

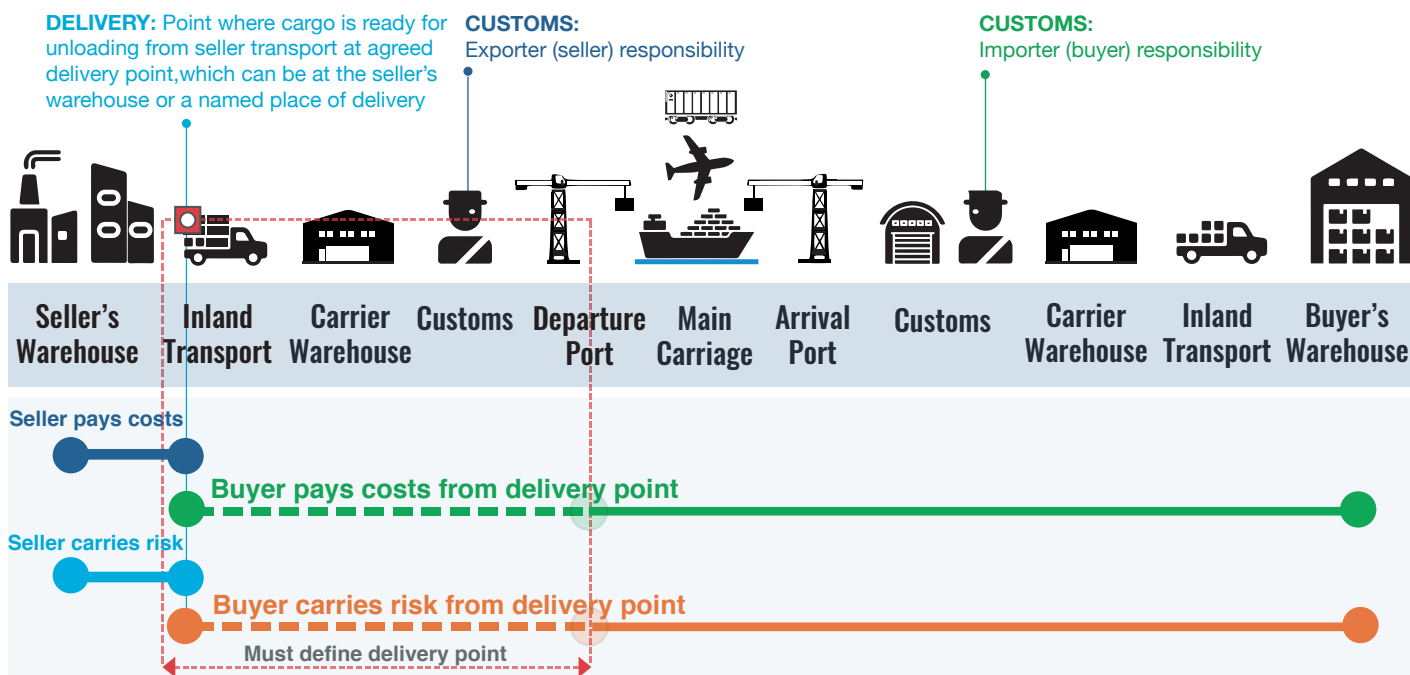
TRADE FORWARD
SOUTHERN AFRICA

KNOWLEDGE GUIDE SERIES

Better understanding the INCOTERMS 2020: **FCA**



Incoterms 2020: Free Carrier (FCA)



FCA: Free Carrier (Seller's Warehouse or Place of Delivery)

FCA (Free Carrier) is an Incoterm that uses two permutations relating to delivery: where delivery takes place at the *seller's premises*, or where delivery takes place at an agreed *named place*. The key obligation for the exporter is only to deliver the goods to the collecting vehicle at the agreed point of delivery (seller's premises, or other point). Where the delivery point is specified as the exporter's premises, the responsibility for loading the goods on to the vehicle rests with the exporter and ends there, unless otherwise agreed.

If the delivery point is agreed at a place other than the exporter's premises, then the exporter, at own cost and risk, is required to transport the goods to the agreed place (delivery point), at which point risk, and the responsibility for costs, transfers to the buyer. The buyer will be required to make most of the remaining arrangements, such as for main carriage and import customs clearance. Under the 2020 revisions, FCA now allows Bills of Lading to be issued after loading, thereby satisfying the conditions of a Letter of Credit.

• Seller's obligations: FCA (Place of Delivery) 2020

- Commercial invoice, export documentation
- Delivery at the agreed point, date or period
- Carry risks until (point of) delivery
- Insurance: no obligation (or at buyer's risk/cost)
- All export clearance expenses
- Freight costs: no obligation, provide information
- Notice to buyer of delivery (or collection by carrier)
- Cost allocation: all costs to point of delivery

• Buyer's obligations: FCA 2020

- Payment of goods as specified in sales contract
- Take delivery at agreed point or date
- Carry risks from point or time of delivery
- Freight costs: From point of delivery
- Loading charges, discharge and onward carriage
- Insurance: no obligation (at own risk / cost)

Considerations for using FCA

FCA can be used for all modes of transport, including sea, rail, air and truck.

FCA has many similarities with the EXW (ex works) Incoterm, but FCA requires the exporter also to load the goods on the carrier of the importer (which can be at the seller's premises or at another agreed delivery point) and is responsible for export clearance, unlike EXW which only requires the goods to be ready for loading on the transport vehicle at the seller's premises. The former scenario often makes it more suitable for an importer, while the exporter in turn tends to be more familiar with the required formal or informal practices and procedures applicable in the exporting country.

Overall, this Incoterm makes the buyer responsible for most costs, but with the seller covering initial loading and delivery to an agreed point, while also undertaking the local customs and goods clearance formalities.

Key elements of FCA 2020

Duties and customs clearance

The buyer is responsible for the payment of import duties and taxes, while the seller meets the export clearance formalities. Under the 2020 version, FCA specifies that if required, the buyer must request the carrier to issue an on-board Bill of Lading to the seller.

Responsibility for Insurance

FCA places no specific obligations on the parties around insurance cover, and it is therefore up to the contracting parties to obtain sufficient insurance for the part of the journey that they are responsible and carry risk for, and contractually agree on any deviation thereof.

Loading of cargo

The seller is responsible for the cost of loading the cargo onto the transport vessel at the seller's premises or at the agreed point of delivery.

Delivery and risk transfer

Risk transfer happens either at the seller's premises, or at the contractually agreed point of delivery in the country of export.