

**SWS GROUP, INC.**  
**COMPENSATION COMMITTEE CHARTER**

**I. Purpose**

The primary purpose of the Compensation Committee is: (a) to discharge the Board's responsibilities relating to compensation of the Company's executive officers, (b) review the overall compensation system as determined by Company management for Company employees to insure internal and external equity; and (c) to produce an annual report on executive compensation for inclusion in the Company's proxy statement.

**II. Organization**

The Compensation Committee shall consist of three or more directors, each of whom shall satisfy the applicable independence requirements of the New York Stock Exchange and any other regulatory requirements.

Committee members shall be elected by the Board at the organizational meeting of the Board of Directors; members shall serve until their successors shall be duly elected and qualified or until their earlier resignation, removal or death. The Committee's chairperson shall be designated by the full Board or, if it does not do so, the Committee members shall elect a chairperson by vote of a majority of the full Committee.

The Committee may form and delegate authority to subcommittees when appropriate.

**III. Structure and Meetings**

The chairperson of the Compensation Committee will preside at each meeting of the Committee and, in consultation with the other members of the Committee, will set the frequency and length of each meeting and the agenda of items to be addressed at each meeting. The chairperson will ensure that the agenda for each meeting is circulated to each Committee member in advance of the meeting.

**IV. Goals and Responsibilities**

The Compensation Committee shall have the power and authority of the Board to perform the following duties and to fulfill the following responsibilities:

- a. review the performance of senior officers of the Company, and review and recommend to the Board their compensation;
- b. review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluate the Chief Executive Officer's performance in light of these goals and objectives, and recommend to the Board the Chief Executive Officer's compensation based on this evaluation;
- c. make recommendations to the Board with respect to incentive-compensation plans and equity-based plans, and establish criteria for the granting of options to the

Company's officers and other employees and review and approve the granting of options in accordance with such criteria;

- d. produce an annual report on executive compensation for inclusion in the Company's proxy statement, in accordance with applicable rules and regulations;
- e. establish and periodically review policies for the administration of executive compensation programs, review on a periodic basis the operation of the Company's executive compensation programs to determine whether they are properly coordinated, and review new executive compensation programs;
- f. establish and periodically review management benefits and perquisites, including retirement and termination benefits;
- g. review director compensation levels and practices, and recommend, from time to time, changes in such compensation levels and practices to Board with equity ownership in the Company encouraged;
- h. provide periodic reports on the Committee's activities to the Board and circulate Committee minutes of meetings to all directors;
- i. annually review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval; and
- j. perform any other activities consistent with this Charter, the Company's Bylaws and governing law as the Committee or the Board deem appropriate.

#### **V. Performance Evaluation**

The Compensation Committee shall conduct an annual performance evaluation.

#### **VI. Committee Resources**

The Compensation Committee shall have the authority to obtain advice and seek assistance from internal and external legal, accounting and other advisors. The Committee shall have sole authority to retain and terminate any compensation consultant to be used to evaluate director, CEO or senior officer compensation, including sole authority to approve the consulting firm's fees and other retention terms.

#### **VII. Disclosure of Charter**

This Charter will be made available on the Company's website at [www.swst.com](http://www.swst.com).

Adopted May 22, 2003