

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

Andres Madero (CRD No. 2101826),

Respondent.

Disciplinary Proceeding
No. 2010025179801

Hearing Officer Sara Nelson Bloom

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: January 31, 2013

INTRODUCTION

Disciplinary Proceeding No. 2010025179801 was filed on October 22, 2012 by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Andres Madero submitted an Offer of Settlement (Offer) to Complainant dated January 16, 2013. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of

findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

From July 2008 to November 2010, Madero was associated with the Firm as a Series 6 Investment Company Products/Variable Contracts Representative with State Farm VP Management Corp. (the "Firm") and an independent contract insurance agent with the Firm's affiliate, State Farm Insurance Company ("State Farm" or the "Affiliate"). Madero maintained his office in North Haven, Connecticut.

On November 17, 2010, the Firm filed a Uniform Termination Notice for Securities Industry Registration ("Form U5") notifying FINRA that on November 11, 2010, it had terminated Madero's association as a registered representative, based on concerns about his business practices as an insurance agent. Madero has not been associated with a FINRA member firm since November 2010. Madero continued to work as an agent of the Affiliate until December 31, 2010, when the Affiliate declined to renew his agency contract.

Although Madero is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint is being filed within two years after the effective date of termination of Respondent's registration with the Firm, namely, November 17, 2010; and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

State Farm insurance agents are required to maintain a Premium Fund Account ("PFA").

A PFA is a non-interest bearing bank account used by agents solely to deposit insurance premium payments (in the form of cash, checks and money orders) that they receive from customers. State Farm permits agents to open PFAs in their names at the banks of their choice, with the condition that State Farm is given access to the funds so that it can electronically process premium payments. Premium payments accepted by the agent belong to the Affiliate.

An agent is supposed to record customer premium payments into State Farm's system at the close of the business day on which he receives the payments. This entry triggers the process by which electronic funds are transferred ("swept") to the Affiliate. The Affiliate generally sweeps a PFA three business days after an agent records that he received customer premium payments into State Farm's system. State Farm credits customers for making premium payments as soon as the agent records receipt of the payments into the system.

Madero maintained a PFA at ABC Bank. During the Relevant Period, he received funds from customers for premium payments, removed them from his office and never deposited them into the PFA.

On four occasions during September to November 2010, the Affiliate attempted to sweep premium payments from Madero's PFA and found that there were insufficient funds in the account. On each occasion, there was a discrepancy between amounts of premium payments that Madero recorded that he received from customers and the actual PFA balance. The dates of the failed funds transfers, totaling \$28,957.89, and the shortage in the PFA on each date are shown in the chart below:

Date of Sweep	Amount of Shortage
09/03/10	\$4,087.50
09/15/10	\$9,696.81
10/08/10	\$9,291.45
11/09/10	\$5,882.13

Madero failed to deposit additional customer payments into the PFA after the Firm terminated his securities registration but while he was still an insurance agent with the Affiliate. On December 6, 2010, the Affiliate attempted to make another sweep from the PFA, but that transfer failed because the account was short by \$5,217.66.

The total dollar shortage in Madero's PFA was \$34,170.36

The Affiliate obtained reimbursement of the funds missing from the PFA by withholding Madero's bonus payments.

No customer insurance policies lapsed or were cancelled as a result of Madero's failure to deposit premium payments into the PFA.

FINRA Rule 2010 requires an associated person, in the conduct of his business, to "observe high standards of commercial honor and just and equitable principles of trade."

During the period September 2010 to November 2010, when he was a registered representative of the Firm, Madero misappropriated insurance premium payments that he received from State Farm customers from the Affiliate.

As a State Farm agent, Madero was required to collect and promptly remit monies due to State Farm from its insurance customers.

Under State Farm's procedures, an agent must prepare receipts for all premium payments received from customers. When an agent collects premiums for insurance business, he is

supposed to enter the payments into State Farm's system and deposit the premium payments into the PFA maintained for that purpose.

Madero received premium payments from customers, and recorded them into State Farm's system, but failed to deposit them into the PFA.

By reason of the foregoing conduct, Madero engaged in misappropriation, and thus failed to adhere to high standards of commercial honor and just and equitable principles of trade, in violation of FINRA Rule 2010.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent be

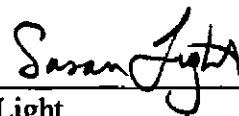
Barred from association with any FINRA member in all capacities.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

Signed on behalf of the
Director of ODA, by delegated authority

A handwritten signature in cursive script, appearing to read "Susan Light", is written over a horizontal line.

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