



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 agrees to buy for \$100,000 at maturity the note representing A's obligation if A does not repay the loan. Separate arrangements are made with respect to the payment of the interest on the loan. The place at which or manner in which A uses the money is not material.

The agreement of R Corporation to buy the note constitutes a guarantee of A's obligation. 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).