Pursuant to Treas. Reg. §1.987-1(b)(3)(ii), DE1 and DE2 are not eligible QBUs. Pursuant to Treas. Reg. §1.987-1(b)(3)(i), the Business A and Business B activities of DE2, and the Business A activities of DE1, are eligible QBUs. Moreover, pursuant to Treas. Reg. §1.987-1(b)(4), DE1 is not the owner of the Business A, Business B, or Business C eligible QBUs, and DE2 is not the owner of the Business B or Business C eligible QBUs. Instead, pursuant to Treas. Reg. §1.987-1(b)(4)(i), U.S. Corp is the direct owner of the Business A, Business B, and Business C eligible QBUs.

Because Business A and Business B are eligible QBUs with functional currencies that are different than the functional currency of U.S. Corp, Business A and Business B are section 987 QBUs (as defined in Treas. Reg. §1.987-1(b)(2)). The Business C eligible QBU has the same functional currency as U.S. Corp. Therefore, the Business C eligible QBU is not a section 987 QBU.