

KBW, INC.
CORPORATE GOVERNANCE GUIDELINES

1. Director Qualifications and Board Composition

Independence and Qualifications. The Board has a majority of Directors who meet the criteria for independence required by the New York Stock Exchange. The Corporate Governance and Nominations Committee is responsible for reviewing the qualifications and independence of the members of the Board and its various committees at least annually as well as the composition of the Board as a whole. This review will include members' qualification as independent, as well as consideration of diversity, age, skills, and experience in the context of the needs of the Board. Nominees for Directorship will be recommended to the Board by the Corporate Governance and Nominations Committee in accordance with the policies approved by such Committee and the principles in its charter. The invitation for new members to join the Board should be extended by the Board itself and by the Chairman of the Board.

Size of the Board. The Board has seven members, the majority of whom the Board has affirmatively determined satisfy the independence standards established by the Sarbanes-Oxley Act and the applicable rules of the SEC and the NYSE.

Change of Status. Any individual Director who significantly changes the principal occupation, position or responsibility he or she held when he or she was elected to the Board should volunteer to resign from the Board if such change might be deemed to compromise such individual's status as an independent director or might, under the circumstances, otherwise have a substantial negative impact on such individual's qualifications and attributes previously reviewed and considered by the Board and the Corporate Governance and Nominations Committee in order to determine the suitability of such individual for Board membership. The Board does not believe that in every instance the Directors who retire or change from the occupation, position or responsibility they held when they joined the Board should volunteer to resign or necessarily leave the Board. There should, however, be an opportunity for the Board, either itself or through the Corporate Governance and Nominations Committee, to review the continued propriety of Board membership under the circumstances.

Other Directorships. Directors should advise the Chairman of the Board and the Chairman of the Corporate Governance and Nominations Committee in advance of accepting an invitation to serve on another public company board. There should be an opportunity for the Board, either itself or through the Corporate Governance and Nominations Committee, to review the Director's availability to fulfill his or her responsibilities as a Director if he or she serves on more than three other public company boards.

Term Limits. The Board does not plan to establish term limits. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they carry the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, to provide an increasing contribution to the Board and the Company.

2. Director Responsibilities

Business Judgment; Indemnification. The basic responsibility of the Directors is to exercise their business judgment in good faith to act in what they reasonably believe to be in the best interests of the Company and its stockholders. In discharging that obligation, Directors shall be entitled to rely on the honesty and integrity of their fellow Directors and of the Company's senior executives, outside advisors and outside auditors. The Directors shall also be entitled to have the Company purchase reasonable Directors' and officers' liability insurance on their behalf, to the benefits of indemnification to the fullest extent permitted by law and the Company's bylaws and certificate of incorporation and any indemnification agreements.

Meetings. Directors are expected to attend Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting will generally be distributed in writing to the Directors before the meeting, and Directors should review these materials in advance of the meeting.

Matters to be Considered. The Chairman will establish the agenda for each Board meeting. At or prior to the beginning of each year, the Chairman will establish an annual agenda of general subjects to be discussed during the year (to the degree these can be foreseen). Each Board member is free to suggest the inclusion of items on the annual agenda. In addition, each Board member is free to raise at any Board meeting any subjects that are not on the agenda for that specific meeting. As often as necessary, the Board will review the Company's key strategies and the principal issues it faces, and the Board should review the Company's long-term strategic plans and the principal issues that it will face in the future at least once each year.

Meetings of Outside Directors. The non-management Directors will meet periodically in executive session. If the non-management directors include any directors who are not "independent" pursuant to the Board's standards for determining independence, at least one executive session will include only independent Directors. The name of the presiding Director at these meetings, or the method by which the presiding Director of each session is selected, will be determined by the non-management Directors and disclosed in the annual proxy statement.

Communications. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company. However, it is expected that Board members will do this only with the knowledge of the management and, absent unusual circumstances or as contemplated by the committee charters, only at the request of management.

3. Board Committees

Committees and Members. The Board will have at all times an Audit Committee, a Compensation Committee and a Corporate Governance and Nominations Committee. All of the members of these committees will be independent Directors under the criteria established by the New York Stock Exchange and, in the case of the Audit Committee, Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated

thereunder. In general, committee members will be appointed annually by the Board, with consideration of the desires and preferences of individual Directors. While due consideration will be given to rotating committee members periodically, rotation will not be mandated as a policy and the emphasis will instead be placed on expertise, past performance and director preference.

Committee Charters. Each of the Audit, Compensation and Corporate Governance and Nominations Committee will have its own charter. The charters will set forth the purposes, goals, responsibilities and authority (consistent with any applicable bylaws or resolutions of the Board) of the committees, as well as certain specific qualifications for committee membership and general procedures for committee member appointment; in addition, the charters will address committee reporting to the Board. The charters will also provide that each committee will annually evaluate its own performance and report the results of this evaluation to the Board.

Committee Meetings. The chairman of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The chairman of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda. At or prior to the beginning of each year, each committee will establish an annual agenda of general subjects to be discussed during the year (to the degree these can be foreseen). The schedule of regularly scheduled meetings for each committee will be furnished to all Directors.

Independent Advisors. The Board shall have the power to hire at the expense of the Company independent legal, financial or other advisors as it may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance.

Additional Committees. The Board may, from time to time, establish or maintain additional committees as necessary or appropriate. Committees may, from time to time, form and delegate authority to subcommittees as necessary or appropriate, to the extent permissible.

4. Director Access to Officers and Employees

Full Access. Directors have full and free access to officers and employees of the Company. Any meetings or contacts that a Director wishes to initiate may be arranged through the CEO, CFO or the General Counsel or directly by the Director. The Directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company and does not inappropriately disclose any confidential or sensitive information in the possession of the Director and will copy, to the extent not inappropriate, the CEO on any written communications between a Director and an officer or employee of the Company.

Non-Director Attendance at Board Meetings. The Board welcomes regular attendance at each Board meeting of the appropriate representatives of senior management of the Company as shall be determined from time to time, subject to the Board's right in all instances to meet in executive session or with a more limited number of management representatives. If the CEO wishes to have additional Company personnel attendees on a regular basis, this suggestion should be brought to the Board for consideration.

5. Director Compensation

The form and amount of Director compensation will be determined by the Compensation Committee in accordance with the policies and principles set forth in its charter and any NYSE or other applicable rules, and that committee will conduct an annual review of Director compensation. The Corporate Governance and Nominations Committee will consider whether Directors' independence may be affected if Director compensation and perquisites exceed certain levels, if the Company makes substantial charitable contributions to organizations with which a Director is affiliated, or if the Company enters into consulting contracts with (or provides other indirect forms of compensation to) a Director or an organization with which the Director is affiliated.

6. Director Orientation and Continuing Education

New Directors must participate in Company orientation sessions, which should, if reasonably practicable, be conducted within two months of the annual meeting at which new Directors are elected or within two months of the time the new Director otherwise joins the Board. Such sessions may be conducted on one or more occasions and may be incorporated into regularly scheduled Board or committee meetings. The orientation will include presentations by senior management to generally familiarize new Directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Business Conduct and Ethics, its principal officers, and its internal and independent auditors. All continuing Directors are also invited to attend such orientation sessions, whether or not incorporated into a meeting in which such continuing Directors are otherwise anticipated to be present.

7. CEO Evaluation and Management Succession

CEO Review. The Compensation Committee will conduct an annual review of the CEO's performance, as set forth in its charter. The Board of Directors will review the Compensation Committee's report in order to confirm that the CEO is providing effective leadership for the Company in the long- and short-term.

Succession Planning. The Compensation Committee will periodically report to the Board on succession planning. The entire Board will work with the Compensation Committee to nominate and evaluate potential successors to the CEO. The CEO should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

8. Annual Performance Evaluation

The Board of Directors will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Corporate Governance and Nominations Committee will receive comments from all Directors and report annually to the Board with an assessment of the Board's performance. This will be discussed with the full Board following the end of each fiscal year. The focus of such assessment will include the Board's contribution to the Company as well as areas in which the Board or management believes that the Board could improve.