

ness (1) developed or otherwise acquired the property which is leased or licensed or (2) exercised general supervision over the activities of the persons directly responsible for carrying on the activities (of soliciting, negotiating, servicing, etc.) described in the preceding sentence.

*Example.*—F, a foreign corporation, is engaged in the active conduct of a business of licensing patents which it has either purchased or developed in the United States. Corporation F has an office in the United States. Licenses for the use of such patents outside the United States are negotiated by other than the U.S. office of F corporation, subject to approval by an officer of such corporation at his office in New York. All services which are rendered to F corporation's foreign licensees are performed by employees of F corporation's offices outside the United States. None of the income, gain, or loss resulting from the foreign licenses so negotiated by F corporation is attributable to its office in the United States and therefore is not effectively connected with its conduct of the business in the United States.

*Dividends, interest, or gains derived in financing business*

Clause (ii) of subparagraph (B) applies to dividends or interest, or to gain or loss from the sale or exchange of stock or notes, bonds, or other evidences of indebtedness, if such items of income or loss are either derived in the active conduct of a banking, financing, or similar business within the United States by the nonresident alien individual or foreign corporation or received by a foreign corporation the principal business of which is trading in stocks or securities for its own account.

Absent unusual circumstances, any income, gain, or loss described in clause (ii) which is derived in the active conduct of a banking, financing, or similar business within the United States either will be attributed in whole to the business office or other fixed place of business maintained within the United States by the nonresident alien individual or foreign corporation or will not be attributed in any degree to such office or other fixed place of business. Under section 864 (b) (2) (A), as added by section 2(d) of the bill, a foreign corporation, the principal business of which is trading in stocks or securities for its own account, is to be treated as engaged in trade or business in the United States by reason of its stock or securities transactions in the United States if it (1) maintains its principal office in the United States and (2) is not a personal holding company (or a company which would be a personal holding company except for amended sec. 542(c) (7) of the code). If such a foreign corporation trades in the United States in stocks or securities and by reason of section 864(b) (2) (A) is treated as not being engaged in trade or business within the United States, no income described in clause (ii) of subparagraph (B) which is from sources without the United States will be treated as attributable to any office or other fixed place of business such corporation may have in the United States, even though such office or other fixed place of business participates in, or is used in, the conduct of such trading activities.

In general, income described in clause (ii) of subparagraph (B) does not include income from stocks or securities which are purchased for investment purposes only, and a corporation will not be treated as having as its principal business trading in stocks or securities, merely