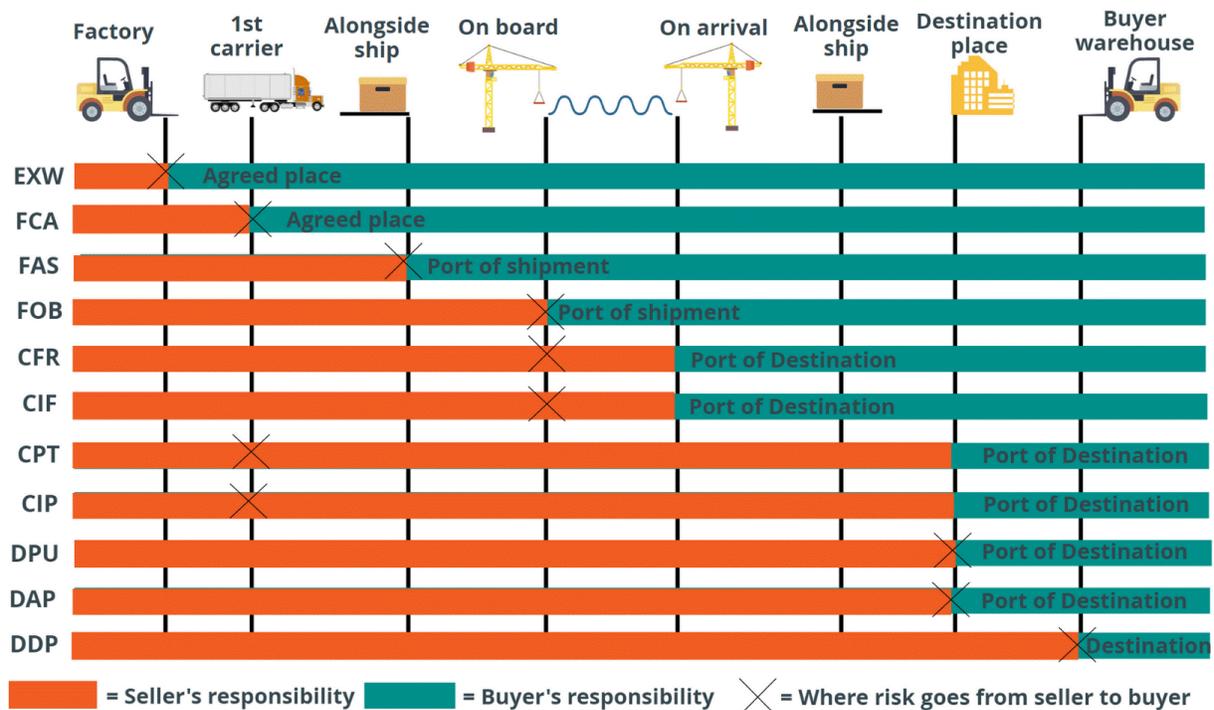




■ **Standard Trading Terms Reference Guide** ■

Shipping, Cost, and Payment Terms

Incoterms 2020



1. PAYMENT TERMS

Term	Definition
CIA (Cash in Advance)	Full payment remitted to the exporter prior to shipment. Provides maximum security for sellers, highest risk for buyers.
CAD (Cash Against Documents) Also: Documents Against Payment (D/P)	Payment arrangement where the exporter instructs their bank to release shipping and title documents to the importer only upon full payment of the accompanying draft or bill of exchange.

Term	Definition
Letter of Credit (L/C)	A documentary credit issued by the buyer's bank (issuing bank) authorizing the seller to draw a specified sum of money against stipulated shipping documents, provided the terms and conditions of the credit are strictly complied with.
Open Account	Credit arrangement where goods are shipped and delivered prior to payment becoming due (typically 30-90 days). Offers maximum convenience for buyers, highest risk for sellers.
Telegraphic Transfer (T/T)	Electronic funds transfer between banks via SWIFT or similar networks. Typically used for advance payments, balance payments, or urgent settlements.

2. INCOTERMS® 2020 RULES

International Commercial Terms – ICC Publication No. 723E

Rules for Sea and Inland Waterway Transport Table

Term	Description
FAS (Free Alongside Ship) <i>Port of Shipment</i>	Seller delivers goods alongside the vessel at the named port. Risk transfers when goods are placed at the disposal of the buyer (alongside the ship). Export clearance is the seller's responsibility.
FOB (Free On Board) <i>Port of Shipment</i>	Seller delivers goods on board the vessel nominated by the buyer. Risk transfers when goods pass the ship's rail/on board the vessel. Seller bears costs until delivery on board and clears goods for export.
CFR (Cost and Freight) <i>Port of Destination</i>	Seller pays costs and freight to bring goods to the destination port. Risk transfers when goods are on board the vessel at the port of shipment (not upon arrival). Seller clears goods for export; insurance is the buyer's responsibility.
CIF (Cost, Insurance & Freight) <i>Port of Destination</i>	Identical to CFR, but the seller additionally procures minimum marine insurance coverage against buyer's risk of loss during transit. Seller pays premium; risk transfers at shipment (not arrival).

Rules for Any Mode or Modes of Transport Table

Term	Description
EXW (Ex Works) <i>Named Place</i>	Seller makes goods available at their premises (factory, warehouse). Buyer assumes all risks and costs from that point, including loading and export clearance. Represents minimum seller obligation.
FCA (Free Carrier) <i>Named Place</i>	Seller delivers goods to the carrier or another party nominated by the buyer at the seller's premises or another named place. Seller clears goods for export.
CPT (Carriage Paid To) <i>Named Place of Destination</i>	Seller pays freight to transport goods to the named destination. Risk transfers to the buyer when goods are handed to the first carrier (not upon arrival at destination). Seller clears goods for export.
CIP (Carriage & Insurance Paid To) <i>Named Place of Destination</i>	Identical to CPT, but seller additionally procures insurance coverage (minimum Institute Cargo Clauses (A) under Incoterms® 2020) against buyer's risk during transit.
DAP (Delivered at Place) <i>Named Place of Destination</i>	Seller delivers goods ready for unloading at the named destination. Seller bears all risks until arrival. Buyer handles import clearance, duties, and unloading.
DPU (Delivered at Place Unloaded) <i>Named Place of Destination</i>	Seller delivers and unloads goods at the named destination (terminal, warehouse, etc.). Risk transfers after unloading. Replaces the former DAT term (Incoterms® 2010). Buyer handles import clearance.
DDP (Delivered Duty Paid) <i>Named Place of Destination</i>	Seller bears all costs and risks to deliver goods to the named destination, cleared for import and duty paid. Represents maximum seller obligation.

3. SPECIAL TRADING ARRANGEMENTS

Term	Description
Consignment Sale	Payment deferred until goods are sold to the end customer. Seller retains ownership until sale; buyer acts as agent or distributor. High risk for sellers; requires trust relationship.

4. LEGACY INCOTERMS

(For reference only – Discontinued in Incoterms® 2010/2020)

The following terms are no longer in active use but may appear in legacy contracts:

Term	Historical Definition
DAF (Delivered at Frontier) <i>Named Place</i>	Seller delivered goods cleared for export at the frontier (border) of the adjoining country, before the customs border. <i>Replaced by DAP.</i>
DES (Delivered Ex Ship) <i>Port of Destination</i>	Seller delivered goods on board the vessel at the destination port, uncleared for import. Risk transferred upon arrival at port. <i>Replaced by DAT/DPU.</i>
DEQ (Delivered Ex Quay) <i>Port of Destination</i>	Seller delivered goods on the quay (wharf) at the destination, cleared for importation. Seller bore all costs, including duties. <i>Replaced by DAT/DPU.</i>
DDU (Delivered Duty Unpaid) <i>Named Place of Destination</i>	Seller delivered goods to the named destination, bearing all risks except import duties/taxes. Buyer handled customs clearance. <i>Replaced by DAP.</i>
DAT (Delivered at Terminal) <i>Named Place</i>	Seller delivered goods unloaded at a terminal (port, depot, etc.) at destination. Risk transferred after unloading. <i>Replaced by DPU in Incoterms® 2020.</i>

5. FREIGHT CALCULATION METHODOLOGY

W/M (Weight or Measure)

Freight rates are calculated based on the greater of:

- **Weight:** Gross weight in metric tons (1,000 kg)
- **Measure:** Total cubic volume (CBM – cubic meters)

Application:

- **Light/Bulky Cargo** (large volume, low weight): Charged by measurement (cube)
- **Heavy/Dense Cargo** (small volume, high weight): Charged by weight
- **General Rule:** Sea freight typically favors measurement-based pricing; air freight typically favors weight-based pricing

Calculation: The carrier applies the rate that yields higher revenue (chargeable ton = whichever is greater: weight or volume).

IMPORTANT DISCLAIMER

The explanations provided herein are for general reference and guidance only. They do not constitute legal advice or specific contract terms. All shipments and transactions shall be governed by the specific contractual agreements executed between the parties, which shall take precedence over these general definitions. For binding interpretations of Incoterms®, reference should be made to the official ICC rules and applicable governing law.

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