

### § 73a.735-501

consumer protection responsibilities; or

(e) His part-time work is creating an adverse effect on the image of FDA or discrediting the integrity of official FDA regulatory decisions.

### Subpart E—Financial Interests

#### § 73a.735-501 General provisions.

(a) No restrictions are placed on ownership of diversified mutual funds.

(b) An FDA employee, other than a control activity employee (defined in § 73a.735-502), may have financial interests:

(1) In an organization whose FDA-regulated activities are an insignificant part of its total operations, i.e., no more than 10 percent of the organization's annual gross sales are in products regulated by FDA; or

(2) In an organization whose FDA-regulated business activities are a significant part of its total business operations: *Provided, That:*

(i) The holding is less than \$5,000 (value or cost at time of initial reporting),

(ii) The holding represents less than 1 percent of the total outstanding stock shares of that organization, and

(iii) No more than 50 percent of the employee's total investment value is concentrated in organizations whose FDA-regulated business activities are a significant part of their business operations.

(c) Notwithstanding the provisions of this part permitting employees to hold financial interests in organizations subject to FDA regulation, an employee holding such an interest shall not participate in an official matter whose outcome would have a direct and predictable effect on his financial interest. However, this prohibition is not applicable to:

(1) Diversified mutual funds, which are exempted from 18 U.S.C. 208 by § 73.735-501(a) of this chapter.

(2) Financial interests for which the Commissioner has in advance granted a written exception on the ground that the public interest would be served if a particular employee is allowed to participate in an official matter whose outcome may have a direct and predictable effect on the employee's finan-

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cial interest. Such exemptions will be granted only in exceptional circumstances. Any determination to authorize such exceptions shall be made in accordance with 18 U.S.C. 208(b)(1) and documented for public inspection in accordance with § 73a.735-504.

#### § 73a.735-502 Employees in regulatory activities.

(a) An employee in regulatory activities ("control activity" employee) may hold financial interests in an FDA-regulated organization only if either of the following conditions are met:

(1) The regulated activities of the organization are an "insignificant" part of its total business operations, or

(2) Written approval for an individual exception is granted by the Commissioner in accordance with § 73a.735-504; however, such approval will not be considered unless all of the following conditions are met:

(i) Retention of the financial interest does not give rise to an actual conflict of interest;

(ii) Acquisition of the financial interest occurred by marriage or inheritance, or the interest was held prior to an FDA reorganization, change in regulations, or similar circumstances beyond the control of the employee that resulted in the interest becoming prohibited;

(iii) No direct relationship exists between the employee's official duties and the regulated activities of the organization in which the financial interest is held;

(iv) The employee occupies a position below that of Bureau/Deputy Bureau Director (or Assistant/Deputy General Counsel, Food and Drug Division, Office of the General Counsel); and

(v) The employee agrees to refrain from engaging, either directly or indirectly, in transactions that are designed to increase the value of his "accepted" financial interest.

(b) To administer provisions within this part, the following interpretations apply:

(1) A "control activity" employee ("control activity" positions are identified in Appendix C to Part 73 of this chapter), means one who: