

475(c)(1) and satisfies the licensing requirements of paragraph (b)(3)(ii) of this section. Because M's sole activity is conducting a matched book repo business, M is not a securities dealer within the meaning of section 475. For its taxable year ending December 31, 1994, SD earns \$100 of gross income from trading profits and interest and dividends on inventory. For its taxable year ending December 31, 1994, M earns \$50 of net interest income from its matched book repo business. SD and M earn no other income. All of SD and M's assets are held in connection with their securities businesses and none has been identified as having been held for investment.

(ii) *Securities income earned by SD.* SD is an active dealer under paragraph (b) of this section because it is a securities dealer under section 475 and satisfies the licensing requirements of paragraph (b)(3)(ii) of this section. Therefore, because SD is a controlled foreign corporation, SD's securities income is nonpassive under paragraph (a) of this section.

(iii) *Securities income earned by M.* (A) SD and M are financial services entities that are the only members of a related group as defined in paragraph (j)(4) of this section. The percentage of the SD-M related group's financial services income that is securities income earned by active dealers (SD), is 66.66 percent $((\$100/\$150) \times 100)$. The percentage of the SD-M related group's financial services income that is securities income, banking income (as defined in § 1.1296-4(f)), or insurance income (as defined in section 1296(b)(2)(B)) is 100 percent $((\$150/\$150) \times 100)$. In addition, the percentage of M's income that is securities income is 100 percent $((\$50/\$50) \times 100)$.

(B) M is a qualified securities affiliate because the gross income tests of paragraphs (j)(2) and (3) of this section are satisfied. Accordingly, because M is a controlled foreign corporation, M's securities income is nonpassive for purposes of determining whether C or D own an interest in a PFIC (whether SD or M). M is thus not a PFIC with respect to C or D because it does not meet the income or asset tests of section 1296(a). SD also is not a PFIC with respect to C or D because it does not meet the income or assets tests of section 1296(a), after applying the look-through rule of section 1296(c).

(C) However, because B owns less than 10 percent of the stock of SD, and is therefore not a United States shareholder with respect to SD under section 951(b), M's interest income is passive (even though it is securities income) for purposes of determining whether B's indirect interest in M is an interest in a PFIC. Moreover, M's interest income is passive for purposes of determining whether A owns an interest in a PFIC. As a result, M meets the income and asset tests of section 1296(a) and is therefore a PFIC with respect to A and B.

(k) *Income from nonsecurities activities.* Income derived from the conduct of activities other than securities activities described in paragraph (e)(2) of this section and income from assets held for the conduct of such other activities are nonpassive

only to the extent otherwise provided in section 1296.

(l) *Effective date.* This section is effective for taxable years beginning after September 30, 1993.

Margaret Milner Richardson,

Commissioner of Internal Revenue.

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DEPARTMENT OF TRANSPORTATION

Coast Guard

33 CFR Part 100

[CGD01-95-033]

Special Local Regulation: 1995 Special Olympics World Games, Long Island Sound, New Haven, CT

AGENCY: Coast Guard, DOT.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Coast Guard proposes to establish a temporary special local regulation for the 1995 Special Olympics World Games. Maritime activities held as a part of the Special Olympics World Games will take place in the waters of Long Island Sound approaching New Haven, Connecticut. The dates for these maritime activities are July 1-July 10, 1995. This regulation is needed to allow the Special Olympics World Games Committee to hold the various maritime activities associated with the 1995 Special Olympics World Games without interference from the boating public, and to protect boaters, spectators, and participants from the dangers associated with these events.

DATES: Comments must be received on or before May 30, 1995.

ADDRESSES: Comments should be mailed to Commander (b), First Coast Guard District, Captain John Foster Williams Federal Building, 408 Atlantic Ave., Boston, MA 02110-3350, or may be hand delivered to Room 428 at the same address, between 8 a.m. and 4 p.m., Monday through Friday, except federal holidays. Comments will become part of this docket and will be available for inspection or copying at the above address.

FOR FURTHER INFORMATION CONTACT: Lieutenant (jg) B.M. Algeo, Chief, Boating Affairs Branch, First Coast Guard District, (617) 223-8311.

SUPPLEMENTARY INFORMATION:

Request for Comments

The Coast Guard encourages interested persons to participate in this rulemaking by submitting written data, views, or arguments. Persons submitting

comments should include their names and addresses, identify this notice (CGD01-95-033), the specific section of the proposal to which each comment applies, and give reasons for each comment. The Coast Guard requests that all comments and attachments be submitted in an 8½" × 11" unbound format suitable for copying and electronic filing. If that is not practical, a second copy of any bound material is requested. Persons requesting acknowledgment of receipt of comments should enclose a stamped, self-addressed postcard or envelope.

The Coast Guard will consider all comments received during the comment period. It may change this proposal in view of the comments. The Coast Guard plans no public hearing. Persons may request a public hearing by writing to Commander (b), First Coast Guard District at the address under **ADDRESSES**. The request should include reasons why a hearing would be beneficial. If it is determined that the opportunity for oral presentations will aid this rulemaking, the Coast Guard will hold a public hearing at a time and place announced by a later notice in the **Federal Register**.

Drafting Information

The drafters of this notice are Lieutenant(jg) Eric Doucette, Project Manager, Captain of the Port, Long Island Sound, and Lieutenant Commander F.J. Kenney, Project Counsel, First Coast Guard District Legal Office.

Background and Purpose

The 1995 Special Olympics World Games are scheduled to be held in New Haven, Connecticut, from July 1-July 10, 1995. As part of the schedule of events, various maritime activities are planned for the participants and the public. The Special Olympics World Games Committee has submitted three marine events permits to the U.S. Coast Guard. The maritime activities for which permits have been requested are to be held in the waters of Long Island Sound approaching New Haven, Connecticut. The activities include sailboat races, a Parade of Sail, and fireworks displays. Due to the inherent dangers of fireworks displays and the need for vessel control during the various races and the Parade of Sail, vessel traffic will be temporarily restricted to provide for the safety of the spectators and participants through the establishment of a proposed regulated area in New Haven Harbor and Long Island Sound.

The Coast Guard is establishing an operational order to provide for the effective coordination of the activities