



April 16, 2026

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Room 5503

Internal Revenue Service

P.O. Box 7604

Ben Franklin Station

Washington, DC 20044

Re: Proposed Regulations Regarding Section 892

Ladies and Gentlemen,

The Securities Industry and Financial Markets Association (“SIFMA”)¹ submits this letter to Treasury and the IRS in response to the recently proposed tax regulations under section 892 regarding the taxation of investments in the United States by foreign governments (the “Proposed Regulations”).

SIFMA appreciates the goal of Treasury and the IRS to provide clear rules for determining whether acquiring debt, including at original issuance, is treated as investment and not as commercial activity for purposes of section 892. With that goal in mind, SIFMA believes it is important for Treasury and the IRS to take a few steps to modify the Proposed Regulations.

First, while SIFMA appreciates the public statements made by members of Treasury and the IRS to the effect that the Proposed Regulations will preserve established market practices and will not when finalized be implemented retroactively to impact

¹ SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry’s nearly 1 million employees, we advocate for legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

existing investments, those assertions are not official pronouncements providing express assurance on which investors can rely. Accordingly, formal guidance from Treasury and the IRS is needed, providing that any final regulations under section 892 will not impact existing investments, and allowing for a reasonable prospective grandfathering period so as to not require hasty renegotiation of the terms of investments which are close to final. Such guidance could be issued on its own without other changes to the Proposed Regulations so as to provide certainty to investors and ensure that there is no chilling of investment activity into the United States as quickly as possible. SIFMA is ready and willing to support Treasury and the IRS in formulating such guidance.

Second, SIFMA believes that the presumption in Prop. Reg. §1.892-4(c)(1)(ii)(A) that any debt acquisition is considered commercial activity should be reversed. Debt acquisitions should be presumed to be investments and not be considered commercial activity unless and until they meet certain principles-based standards, which future regulations should outline. This construct should also be coupled with further examples of existing common market practices (including debt modification scenarios) that represent routine investment activity. The reversal of the presumption and the development of such examples--both efforts that SIFMA would be glad to help with--will alleviate trepidation and provide certainty to investors who may hesitate to continue investment in the U.S. without more definitive guidance, while allowing Treasury and the IRS to elucidate the qualitative aspects which rise to the level of commercial activity.

Finally, SIFMA notes that it shares some of the concerns expressed by other commentators as to the scope of the Proposed Regulations in respect of findings of effective control for purposes of section 892(a)(2)(B)(ii), and encourages Treasury and the IRS to likewise preserve existing common market practices (such as veto rights to monitor and protect existing investments) in future regulations.

SIFMA would be happy to discuss any of its recommendations with Treasury and the IRS or provide further information if doing so would be helpful in developing future guidance. SIFMA appreciates Treasury and the IRS's consideration of the comments and proposals in this letter. You can contact me at jbarker@sifma.org.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Jessica Barker".

Jessica Barker
Managing Director, Tax & Associate General Counsel