

1 *December 31, 1966, which is effectively connected with*
 2 *the conduct of a trade or business within the United*
 3 *States is an amount equal to the gross income for such*
 4 *period from sources within the United States."*

5 (4)(A) Section 895 (relating to income derived
 6 *by a foreign central bank of issue from obligations of*
 7 *the United States) is amended to read as follows:*

8 **"SEC. 895. INCOME DERIVED BY A FOREIGN CENTRAL**
 9 **BANK OF ISSUE FROM OBLIGATIONS OF**
 10 **THE UNITED STATES OR FROM BANK DE-**
 11 **POSITS.**

12 *"Income derived by a foreign central bank of issue from*
 13 *obligations of the United States or of any agency or in-*
 14 *strumentality thereof (including beneficial interests, participa-*
 15 *tions, and other instruments issued under section 302(c) of*
 16 *the Federal National Mortgage Association Charter Act*
 17 *(12 U.S.C. 1717)) which are owned by such foreign central*
 18 *bank of issue, or derived from interest on deposits with persons*
 19 *carrying on the banking business, shall not be included in gross*
 20 *income and shall be exempt from taxation under this subtitle*
 21 *unless such obligations or deposits are held for, or used in con-*
 22 *nection with, the conduct of commercial banking functions or*
 23 *other commercial activities. For purposes of the preceding*
 24 *sentence the Bank for International Settlements shall be*
 25 *treated as a foreign central bank of issue."*