

“(ii) debt obligations of the United States, or of any State or possession of the United States, or any political subdivision of any State or possession; or

“(iii) debt obligations of citizens or residents of the United States;

“(B) money and deposits with persons carrying on the banking business (other than banks as defined in section 581) constitute less than 5 percent of the value of the assets of such foreign issuer; and

26 USC 581.

“(C) less than 25 percent of each class of issued and outstanding stock of such foreign issuer is held of record by United States persons.

“(2) ACQUISITIONS THROUGH UNIT INVESTMENT TRUSTS.—For purposes of paragraph (1), an acquisition of an interest in a unit investment trust (within the meaning of section 4(2) of the Investment Company Act of 1940), or in an entity performing similar custodial functions, shall be deemed a direct acquisition from the foreign issuer of the stock held by such trust or entity with respect to such interest and shall not be treated as an acquisition of stock issued by such trust or entity.

54 Stat. 799,
15 USC 80a-4.

“(3) LIMITATIONS.—

“(A) Paragraph (1) shall apply only to that portion of the total acquisitions of stock of foreign issuers described in such paragraph (determined in the order acquired) by a United States person in any one calendar year that does not exceed \$5,000.

“(B) If, after July 30, 1964, a United States person sells or otherwise disposes of stock the acquisition of which was excluded under paragraph (1) from the tax imposed by section 4911, such person shall not, with respect to such stock, be considered a United States person.

“(j) LOSS OF ENTITLEMENT TO EXCLUSION IN CASE OF CERTAIN SUBSEQUENT TRANSFERS.—

“(1) IN GENERAL.—

“(A) Where an exclusion provided by paragraph (1) (B), (2), (3), (4), or (5) of subsection (c), or the exclusion provided by subsection (d), has applied with respect to the acquisition of a debt obligation by any person, but such debt obligation is subsequently transferred by such person (before the termination date specified in section 4911(d)) to a United States person otherwise than—

“(i) to any agency or wholly-owned instrumentality of the United States;

“(ii) to a commercial bank acquiring the obligation in the ordinary course of its commercial banking business;

“(iii) in the case of an exclusion provided by paragraph (1) (B), (2), or (3) of subsection (c), to any transferee where the extension of credit by such person and the acquisition of the debt obligation related thereto were reasonably necessary to accomplish the sale of property or services out of which the debt obligation arose, and the terms of the debt obligation are not unreasonable in light of credit practices in the business in which such person is engaged; or

“(iv) in a transaction described in subsection (a) (1) or (2), or a transaction (other than a transfer by gift) described in subsection (a) (3).