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May 10, 2004

VIA EMAIL
Jonathan G. Katz, Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-0609

Re: Proposed Rule: Mandatory Redemption Fees for Redeemable Fund Securities; Release No. IC-26375; File No. S7-11-04.

Dear Mr. Katz:

We are writing to you to offer our comments on the proposed rule regarding mandatory redemption fees for redeemable mutual fund securities ("Proposed Rule"), as described in the Securities and Exchange Commission ("SEC") Release. No. IC-26375A; file No. S7-11-04, and its potential effects, both administratively and legally, on mutual funds, including funds underlying variable life and variable annuity contracts.

As a registered investment adviser, Pacific Life Insurance Company manages traditional retail mutual funds offered directly to the public, as well as those that underlie variable life insurance and variable annuity products (together, "Variable Products"). As an insurance company, we offer Variable Products.

We support sensible regulatory actions that prevent abusive market conduct and protect investors against excessive market timing. However, we oppose the Proposed Rule requirement that mutual funds, including those underlying Variable Products, be *required* to impose *mandatory* redemption fees.

We have reviewed the comment letter regarding this Proposed Rule submitted by Carl Wilkerson, Vice President and Chief Counsel, Securities & Litigation, on behalf of the American Council of Life Insurers, and we give our full support and concurrence with the views expressed in that letter. In addition, we would like to emphasize the points noted below.

In the Proposed Rule, you ask if funds should be *permitted* or *required* to charge a two percent redemption fee. We believe that a rule should *permit,* not *require,* funds to charge a redemption fee. A single solution cannot be fully effective in deterring abuse because market timers exploit discrete market conditions with different techniques. A single solution does not work for all of the various types of mutual funds, especially those underlying Variable Products. Instead, we believe a selection or a range of remedies to prevent inappropriate market timing would be the most equitable and effective regulatory solution. Redemption fees are certainly one viable proposal to address market abuses. However, limitations on the number of transfers within a Variable Product per year and/or per month may be just as effective without the substantial costs of implementation that will be required to accomplish compliance with the Proposed Rule.

We have imposed both annual and certain monthly limitations on transfers within our Variable Products and similar transfer limitations in our retail funds. In addition, the funds we manage have implemented robust fair valuation processes which include retention of a statistical research service to assist in determining the fair value of foreign securities. This service utilizes statistics and programs based on historical performance of markets and other economic data. These initiatives have been very effective in eliminating active and abusive trading and we do not believe imposition of a two percent redemption fee is necessary in light of the action we have already taken.

Further, implementation of the Proposed Rule with respect to funds underlying Variable Products is substantially more difficult and costly than for retail mutual funds. Ultimately, this cost will be borne by Variable Product contract holders through increased fees and charges.

Lastly, it should be noted that Variable Product contracts are strictly enforceable contracts between insurers and contract owners which are subject to contract law and state insurance regulation. If the Proposed Rule is implemented in any form, it should be made clear that the Rule is intended to supersede all state insurance regulations and permit insurance companies to endorse variable life and variable annuity contracts without the necessity of obtaining approval of such endorsements by any state insurance departments. Although there may be legal arguments that a "pass-through" redemption fee, derived from an underlying fund, may not require an amendment to Variable Products, we believe that many states would view that position with skepticism and would seek to require an amendment. Insurance companies should not be placed in the position of having to incur risks under contract law or state insurance law.

In conclusion, as a significant participant in the securities marketplace, we support responsible remedies to market timing abuses and have put certain processes in place to deter such abuses. We encourage the Commission to adopt rules that require mutual funds to implement such restrictions as may be necessary to eliminate abusive trading, but which allow the mutual funds to determine the most appropriate and cost effective way to address the issue, rather than mandating only one out of the numerous options available to address this issue. Accordingly, we strongly oppose authority for mandatory redemption fees as the solution to market timing abuse in mutual funds, particularly for funds underlying Variable Products.

Please call me at the above number with any questions or comments regarding this letter.

Sincerely,

/s/ Robin S. Yonis

cc: Carl Wilkerson, ACLI