SWS GROUP

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OFFICE OF THE SECRETARY

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August 29, 2006

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: File Number S7-03-06

Dear Ms. Morris:

This letter is submitted on behalf of SWS Group, Inc. ("SWS"), a Texas based securities, banking and insurance firm, to address concerns related to the proposed rule requiring compensation disclosure for up to three additional non-executive officers. For the reasons discussed below, SWS as both an investor and registrant, does not believe that the minimal benefit gained by investors outweighs the substantial burdens placed on the registrant by requiring disclosure of compensation for these employees.

Reliance on Key Employees:
SWS and other accelerated filer registrants rely heavily on non-named executive key employees who because of their specialized skills and relationships are often highly compensated and therefore likely to be disclosed under the proposed rule. The competition for these key employees is vital enough to disclose generally their retention as a risk factor in our periodic reports. Therefore the sensitive information contained in this disclosure greatly amplifies our risk of losing key employees and business. As a registrant and investor we do not feel that the gain from this disclosure merits further destabilization of a material risk factor for those registrants that rely heavily on key employees who are not named executive officers.

Administrative Burden and Employee Morale:
As a registrant with segmented business units operating under different compensation philosophies which are tailored to the business it would be administratively difficult on an annual basis to identify those employees who meet both the policy making and compensation criteria. While these employees may fall generally under the disclosed compensation philosophy set by the compensation committee for named executives, the

variable and specialized factors that influence non-executive key employee's compensation would not be consistent across business units and therefore would give very little if any useful supplemental insight to investors.

However, much insight would be provided within the registrant. The release of sensitive information such as compensation and benefits to non-named executives could create significant morale issues for real or perceived peers within the registrant which are not compensated as well. Therefore, we believe that the ability to adjust incentive and compensation of non-named executives without disclosure is critical to employee infrastructure and well being.

Conclusion:
For the reasons stated, SWS believes that the insight investors would glean under the proposed rule requiring compensation disclosure for up to three additional employees would be minimal at best. In sharp contrast to investor insight, the unintentional effects of the proposed rule would impose a hefty burden on the registrant by unnecessarily straining employee morale and revealing to large accelerated filers keys to the registrant's ongoing success.

SWS appreciates the opportunity to comment on the proposed rules and looks forward to working with the Commission on this and other shareholder disclosures in the future.

Sincerely,

Donald W. Hultgren
Chief Executive Officer