Common Terms of Trade

CFR (Cost and Freight)

The seller contracts and pays the costs and freight necessary to bring the goods to the named destination and clears the goods for export. CFR is only used for sea and inland waterway transportation. The buyer undertakes the risk of loss or damage once the goods are delivered to a carrier.

Source: Incoterms 2010, ICC

CIF (Cost, Insurance and Freight)

Apart from the same obligations in CFR, the seller must procure cargo marine insurance against the buyer’s risks of goods during the carriage. The seller contracts for insurance and pays the insurance premium.

Source: Incoterms 2010, ICC

CIP (Carriage and Insurance Paid To)

Apart from the same obligations in CPT, the seller must procure cargo insurance cover against the buyer’s risks of loss of or damage to the goods during the carriage. The seller contracts for insurance and pays the insurance premium. CIP is used for any mode of transportation.

Source: Incoterms 2010, ICC

CPT (Carriage Paid To)

The seller contracts and pays for the carriage of goods to the named destination and clears the goods for export. CPT is used for any mode of transportation. The buyer undertakes the risk of loss or damage once the goods are handed over to the first (or only) carrier.

Source: Incoterms 2010, ICC

D/A (Documents Against Acceptance)

It is one of common payment methods for international trade. Exporters, via the remitting bank, instruct the banks (collecting bank via remitting bank) to release the title right and other shipping documents to the importers subject to acceptance of the accompanying bills of exchange or drafts by the importers. Exporters will face the higher risk. Non-payment risk at maturity of the draft.
D/C (Documentary Credit)

It is one of common payment methods for international trade. D/C (also called letter of credit) is an instrument issued by buyer's bank who undertakes to settle payment to the seller when the seller acts and fulfills all terms and conditions of the credit.

D/P (Documents Against Payment)

Exporters instruct the banks (collecting bank via remitting bank) to release the title right and other shipping documents to the importers subject to payment.

DAP (Delivered At Place)

The seller fulfills his obligations to deliver when the goods are ready for unloading from the arriving carrier by the buyer at the named place of destination, and cleared the goods for export. The seller bears all risks involved in bringing the goods to the named place. DAP is used for any mode of transportation.

Source: Incoterms 2010, ICC

DAT (Delivered At Terminal)

The seller fulfills his obligation to deliver once the goods are unloaded from the arriving carrier at a named port terminal or place of destination, and cleared for export. The seller bears all risks involved in bringing the goods to and unloading them at the named place of destination. DAP is used for any mode of transportation.

Source: Incoterms 2010, ICC

DDP (Delivered Duty Paid)

The seller fulfills his obligation to deliver when the goods are made available at the named place in the country of importation. The seller bears all risks and costs including import duties, taxes, delivery charges and clears for importation. DDP is used for any mode of transportation.

Source: Incoterms 2010, ICC

ETA (Estimated Time of Arrival)

The projected date and time a shipment scheduled to arrive at its destination.

ETD (Estimated Time of Departure)

The projected date and time a shipment scheduled to depart.

EU (European Union)

An economic trade region in Europe comprising 28 members, namely Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom.
EXW (Ex Works)

The seller fulfills his obligation when he makes the goods available to the buyer at the seller's own premises or at another named place of delivery. The buyer bears all costs and risks involved in taking the goods from the place of delivery. EXW is used for any mode of transportation.

Source: Incoterms 2010, ICC

FAS (Free Alongside Ship)

The seller fulfills his obligation to deliver when the goods have been placed alongside the vessel at the named port of shipment. Buyer bears all costs and risks of goods from that moment. FAS is used only for sea or inland water transportation.

Source: Incoterms 2010, ICC

FCA (Free Carrier)

The seller fulfills his obligation when the goods are cleared for exports and delivered to the carrier or another person at the seller’s premises or another named place. FCA is used for any mode of transportation.

Source: Incoterms 2010, ICC

FCL (Full Container Load)

A full container load means a container with goods from one consignor to one consignee.

FOB (Free On Board)

The seller fulfills his obligation to deliver when the goods have passed over the ship's rail and cleared for exports, at the named port of shipment. Buyer bears all costs and risks of goods from that moment. FOB is used for sea and inland water transportation.

Source: Incoterms 2010, ICC

GSP (Generalised System of Preference)

GSP is a framework under which developed countries give preferential tariff (a reduced or zero rate) treatment to manufactured goods from certain developing countries.

HS (Harmonized System of Classification)

The HS code numbers are designed by the World Customs Organisation (WCO) to serve as a multi-purpose classification suitable for use by customs and statistical authorities, traders, carriers and other concerned with international trade. Since 1 January 1992, Hong Kong has adopted the HS in full for trade declaration purpose.

IATA (International Air Transport Association)

An international organisation of airline aiming to promote the commercial air traffic.
**ICC (International Chamber of Commerce)**

ICC is a non-government organisation of over 12,000 chambers and their business communities worldwide. It represents the world business community at international levels, promotes world trade and investment and provides a range of practical services to trade.

**IMDG Code (International Maritime Dangerous Goods Code)**

An international guideline to the safe water transportation or shipment of dangerous goods or hazardous materials by vessel by the International Maritime Organisation. It contains advice on emergency procedures, packing of dangerous goods, labeling handling, etc. The guideline is recommended to governments for adoption or use as a basis for national regulations.

**INCOTERMS**

INCOTERMS stand for international commercial terms. The Incoterms rules created by the International Chamber of Commerce are a set of uniform rules codifying the interpretation of delivery trade terms defining the rights and obligations of the exporter and importer in an international transaction. Examples include CIF, FOB, FAS, CFR, etc.

**L/C (Letter of Credit)**

A common name of a documentary credit (D/C).

**LCL (Less than Container Load)**

A less container load is a container with goods from more than one consignor to more than one consignee.

**MT (Mail Transfer)**

A bank transfer made by mail, especially airmail, as opposed to a telegraphic or cable transfer.

**SITC (Standard International Trade Classification)**

The SITC recommended by the United Nations for classifying trade statistics for economic analysis, is also used in trade statistics reports published by the Hong Kong Government.

**TEU (Twenty-foot Equivalent Unit)**

A unit for calculating the carrying capacity of container vessels. The unit is based on the twenty foot container.

**TT (Telegraphic Transfer)**

A remittance via the cable or telegraph sent from an instructing bank to the overseas bank. It is usually initiated by the debtor who instructs his banker by debiting his account to make payment to an identified person or firm in international trade.
UCP (Uniform Customs and Practice for Documentary Credits)

Rules of the International Chamber of Commerce (ICC) governing a letter of credit issued in respect of goods shipped.

UNCITRAL (United Nations Commission on International Trade and Law)

UNCITRAL set up by UN Commission to aid in harmonising and unifying international trade law. The Commission focuses on four principal international areas: sale of goods, payments, commercial arbitration and legislation pertaining to shipping.


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