

DENISE VOIGT CRAWFORD
SECURITIES COMMISSIONER

JOHN R. MORGAN
DEPUTY SECURITIES COMMISSIONER

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Texas State Securities Board

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Austin, Texas 78701-2407
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CHAIR

BRYAN K. BROWN
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EDWARD ESCUDERO
MEMBER

DERRICK MITCHELL
MEMBER

E. WALLY KINNEY
MEMBER

IN THE MATTER OF
THE DEALER REGISTRATION OF
SWS FINANCIAL SERVICES, INC.

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Order No. IC08-CAF-12

TO: James H. Ross, CEO
SWS Financial Services, Inc. (CRD No. 17587)
1201 Elm Street, Suite 3500
Dallas, TX 75270

DISCIPLINARY ORDER

Be it remembered that SWS Financial Services, Inc. ("Respondent"), by and through James H. Ross, its CEO, appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this Order and the Findings of Fact and Conclusions of Law contained herein.

FINDINGS OF FACT

1. Respondent has waived (a) Respondent's right to notice and hearing in this matter; (b) Respondent's right to appear and present evidence in this matter; (c) Respondent's right to appeal this Order; and (d) all other procedural rights granted to the Respondent by The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2007)("Texas Securities Act"), and the Administrative Procedure Act, TEX. GOV'T CODE ANN. § 2001.001 et seq. (Vernon 2000 & Supp. 2007)("Administrative Procedure Act").
2. On or about April 14, 1986, Respondent registered with the Securities Commissioner as a dealer. That registration is currently effective.
3. An agent of Respondent (the "Agent") whose principal place of business was one of Respondent's branch offices in Dallas (the "Branch Office") was involved in conducting investment-related seminars (the "Seminars") in Texas.
4. The Seminars focused on issues related to senior citizens. Advertisements for the Seminars (the "Advertisements") indicated that the Seminars were being presented by "The Society for the Protection of Accumulated Wealth of Seniors" or "The Society for the Protection of Accumulated Assets of Seniors". The Advertisements also contained the statement "Assisting Seniors since 1986". Another name used in connection with the Seminars was "Financial Distribution & Insurance Systems".

5. The Advertisements indicated that securities were offered through Respondent, and listed the address and contact information for the Branch Office.
6. Respondent knew that the Agent was conducting investment-related seminars in Texas.
7. Respondent's written supervisory procedures required each agent to submit all advertisements to the manager of the agent's Office of Supervisory Jurisdiction (OSJ). The OSJ manager was then required to forward the advertisement to Respondent's Compliance Department for review and approval.
8. An internal audit conducted by Respondent on or about December 7, 2005 (the "December 2005 audit") revealed that several brochures used in connection with seminars did not evidence approval by a designated principal or the Compliance Department. The December 2005 audit also indicated that the Branch Office was not maintaining an outline of each seminar, an invitation list for each seminar, and a list of attendees at each seminar.
9. An internal audit of the Branch Office conducted on or about September 21, 2006 (the "September 2006 audit") found that the Branch Office was not maintaining an outline of each seminar, an invitation list for each seminar, and copies of all advertisements used in connection with seminars.
10. Despite the findings of the December 2005 audit and September 2006 audit, Respondent did not take any additional steps to review the Branch Office's practices and files with respect to investment-related seminars conducted by the Agent.
11. On or about January 22, 2007, the staff of the Texas State Securities Board (the "Staff") conducted an inspection of the Branch Office.
12. In connection with the inspection, Respondent informed the Staff that specific Advertisements for the Seminars identified by the Staff were not submitted to Respondent's Compliance Department for review and approval. Respondent represents that it would not have approved those specific Advertisements if they had been submitted for approval.
13. At the time of the December 2005 audit, the Branch Office was utilizing another business name in connection with its investment-related activities. Respondent's December 2005 audit indicates that Respondent was aware and had approved the Branch Office's use of USA Financial Group for business purposes.
14. On or about June 2, 2006 and pursuant to §115.2(c) of the Rules and Regulations of the Texas State Securities Board ("Board Rules"), Respondent filed a Uniform Branch Office Registration Form ("Form BR") with the Securities Commissioner in connection with the registration of the Branch Office.

15. Item 3 of the Form BR asks, "Will any associated person of this branch office conduct any investment-related activities at this branch office under any name other than those disclosed on the applicant's Form BO or Form AOV?"
16. On Form BR filed on or about June 2, 2006 with respect to the Branch Office, Respondent answered "No" to this question under Item 3 of the Form BR despite Respondent's knowledge that the Branch Office utilized the name USA Financial Group and the fact that USA Financial Group was not disclosed on Respondent's Form BO.
17. Pursuant to §§101.2(c) and 133.33(a)(11) of the Board Rules, certain forms required to be filed with the Securities Commissioner, including Form BR, have been adopted as Board Rules.
18. On or about February 23, 2007, the Staff informed Respondent that Respondent had not listed USA Financial Group on the Form BR related to the Branch Office. On or about March 27, 2007, Respondent updated the Form BR for the Branch Office to reflect the fact that the Branch Office utilized the name USA Financial Group in connection with investment-related activities.
19. Respondent's written supervisory procedures, as effective in 2006, did not require any of Respondent's employees or agents to update the Form BR to identify all business names used in connection with investment-related activities at Respondent's branch offices.

CONCLUSIONS OF LAW

1. Respondent's failure to review all of the Advertisements utilized by the Agent in connection with the Seminars was a failure to enforce Respondent's written supervisory procedures, and constitutes a violation of §115.10(b)(1) of the Board Rules.
2. Respondent's failure to list USA Financial Group on the Form BR filed on or about June 2, 2006 for the Branch Office was a violation of the Form BR, and thus constitutes a violation of a Board Rule.
3. Respondent's written supervisory procedures, as effective in 2006, were not reasonably designed to ensure that other business names utilized by Respondent's agents were properly disclosed to the Securities Commissioner as required by the Board Rules. This failure to establish written supervisory procedures reasonably designed to achieve compliance with the Texas Securities Act and Board Rules constitutes a violation of §115.10(b)(1) of the Board Rules.
4. Pursuant to Section 14.A(6) of the Texas Securities Act, the foregoing violations of a Board Rule constitute bases for the issuance of an Order reprimanding Respondent.

5. Pursuant to Section 23-1.A(3) of the Texas Securities Act, the foregoing violations of a Board Rule constitute bases for the issuance of an Order assessing an administrative fine against Respondent.

ORDER

1. It is therefore ORDERED that SWS Financial Services, Inc. is hereby REPRIMANDED.
2. It is further ORDERED that SWS Financial Services, Inc. is hereby ASSESSED AN ADMINISTRATIVE FINE in the amount of Thirty-Five Thousand Dollars (\$35,000.00). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of Thirty-Five Thousand Dollars (\$35,000.00), payable to the State of Texas, contemporaneously with the delivery of this Order.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 22nd
day of September, 2008.

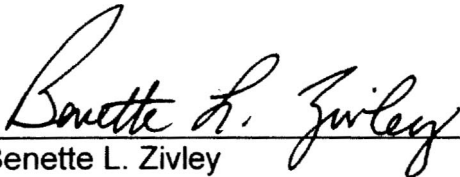

DENISE VOIGT CRAWFORD
Securities Commissioner

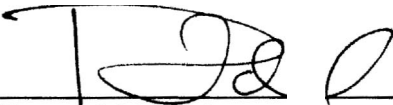
Respondent:

SWS Financial Services, Inc.


By: James H. Ross, CEO

Approved as to Form:

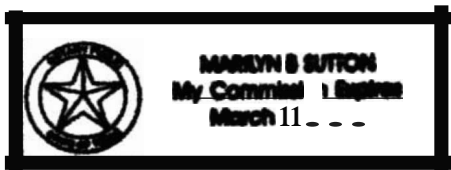

Benette L. Zivley
Director
Inspections and Compliance Division


Ronak V. Patel
Attorney
Inspections and Compliance Division

ACKNOWLEDGMENT

On the 10th day of September, 2008, SWS Financial Services, Inc. ("Respondent"), by and through James H. Ross, its CEO, personally appeared before me, executed the foregoing Order, and acknowledged that:

1. James H. Ross is duly authorized to enter into the foregoing Order on behalf of Respondent;
2. James H. Ross has read the foregoing Order;
3. Respondent has been fully advised of its rights under the Texas Securities Act and the Administrative Procedure Act;
4. Respondent knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and,
5. Respondent, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived its rights as set forth therein.



[affix notary seal here]

Maryn B. Sutton
Notary Public in and for
the State of Texas

My commission expires on: 3/31/2010