

The contracts

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

The trader works through contracts. The sales contract specifies the commodity, the quality, the quantity, the price or the pricing formula, the place and conditions of delivery, the terms of payment, the responsibilities of the parties and the settlement of disputes. The delivery conditions are generally defined by reference to the Incoterms of the International Chamber of Commerce, which specify the moment at which risks and costs pass from the seller to the buyer.¹

The price is rarely fixed as an absolute figure. It is most often expressed by reference to a market price — the quotation of a futures exchange, an index published by a specialised agency — to which a premium or a discount is added or subtracted to reflect the quality, the location and the particular conditions. The final price is known only on a specified date, often after delivery. This practice ties trading to the financial markets, where the benchmark prices are formed, which explains the importance of hedging instruments.

Payment is made on terms that allocate the credit risk. The documentary credit, under which the buyer's bank undertakes to pay the seller against presentation of conforming documents — bill of lading, inspection certificate, invoice —, is the classic instrument. Payment at opening, deferred payment, the stand-by letter of credit and the bank guarantee are other arrangements. The uniform rules of the International Chamber of Commerce govern these instruments.² Part H will describe trade finance in detail.

Finally, the contracts provide for cases of force majeure, for sanctions clauses, which allow the contract to be suspended or terminated when sanctions render its performance unlawful, and for dispute-resolution clauses, most often providing for arbitration, as Part F has described.

The contracts

Key points. The trader works through contracts whose price is most often set by reference to a market, with a premium or a discount, and whose payment is secured by banking instruments. The Incoterms, the uniform rules of the International Chamber of Commerce and arbitration clauses provide the framework for these contracts.

1 Notes

1. Wikipedia (en), art. “Incoterms”: rules published by the International Chamber of Commerce, first edition in 1936; Incoterms 2020 published on 10 September 2019 and in force from 1 January 2020, eleven rules, including FAS, FOB, CFR and CIF for sea and inland waterway transport and EXW, FCA, CPT, CIP, DAP, DPU and DDP for any mode of transport; DAT replaced by DPU, insurance cover raised for CIP (Institute Cargo Clauses (A)). ↩
2. ICC Uniform Customs and Practice for Documentary Credits, 2007 revision (UCP 600), in force since 1 July 2007; “Règles et Usances Uniformes”, fr.wikipedia.org (accessed September 2026). ↩

For general information only. This article does not constitute legal or tax advice, does not replace advice on an individual case and creates no lawyer-client relationship. It reflects the legal position as of September 2026.

Online version: helveticaregister.com/geneva-the-contracts