

Fuel Brokering: **A Comprehensive Guide**



Understanding the Process, Roles, and Best Practices

Based on Industry Standard Documentation and Practices

© 2025

Introduction to Fuel Brokering

What is Fuel Brokering?

Fuel brokering is the professional facilitation of petroleum product transactions between buyers and sellers in the global market. Brokers serve as trusted intermediaries who connect verified parties, manage documentation, and ensure compliance with international trade standards.

Key Players in Fuel Brokering

Buyer: The entity purchasing fuel products for use or resale.

Seller: The refinery, allocation holder, or mandate with authority to sell petroleum products.

Buyer's Broker: Represents the buyer's interests and facilitates the transaction from the buyer's side.

Seller's Broker: Represents the seller's interests and facilitates the transaction from the seller's side.

Central Broker: Acts as a neutral intermediary connecting buyer and seller chains, managing documentation and communication.

The Value of Structured Brokering

A well-structured brokering process ensures **transparency**, **legal protection**, **commission security**, and **efficient transaction flow** for all parties involved in international fuel trading.

Brokerage Scenarios and Roles

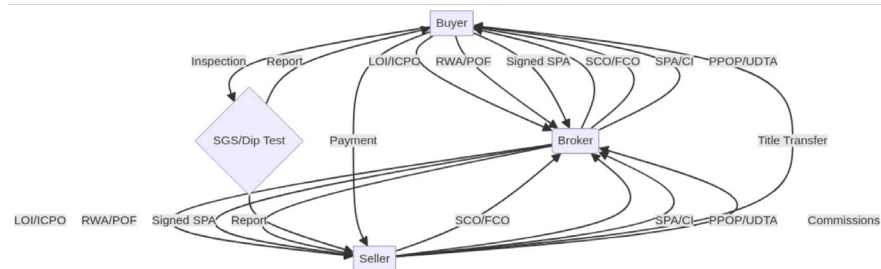
Brokerage Scenarios

Buyer's Broker: Represents the buyer and protects their interests. Commission is paid from the buyer's side.

Seller's Broker: Represents the seller or refinery and facilitates verified buyers. Commission is paid from the seller's side.

Central Broker: Connects buyer and seller chains, acts as a neutral intermediary, and manages broker agreements.

Mandate: Officially appointed by either buyer or seller via Mandate Letter or SPA reference.



Types of Fuel Products and Delivery Modes

Common Fuel Products

Product	Common Delivery	Notes
EN590 (10/50 PPM)	CIF, FOB (TTT, TTV)	Most traded diesel grade
Jet A1 / JP54	CIF, FOB	Often linked to Platts or Argus
D2 / AGO / LCO	FOB (Tank-to-Tank)	Cheaper grades, regional deals
D6 Fuel Oil / Mazut	CIF or FOB	Heavy fuel; refinery allocation based
LPG / LNG	CIF only	Requires vessel compatibility

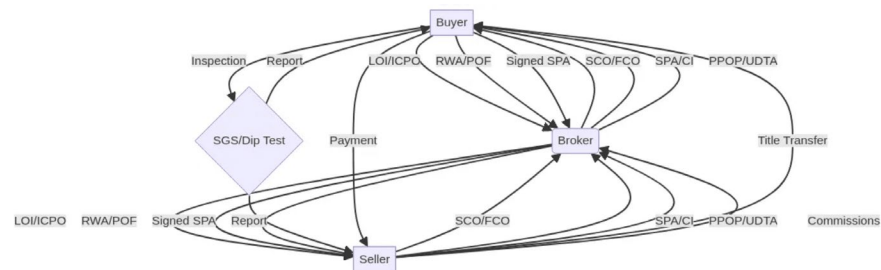
Delivery Modes

- CIF (Cost, Insurance, and Freight):** Seller retains title until payment. Seller bears shipping cost and risk until destination. Buyer pays after SGS inspection at discharge port.
- FOB (Free on Board):** Ownership transfers once product crosses ship's rail. Buyer controls loading and inspection. Buyer must have vessel ready + TSA.
- TTT / TTV (Tank-to-Tank / Tank-to-Vessel):** Preferred for short-term or spot deals. Requires verified storage. SGS dip test before transfer. Immediate payment after dip test ("DIP & PAY").

Standard Transaction Flow

Step-by-Step Process

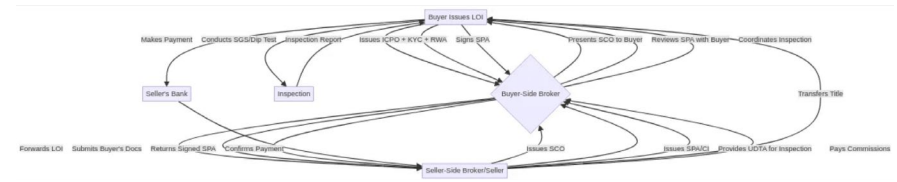
- 1 Initial Contact:** Buyer issues LOI, Seller issues SCO
- 2 Verification:** Buyer issues ICPO + KYC + RWA, Seller sends FCO + Procedure
- 3 Agreements:** Both parties sign NCNDA + IMFPA
- 4 Contract:** Seller issues SPA + CI, Buyer signs and returns
- 5 Financial Instruments:** Buyer provides financial instrument, Seller issues PB or UDTA
- 6 Inspection:** SGS inspection or Dip test conducted
- 7 Payment & Transfer:** Buyer pays (MT103), Seller transfers title
- 8 Completion:** Commissions disbursed, Roll/extension contracts signed



Buyer-Side Process Flow

Buyer-Side Broker Responsibilities

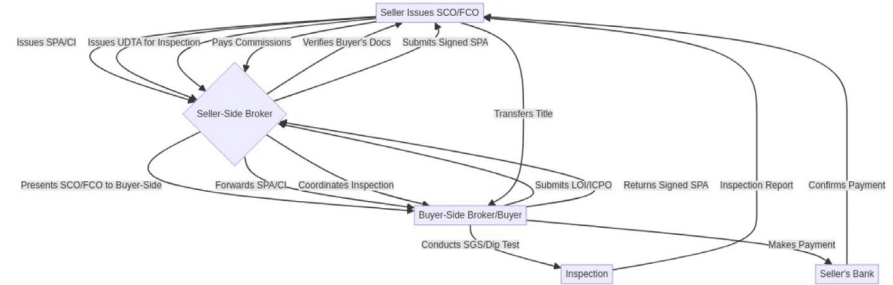
- 1 Collect and verify **LOI, ICPO**, and **KYC** from buyer
- 2 Review **SCO** for authenticity before presenting to buyer
- 3 Ensure **RWA/POF** is properly prepared and verified
- 4 Review **SPA** with buyer and confirm all terms
- 5 Coordinate **SGS inspection** or dip test
- 6 Confirm **payment** and **title transfer**



Seller-Side Process Flow

Seller-Side Broker Process

- 1 Issue SCO/FCO to buyer-side broker
- 2 Verify buyer's documents (LOI/ICPO, KYC)
- 3 Issue SPA and Commercial Invoice
- 4 Provide UDTA for inspection
- 5 Coordinate SGS/Dip Test
- 6 Confirm payment and transfer title
- 7 Disburse commissions per IMFPA



Seller-Side Responsibilities

Document Verification: Ensure buyer's documents are authentic

Product Availability: Confirm product allocation and readiness

Commission Protection: Honor IMFPA for all intermediaries

Key Documents in Fuel Brokering

Initial Transaction Documents

LOI (Letter of Intent)

Buyer's initial expression of interest to purchase

SCO/FCO (Soft/Full Corporate Offer)

Seller's product offer with specifications and pricing

ICPO (Irrevocable Corporate Purchase Order)

Buyer's formal commitment to purchase

KYC (Know Your Customer)

Buyer's company registration and identification

Financial & Legal Documents

NCNDA (Non-Circumvention, Non-Disclosure Agreement)

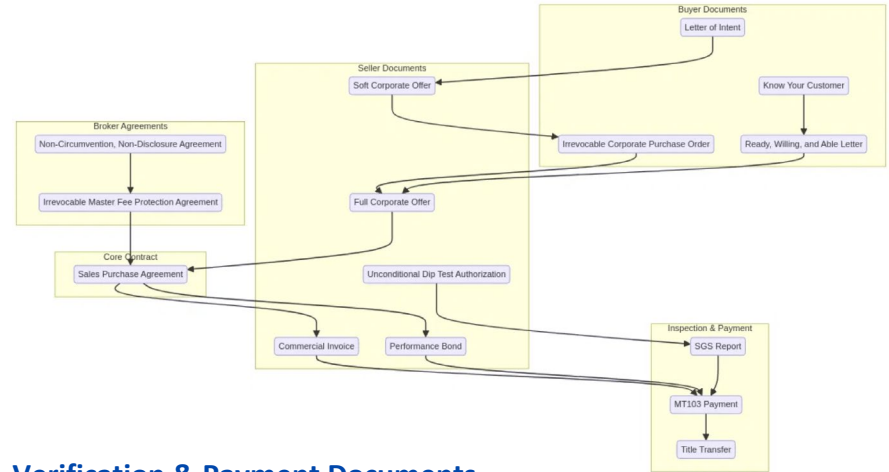
Protects all intermediaries from being bypassed

IMFPA (Irrevocable Master Fee Protection Agreement)

Ensures commission payment to all brokers

SPA (Sales Purchase Agreement)

Legally binding contract between buyer and seller



Verification & Payment Documents

RWA/POF (Ready, Willing, and Able/Proof of Funds)

Confirms buyer's financial capability

UDTA (Unconditional Dip Test Authorization)

Allows product inspection before payment

SGS Report

Third-party verification of product quality and quantity

MT103 (SWIFT Payment Message)

Bank-to-bank payment confirmation

Broker Protection and Commission Structure

Key Protection Agreements

NCNDA (Non-Circumvention, Non-Disclosure Agreement): Protects brokers from being bypassed and ensures confidentiality of all shared information. Must be signed before exposing buyer or seller details.

IMFPA (Irrevocable Master Fee Protection Agreement): Legally binds commission payments from seller's proceeds. Filed with seller's bank to ensure automatic disbursement after successful transaction.

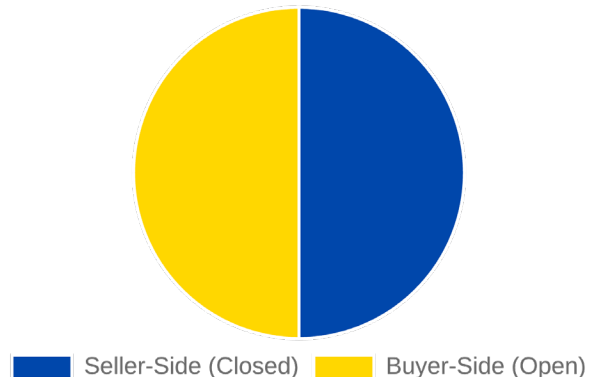
MOU (Memorandum of Understanding): Optional agreement defining commission split and terms between brokers before SPA is signed.

Broker Protection Rules

1. Never bypass anyone in the chain
2. Never expose seller/refinery details before NCNDA + IMFPA
3. Never modify SCOs or other official documents
4. Keep all communication transparent through coordination desk

Standard Commission Structure

Standard Commission Split (USD/MT)



Commission Payment Process

1. All intermediaries listed in IMFPA before deal
2. IMFPA attached to SPA and filed with seller's bank
3. Commissions paid via MT103 within 48 hours after buyer's payment
4. Same broker chain and IMFPA must be honored for all future deals between same buyer and seller

Ethical Standards and Best Practices

Broker Code of Ethics

- ✓ **Transparency:** Provide clear and honest information at all times.
- ✓ **Confidentiality:** Never share seller, broker, or refinery details without consent.
- ✓ **Non-Circumvention:** Respect all brokers who facilitated the connection.
- ✓ **Continuity:** Maintain the original commission chain in all future deals.
- ✓ **Documentation Integrity:** Never alter or falsify documents.

Communication Protocols

Email (official): For all documentation and contractual communication.

WhatsApp / Telegram: For operational updates only.

Zoom / Teams: For SPA discussions or live negotiations.

Bank-to-Bank SWIFT: For payments or instrument verification.

Building Long-Term Success

Sustainable trading comes from ethical practice, not shortcuts.

When brokers **respect the chain**, **maintain documentation integrity**, and **deliver as promised** — they build trust and gain global credibility.

"In fuel trading, **honesty and patience** are the broker's capital."

Conclusion

Key Takeaways



Trust & Integrity

The foundation of successful fuel brokering relationships



Documentation

Proper documentation protects all parties involved



Protection

NCNDA & IMFPA ensure fair compensation for all brokers



Process

Following established procedures ensures successful transactions

*"In fuel trading, **honesty and patience** are the broker's capital. Your reputation as a transparent, disciplined broker is your greatest asset."*



www.fahmyconsulting.com