

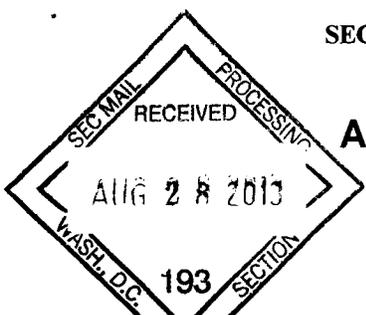
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ANNUAL AUDITED REPORT
FORM X-17A-5
PART IIP
 SEC / TM

SEC FILE NUMBER
8- 35475

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 06/30/2012 AND ENDING 06/30/2013
 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: SWS FINANCIAL SERVICES, INC.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1201 Elm Street, Suite 3500
 (No. and Street)

Dallas, TX 75270
 (City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Laura Leventhal 214-859-1026

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Grant Thornton, LLP

(Name - if individual, state last, first, middle name)

1717 Main Street, Suite 1500 Dallas, TX 75201

(Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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OATH OR AFFIRMATION

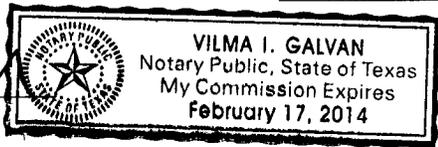
I, Larry Tate, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SWS Financial Services, Inc., as of June 30th, 2013, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Larry Tate
Signature

President and Chief Executive Officer

Title

Vilma I. Galvan
Notary Public



This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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Board of Directors and Stockholder
SWS Financial Services, Inc.

We have audited the accompanying statements of financial condition of SWS Financial Services, Inc. (a Texas corporation and a wholly owned subsidiary of SWS Group, Inc.) (the "Company") as of June 30, 2013, and the related statements of operations, stockholder's equity, and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934 and Regulation 1.16 under the Commodity Exchange Act. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SWS Financial Services, Inc. as of June 30, 2013, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is required by Rule 17a-5 under the Securities Exchange Act of 1934 and Regulation 1.16 of the Commodity Exchange Act. Such supplementary information is the responsibility of management. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Grant Thornton LLP".

Dallas, Texas
August 27, 2013

SWS Financial Services, Inc.
 (A Wholly Owned Subsidiary of SWS Group, Inc.)
Statement of Financial Condition
June 30, 2013

Assets	
Cash	\$ 6,000
Receivable from affiliate	387,027
Clearing deposit with affiliate	301,144
Fixed assets, net of accumulated depreciation of \$786,696	82,707
Securities owned, at fair value	980,169
Other assets	71,165
Total assets	<u>\$ 1,828,212</u>
Liabilities and Stockholder's Equity	
Accounts payable	\$ 24,829
Taxes payable	461,164
Total liabilities	<u>485,993</u>
Common stock without par value. Authorized 1,000,000 shares, issued and outstanding 10,000 shares, \$1,000 stated value	1,000
Additional paid-in capital	250,000
Retained earnings	1,091,219
Total stockholder's equity	<u>1,342,219</u>
Total liabilities and stockholder's equity	<u>\$ 1,828,212</u>

The accompanying notes are an integral part of this financial statement.

SWS Financial Services, Inc.
(A Wholly Owned Subsidiary of SWS Group, Inc.)
Statement of Operations
Year Ended June 30, 2013

Revenues:	
Commissions	\$ 24,536,670
Insurance revenue	9,613,506
Investment banking, advisory and administrative fees	2,823,410
Interest	43,415
Net gains on principal transactions	89,056
Other	1,055,010
	<u>38,161,067</u>
Expenses:	
Commissions and other employee compensation	33,380,243
Occupancy, equipment and computer service costs	967,902
Floor brokerage and clearing organization charges	725,572
Communications	156,116
Advertising and promotional	58,565
Other	607,813
	<u>35,896,211</u>
Income before income tax expense	2,264,856
Income tax expense	<u>805,021</u>
Net income	<u>\$ 1,459,835</u>

The accompanying notes are an integral part of this financial statement.

SWS Financial Services, Inc.
(A Wholly Owned Subsidiary of SWS Group, Inc.)
Statement Of Stockholder's Equity
Year Ended June 30, 2013

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balance at June 29, 2012	10,000	\$ 1,000	\$ 250,000	\$ 831,384	\$ 1,082,384
Net Income	-	-	-	1,459,835	1,459,835
Dividend paid to Parent	-	-	-	(1,200,000)	(1,200,000)
Balance at June 30, 2013	<u>10,000</u>	<u>\$ 1,000</u>	<u>\$ 250,000</u>	<u>\$ 1,091,219</u>	<u>\$ 1,342,219</u>

The accompanying notes are an integral part of this financial statement.

SWS Financial Services, Inc.
(A Wholly Owned Subsidiary of SWS Group, Inc.)
Statement of Cash Flows
Year Ended June 30, 2013

Cash flows from operating activities:	
Net income	\$ 1,459,835
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	21,376
Deferred income tax benefit	(2,212)
Changes in operating assets and liabilities:	
Receivable from affiliate	(189,189)
Securities owned, net	(89,124)
Taxes payable	10,252
Other assets	1,302
Accounts payable	(9,616)
Net cash provided by operating activities	<u>1,202,624</u>
Cash flow from investing activities:	
Purchase of fixed assets	<u>(2,624)</u>
Net cash used in investing activities	(2,624)
Cash flow from financing activities:	
Payment of cash dividend to Parent	<u>(1,200,000)</u>
Net cash used in financing activities	(1,200,000)
Net change in cash	-
Cash at beginning of year	<u>6,000</u>
Cash at end of year	<u><u>\$ 6,000</u></u>
Supplemental cash flow disclosures	
Cash paid for interest	<u>\$ -</u>
Cash paid for taxes	<u><u>\$ 770,973</u></u>

The accompanying notes are an integral part of this financial statement.

SWS Financial Services, Inc.
(A Wholly Owned Subsidiary of SWS Group, Inc.)
Notes to Financial Statements

1. Organization

General

SWS Financial Services, Inc. ("Company"), a Texas company, is a wholly owned subsidiary of SWS Group, Inc. ("Parent"). The Company is a registered broker/dealer in securities under the Securities Exchange Act of 1934 ("Exchange Act"). The Company is also registered with the Commodity Futures Trading Commission ("CFTC") as a non-guaranteed introducing broker and is a member of the National Futures Association ("NFA").

Change in Year End/Consolidated Financial Statements. On May 23, 2013, the Board of Directors of the Parent, acting on the recommendation of the Federal Reserve Bank of Dallas, approved a change to the Parent's fiscal year end from the last Friday of June to June 30. This change was also effective for the Company's fiscal year ended June 30, 2013.

The Company contracts with individual licensed registered representatives who conduct their securities business through the Company. These contract-registered representatives are responsible for their own direct expenses. All customer transactions are cleared through an affiliate broker/dealer, Southwest Securities, Inc. ("SWS"), on a fully disclosed basis. Accordingly, the Company is exempt from Exchange Act Rule 15c3-3 of the Securities Exchange Act of 1934, as amended ("Exchange Act Rule 15c3-3") under Section (k)(2)(ii) of this rule. SWS also provides all accounting, administrative services, management services and office facilities to the Company in accordance with an expense sharing agreement in the amount of \$50,000 per year. Based on a clearing agreement between SWS and the Company, the Company pays a clearing fee to SWS for handling all trades for the Company and has a deposit with SWS for \$301,144. Additionally, SWS collects all revenues and pays all expenses on behalf of the Company. The net effects of these transactions are recorded in receivable from affiliate on the Statement of Financial Condition. The amount of clearing fees paid to SWS for the Company's trades for the fiscal year ended June 30, 2013 was \$725,572.

On the Statement of Financial Condition, the total receivable from SWS is \$387,027.

The Company received fee income from Southwest Financial Insurance Agency, Inc. and Southwest Insurance Agency, Inc. of \$9,613,506 for the fiscal year ended June 30, 2013. Southwest Financial Insurance Agency, Inc. and Southwest Insurance Agency, Inc. are affiliates of the Company. These entities hold insurance agency licenses for the purpose of facilitating the sale of insurance and annuity products.

The financial statements do not include a statement of changes in liabilities subordinated to the claims of general creditors since no such liabilities existed as of or during the fiscal year ended June 30, 2013.

2. Summary of Significant Accounting Policies

Cash Flow Reporting

For purposes of the statement of cash flows, the Company considers cash to include cash on hand and in bank accounts. The Federal Deposit Insurance Corporation ("FDIC") insures accounts up to \$250,000. At June 30, 2013, the cash balances did not exceed the federally insured limit.

SWS Financial Services, Inc.
(A Wholly Owned Subsidiary of SWS Group, Inc.)
Notes to Financial Statements

Securities Transactions

Marketable securities are valued at fair value based on quoted market prices, and securities not readily marketable are valued at fair value as determined by management. The increase or decrease in net unrealized appreciation or depreciation of securities owned is credited or charged to operations and is included in net losses on principal transactions in the statement of operations.

Securities Owned

At June 30, 2013, securities owned consisted of NASDAQ common stock of \$288,552 and money market investments of \$691,617.

Fair Value of Financial Instruments

Fair value accounting establishes a framework for measuring fair value. Under fair value accounting, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date in the market in which the reporting entity transacts. Further, fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, fair value accounting establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. Under the standard, fair value measurements are separately disclosed by level within the fair value hierarchy. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 — Quoted prices in an active market for identical assets or liabilities. All of the Company's securities owned portfolio are valued using Level 1 inputs. Valuation of these instruments does not require a high degree of judgment as the valuations are based on quoted prices in active markets that are readily available.
- Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company currently does not have any assets or liabilities utilizing Level 2 inputs.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. The Company does not have any assets or liabilities categorized as Level 3.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Statement of Financial Condition, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Securities Owned Portfolio. Securities classified as Level 1 securities primarily consist of financial instruments whose value is based on quoted market prices such as corporate equity securities and money market instruments.

Substantially all of the Company's financial assets and liabilities are carried at fair value or at amounts which, because of their short-term nature, approximate current fair value.

Commissions

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

SWS Financial Services, Inc.
(A Wholly Owned Subsidiary of SWS Group, Inc.)
Notes to Financial Statements

Federal Income Taxes

The Company files a consolidated federal income tax return with its Parent. For purposes of these financial statements, current income taxes are computed as if the Company filed a separate income tax return.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company has no uncertain tax positions. The Company recognizes interest and penalties on income taxes in income tax expense. With limited exception, the Company is no longer subject to U.S. federal, state or local tax audits by taxing authorities for years preceding 2009. During fiscal 2013, the Parent concluded two of its state and local exams with no material exceptions. The examination of the Parent's federal tax returns for 2008 through 2010 concluded in the fourth quarter of fiscal 2013 with no material adjustments.

Fixed Assets

Fixed assets are comprised of furniture, equipment (\$745,671) and leasehold improvements (\$123,732) which are stated at cost. Depreciation of furniture and equipment is provided over the estimated useful lives of the assets (from three to seven years), and depreciation on leasehold improvements is provided over the shorter of the useful life or the lease term (up to fifteen years) using the straight-line method. Additions, improvements and expenditures for repairs and maintenance that significantly extend the useful life of an asset are capitalized. Other expenditures for repairs and maintenance are charged to expense in the period incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule ("Rule 15c3-1"), which requires the maintenance of minimum net capital of the larger of \$250,000 or 1/15 of aggregate indebtedness. At June 30, 2013, the Company had net capital of \$712,942 which was \$462,942 in excess of its minimum net capital requirement at that date. At June 30, 2013, the Company had aggregate indebtedness of \$485,993. Aggregate indebtedness as a percentage of net capital was 68% at June 30, 2013.

Proprietary accounts held at SWS, as the Company's clearing broker, are considered allowable assets in the computation of net capital pursuant to agreements between the Company and SWS which requires, among other things, for SWS to perform a computation for Proprietary Accounts of Introducing Brokers ("PAIB") assets similar to the customer reserve requirement computation set forth in Exchange Act Rule 15c3-3.

SWS Financial Services, Inc.
(A Wholly Owned Subsidiary of SWS Group, Inc.)
Notes to Financial Statements

4. Fair Value of Financial Instruments

The following table summarizes by level within the fair value hierarchy securities owned, at fair value as of June 30, 2013.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Securities owned, at fair value				
Corporate equity securities	\$ 288,552	\$ -	\$ -	\$ 288,552
Money market instruments	691,617	-	-	691,617
	<u>\$ 980,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 980,169</u>

5. Income Taxes

Income tax expense for the fiscal year ended June 30, 2013, (effective rate of 35.5%) differs from the amount that would otherwise have been calculated by applying the U.S. federal corporate tax rate (35%) to income before income taxes and is comprised of the following:

Income tax expense at the statutory rate	\$ 792,700
State income tax expense	9,725
Non-deductible meals and entertainment	1,280
Other, net	1,316
	<u>\$ 805,021</u>

Income taxes as set forth in the statement of operations consist of the following components:

Federal and state	
Current	\$ 807,233
Deferred	<u>(2,212)</u>
	<u>\$ 805,021</u>

The tax effect of temporary differences for depreciation at rates different for tax than financial reporting gave rise to the Company's deferred tax asset. The deferred tax asset, which is included in other assets, was \$16,243 at June 30, 2013.

The Company assesses the ability to realize its deferred tax assets based upon the weight of available evidence, both positive and negative. To the extent the Company believes that it is more likely than not that some portion or all of the deferred tax assets will not be realized, the Company will establish a valuation allowance. At June 30, 2013, the Company evaluated the reliability of its deferred tax assets and concluded, based on the Company's past history of profitability and future earnings projections, that a valuation allowance was not required.

The amount of current taxes payable to the Parent on the Statement of Financial Condition was \$461,164 at June 30, 2013 and is included in taxes payable.

SWS Financial Services, Inc.
(A Wholly Owned Subsidiary of SWS Group, Inc.)
Notes to Financial Statements

The Company recognizes interest and penalties on income taxes in income tax expense. There were no interest or penalties during fiscal 2013.

6. Financial Instruments with Off-Balance-Sheet Risk

The Company clears all of its securities transactions through SWS on a fully disclosed basis. Accordingly, substantially all of the Company's credit exposures are concentrated with SWS. Pursuant to the terms of the agreement between the Company and SWS, SWS has the right to charge the Company for losses that result from a counterparty's failure to fulfill its obligations and the right to rehypothecate the securities held.

At June 30, 2013, the Company is not aware of any losses for which it will be charged by SWS. At June 30, 2013, the Company has recorded no liabilities with regard to this right.

7. Employee Benefits

On November 12, 2003, the stockholders of the Parent approved the adoption of the SWS Group, Inc. 2003 Restricted Stock Plan (the "2003 Restricted Stock Plan"). The 2003 Restricted Stock Plan allows for awards of up to 1,250,000 shares of the Parent's common stock to the Parent's directors, officers and employees including the Company's officers and employees. No more than 300,000 of the authorized shares may be newly issued shares of common stock. The 2003 Restricted Stock Plan terminates on August 21, 2013.

On November 15, 2012, the stockholders of the Parent approved the adoption of the SWS Group, Inc. 2012 Restricted Stock Plan (the "2012 Restricted Stock Plan"). The 2012 Restricted Stock Plan allows for awards of Parent's common stock to the Parent's directors, officers and employees including the Company's officers and employees. The 2012 Restricted Stock Plan authorizes up to 2,630,000 shares of the Parent's common stock to be delivered pursuant to awards granted under the 2012 Restricted Stock Plan. The 2012 Restricted Stock Plan terminates on November 15, 2022.

The vesting period is determined on an individualized basis by the Parent's Compensation Committee of the Board of Directors. In general, restricted stock granted to employees under the 2012 and 2003 Restricted Stock Plans vests prorata over a three year period or is subject to a four year cliff vesting schedule. For the year ended June 30, 2013, the Company has recognized compensation expense of approximately \$4,149 for all restricted stock granted to the Company's employees.

8. Commitments and Contingencies

In the general course of its brokerage business, the Company has been named as a defendant in various lawsuits and arbitration proceedings. These claims allege violation of federal and state securities laws. Management believes that resolution of these claims will not result in any material adverse effect on the Company's financial position or results of operations.

SWS Financial Services, Inc.

(A Wholly Owned Subsidiary of SWS Group, Inc.)

Schedule I – Computation of Net Capital Pursuant to Rule 15c3-1**of the Securities Exchange Act of 1934****June 30, 2013**

Total stockholder's equity from the statement of financial condition		\$	1,342,219
Deductions and/or charges - nonallowable assets			
Receivable from affiliate	(387,027)		
Fixed assets	(82,707)		
Prepays and deferred taxes	(71,165)		(540,899)
			<hr/>
Net capital before haircuts			801,320
Haircuts on securities positions			<hr/>
			(88,378)
Net capital			712,942
Net capital requirement (larger of 1/15 of aggregate indebtedness or \$250,000)			<hr/>
			250,000
Excess net capital		\$	<hr/>
			462,942
Aggregate indebtedness		\$	<hr/>
			485,993
Ratio of aggregate indebtedness to net capital			<hr/>
			68%

Note: The above computation does not differ materially from the computation of net capital under Rule 15c3-1 as of June 30, 2013 filed by the Company with the Financial Industry Regulatory Authority on July 24, 2013.

SWS Financial Services, Inc.

(A Wholly Owned Subsidiary of SWS Group, Inc.)

**Schedule II – Computation of Determination of Reserve Requirements under
Rule 15c3-1 of the Securities Exchange Act of 1934**

June 30, 2013

The Company claims exemption from SEC Exchange Act Rule 15c3-3 under paragraph (k)(2)(ii) of that Rule.



**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON
INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5(g)(1) AND CFTC REGULATION 1.16**

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Board of Directors and Stockholder
SWS Financial Services, Inc.

In planning and performing our audit of the financial statements of SWS Financial Services, Inc. (the "Company", a Texas corporation and a wholly owned subsidiary of SWS Group, Inc.) as of and for the year ended June 30, 2013, in accordance with the standards of the Public Company Accounting Oversight Board (United States), we considered the Company's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the U.S. Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of compliance with such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g), in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

In addition, as required by Regulation 1.16 of the Commodity Futures Trading Commission ("CFTC"), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding customer and firm assets. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Regulation 1.16, in making the following:

1. The periodic computations of minimum financial requirements pursuant to Regulation 1.17.

Management of the Company is responsible for establishing and maintaining effective internal control and for the practices and procedures referred to in the preceding paragraphs. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and

of the practices and procedures referred to in the preceding paragraphs, and to assess whether those practices and procedures can be expected to achieve the SEC's and the CFTC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) and Regulation 1.16(d)(2) list additional objectives of the practices and procedures listed in the preceding paragraphs.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first, second, and third paragraphs and was not designed to identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in the Company's internal control and control activities for safeguarding securities and certain regulated commodity customer and firm assets that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second and third paragraphs of this report are considered by the SEC and CFTC to be adequate for their purposes in accordance with the Securities Exchange Act of 1934, the Commodity Exchange Act, and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second and third paragraphs of this report, were adequate at June 30, 2013, to meet the SEC's and CFTC's objectives. This report is intended solely for the information and use of the Board of Directors, management, the SEC, the CFTC, the Financial Industry Regulatory Authority, the National Futures Association, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 or Regulation 1.16 of the CFTC or both in their regulation of registered brokers and dealers and futures commission merchants, and is not intended to be and should not be used by anyone other than these specified parties.

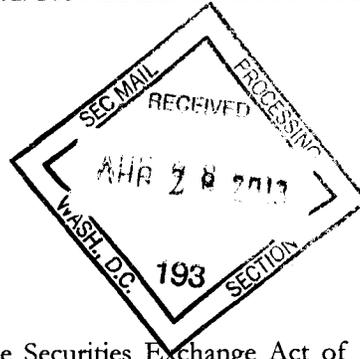
Grant Thornton LLP

Dallas, Texas
August 27, 2013



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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM



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Board of Directors
SWS Financial Services, Inc.

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments (“General Assessment Reconciliation (Form SIPC-7)”) to the Securities Investor Protection Corporation (“SIPC”) for the year ended June 30, 2013, which were agreed to by SWS Financial Services, Inc. (the “Company”) and the U.S. Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., SIPC, and solely to assist you and the other specified parties in evaluating the Company’s compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). The Company’s management is responsible for the Company’s compliance with those requirements.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries, noting no differences.
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended June 30, 2013, as applicable, with the amounts reported in Form SIPC-7 for the year ended June 30, 2013, noting no differences.
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers, noting no differences.
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments, noting no differences.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

Grant Thornton LLP

Dallas, Texas
August 27, 2013

SWS FINANCIAL SERVICES, INC.

Schedule of Securities Investor Protection Corporation
Assessments and Payments

For the year ended June 30, 2013

<u>Date Paid</u>	<u>Amount Paid</u>
February 12, 2013	\$ 24,829.34
August 22, 2013	\$ 25,191.06