A, a United States person, borrows $100,000 from a bank in foreign country X on December 31, 1964. On the same date controlled foreign corporation R pledges its assets as security for A's performance of A's obligation to repay such loan. The place at which or manner in which A uses the money is not material.

For purposes of Treas. Reg. §1.956-1(b), R Corporation will be considered to hold A's obligation to repay the bank $100,000, and, under the provisions of Treas. Reg. §1.956-1(e)(2), the amount taken into account in computing R Corporation's aggregate investment in United States property on December 31, 1964, is the unpaid principal amount of the obligation on that date ($100,000).