, not at destination. Key point: costs are paid to destination while risk passes at shipment.

Group D (Arrival): DAP, DPU, DDP. The seller bears risks and costs until the goods arrive at destination. DDP represents the maximum seller obligation, including import clearance and duties.

1.3 Classification by Mode of Transport

Rules for any mode(s) of transport (multimodal, air, sea, road/rail): EXW, FCA, CPT, CIP, DAP, DPU, DDP.

Rules for sea and inland waterway transport only: FAS, FOB, CFR, CIF.

2 Detailed Definitions of the 11 Rules

The eleven rules of Incoterms® 2020 are explained below in order, covering definition, delivery and risk, cost allocation, transport mode and practical remarks.

2.1 Group E (Departure)

EXW — Ex Works

Place of delivery & risk transfer

Place of delivery: the seller's premises (factory/warehouse) or a named place. Risk transfer: when the goods are ready for collection by the buyer.

Cost allocation

The seller bears only the costs within its premises; all subsequent costs and risks of loading, inland carriage, export clearance, main carriage, insurance and import clearance are borne by the buyer.

Transport mode

Any mode(s) of transport.

Remarks

Minimum seller obligation. If the buyer cannot handle export clearance in the exporting country, use FCA instead so that the seller arranges export clearance.

2.2 Group F (Main carriage unpaid)

FCA — Free Carrier

Place of delivery & risk transfer

Place of delivery: the seller's premises or a named place (e.g. container yard, airport, warehouse). Risk transfer: when the goods are handed over to the buyer's nominated carrier; if delivered at the seller's premises, when loaded.

Cost allocation

The seller bears the costs before delivery and handles export clearance; the buyer pays the main carriage, insurance and all costs after delivery.

Transport mode

Any mode(s) of transport (most common for multimodal).

Remarks

Incoterms® 2020 adds an on-board bill of lading option: the parties may agree that the buyer instructs the carrier to issue an on-board bill of lading to the seller, to support letter-of-credit settlement.

FAS — Free Alongside Ship**Place of delivery & risk transfer**

Place of delivery: alongside the vessel at the named port of shipment. Risk transfer: when the goods are placed alongside the ship.

Cost allocation

The seller bears the costs to bring the goods alongside the ship and handles export clearance; loading, main carriage, insurance and costs after arrival are borne by the buyer.

Transport mode

Sea and inland waterway only.

Remarks

Commonly used for bulk commodities (e.g. grain, ore). The delivery point is alongside, not on board, so the seller has no loading obligation or loading risk.

FOB — Free On Board**Place of delivery & risk transfer**

Place of delivery: on board the vessel at the named port of shipment. Risk transfer: when the goods are loaded on board the vessel.

Cost allocation

The seller bears the pre-shipment and loading costs and handles export clearance; the buyer pays the main carriage, insurance and costs after arrival.

Transport mode

Sea and inland waterway only.

Remarks

For containerised cargo the risk passes when the goods are received at the container yard, and the seller cannot practically control the goods until loading; therefore use FCA for container transport.

2.3 Group C (Main carriage paid)**CFR — Cost and Freight****Place of delivery & risk transfer**

Place of delivery: on board the vessel at the named port of shipment. Risk transfer: when the goods are loaded on board.

Cost allocation

The seller bears loading, export clearance and the freight to the named port of destination; the buyer bears insurance, unloading and import clearance costs.

Transport mode

Sea and inland waterway only.

Remarks

Insurance is arranged by the buyer. This rule best illustrates the Group C separation of risk and cost; the buyer should arrange cover early.

CIF — Cost, Insurance and Freight**Place of delivery & risk transfer**

Place of delivery: on board the vessel at the named port of shipment. Risk transfer: when the goods are loaded on board.

Cost allocation

The seller bears loading, export clearance, the main freight and obtains insurance (minimum cover); the buyer bears unloading and import clearance costs.

Transport mode

Sea and inland waterway only.

Remarks

Under Incoterms® 2020, CIF maintains minimum cover (Institute Cargo Clauses (C) or similar). The buyer should assess its risk exposure and may arrange additional cover. The destination must be a port.

CPT — Carriage Paid To**Place of delivery & risk transfer**

Place of delivery: to the carrier nominated by the seller. Risk transfer: when the goods are delivered to the first carrier.

Cost allocation

The seller bears export clearance, pre-delivery costs and the main carriage to the destination; insurance and costs after arrival are borne by the buyer.

Transport mode

Any mode(s) of transport.

Remarks

Like CFR, risk passes at shipment while costs are paid to destination; the buyer should arrange insurance early.

CIP — Carriage and Insurance Paid To**Place of delivery & risk transfer**

Place of delivery: to the carrier nominated by the seller. Risk transfer: when the goods are delivered to the first carrier.

Cost allocation

The seller bears export clearance, pre-delivery costs, the main carriage and obtains insurance (higher cover); the buyer handles import clearance.

Transport mode

Any mode(s) of transport.

Remarks

Under Incoterms® 2020, CIP requires a higher level of cover (Institute Cargo Clauses (A) or similar), which increases the seller's insurance cost and should be reflected in the price.

2.4 Group D (Arrival)**DAP — Delivered At Place****Place of delivery & risk transfer**

Place of delivery: the named destination (on the arriving means of transport, ready for unloading). Risk transfer: when the goods are placed at the disposal of the buyer.

Cost allocation

The seller bears all costs to the destination (including export clearance and main carriage); the buyer handles unloading, import clearance and import duties.

Transport mode

Any mode(s) of transport.

Remarks

The destination must be specified precisely to avoid disputes over the delivery point.

DPU — Delivered At Place Unloaded**Place of delivery & risk transfer**

Place of delivery: the named destination, after unloading. Risk transfer: when the goods are unloaded and placed at the disposal of the buyer.

Cost allocation

The seller bears all costs to the destination (including unloading); the buyer handles import clearance and import duties.

Transport mode

Any mode(s) of transport.

Remark

Renamed from DAT (Delivered At Terminal) in Incoterms® 2020; the place is no longer limited to a terminal or quay. DPU is the only rule under which the seller has an unloading obligation; if unloading is not intended, use DAP.

DDP — Delivered Duty Paid**Place of delivery & risk transfer**

Place of delivery: the named destination, after import clearance, ready for unloading. Risk transfer: when the goods, cleared for import, are placed at the disposal of the buyer.



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Cost allocation

The seller bears all costs to the destination, including export clearance, main carriage, import clearance and import duties/taxes; the buyer is only responsible for unloading (unless otherwise agreed).

Transport mode

Any mode(s) of transport.

Remarks

Maximum seller obligation. The seller must clear the goods for import in the buyer's country and bears related duties and licence risks. DDP is common for cross-border e-commerce (seller all-in), but the seller should assess customs and tax risks first; if import clearance is not feasible, consider DAP or DPU.

3 Comparison Table

The table below summarises the eleven rules by group, transport mode, risk transfer point, seller's insurance obligation and customs responsibility.

3.1 The Eleven Rules at a Glance

Table 1 Comparison of the eleven rules

Rule	Group	Transport Mode	Risk Transfer Point	Seller Insurance Obligation	Export Clearance	Import Clearance
EXW	E	Any	Goods ready at seller's premises	No	Buyer	Buyer
FCA	F	Any	Hand over to carrier	No	Seller	Buyer
FAS	F	Sea/Waterway	Alongside ship	No	Seller	Buyer
FOB	F	Sea/Waterway	On board vessel	No	Seller	Buyer
CFR	C	Sea/Waterway	On board vessel	No	Seller	Buyer
CIF	C	Sea/Waterway	On board vessel	Yes (minimum cover)	Seller	Buyer
CPT	C	Any	Hand over to carrier	No	Seller	Buyer
CIP	C	Any	Hand over to carrier	Yes (higher cover)	Seller	Buyer
DAP	D	Any	At destination (ready for unloading)	Not required	Seller	Buyer
DPU	D	Any	At destination before unloading completed	Not required	Seller	Buyer
DDP	D	Any	At destination on delivery	Not required	Seller	Seller

Source: compiled from ICC Incoterms® 2020 rule texts.

4 Key Changes: Incoterms 2020 vs 2010

Incoterms® 2020 has been in force since 1 January 2020. The main changes compared with the 2010 edition are as follows.

4.1 Main changes

1. DAT renamed to DPU (Delivered At Place Unloaded): the place of destination is no longer limited to a terminal or quay and may be any place; the seller's unloading obligation is made explicit.
2. FCA adds an on-board bill of lading option (A6/B6): the parties may agree that the buyer instructs the carrier to issue an on-board bill of lading to the seller to support letter-of-credit settlement.
3. CIP insurance cover is raised to Institute Cargo Clauses (A) (or similar higher cover); CIF keeps minimum cover (Clauses (C)).
4. Each rule details security-related obligations, to be performed by the party responsible for carriage.
5. Costs are itemised in articles A9/B9 of each rule, and carriage may be performed with the seller's or buyer's own means of transport.
6. Incoterms may also be used for domestic sales contracts, not only international trade.

5 Selection Guide & Common Pitfalls

5.1 Selection guide

1. Multimodal (sea + land) or container transport: prefer FCA, CPT or CIP; avoid the risk mismatch of FOB, CFR and CIF.
2. Bulk cargo by sea: FOB, CFR and CIF remain common.
3. Seller all-in service (including import clearance): DAP, DPU and DDP provide one-stop delivery; for DDP, first assess customs and tax risks in the destination country.
4. Always state the edition (Incoterms® 2020) and specify the delivery/destination point precisely in the contract.

5.2 Common pitfalls

1. Incoterms do not apply automatically; they must be incorporated in the contract with the edition stated, otherwise they are only a reference to commercial practice.
2. Group C rules: risk does not follow the goods to destination; after delivery, loss or damage is the buyer's risk.
3. Use DDP with caution: the seller bears foreign import clearance and tax risks.
4. Incoterms govern risk, cost and delivery only; they do not cover payment terms, quality claims or ownership transfer, which must be agreed separately in the contract.

6 Remarks

6.1 Copyright and edition

Incoterms® is a registered trademark of ICC. When quoting a term in a contract, always state the edition, e.g. FCA (Incoterms® 2020), to avoid disputes over the applicable version.

This report is an explanatory summary prepared from the ICC Incoterms® 2020 rule texts and related official materials. It is provided for general reference only and does not constitute legal advice; please consult the full official rules and a professional adviser for specific transactions.



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