**NATIONAL FUTURES ASSOCIATION**
**BEFORE THE**
**BUSINESS CONDUCT COMMITTEE**

**FILED**

JUN 17 2025

NATIONAL FUTURES ASSOCIATION
LEGAL DOCKETING

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| In the Matter of:<br><br>ALGGORITMICA PORTFOLIO MANAGEMENT LLC<br>(NFA ID #519299),<br><br>and<br><br>LINO DAVID FLORES HIDALGO<br>(NFA ID #519743),<br><br>Respondents. | )<br>)<br>)<br>)<br>)<br>)<br>)<br>)<br>)<br>)<br>)<br>) | NFA Case No. 25-BCC-05 |

## COMPLAINT

Having reviewed the investigative report submitted by the Compliance Department of National Futures Association (NFA) and having reason to believe that NFA Requirements are being, have been, or are about to be violated and that the matter should be adjudicated, NFA's Business Conduct Committee issues this Complaint against Alggoritmica Portfolio Management LLC (Alggoritmica) and Lino David Flores Hidalgo (Hidalgo).

## ALLEGATIONS

### JURISDICTION

1. At all times relevant to this Complaint, Alggoritmica was a commodity pool operator (CPO), commodity trading advisor (CTA) and NFA Member. As such, Alggoritmica was and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof.

2. At all times relevant to this Complaint, Hidalgo was a principal and associated person (AP) of Alggoritmica and an NFA Associate. As such, Hidalgo was and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof. Alggoritmica is liable for violations of NFA Requirements committed by Hidalgo during the course of his activities on behalf of Alggoritmica.

## BACKGROUND

3. Alggoritmica has been registered with the Commodity Futures Trading Commission (CFTC) as a CPO and CTA and approved as an NFA Member since April 2019. The firm is located in Wilmington, Delaware.

4. Hidalgo is Alggoritmica's managing member and sole employee. He has been a principal and AP of the firm and an NFA Associate since April 2019.

5. As a CPO, Alggoritmica operates two pools—Alggoritmica Commodities Portfolio LP (Commodities Portfolio) and Alggoritmica Volatility Portfolio Fund LP (Volatility Fund or the Fund).

6. According to Hidalgo, Commodities Portfolio has never had any participants, received any funds or traded, while Volatility Fund traded proprietary funds from July 2021 to March 2024.

7. Starting in April 2024, Volatility Fund began accepting and trading participant funds. These investments totaled about $660,000 from eight individual investors, two of whom are U.S. residents.

8. The Fund lost about 90% of its net asset value (NAV) from April 2024 through December 31, 2024, when its NAV totaled approximately $3,000.

9. NFA commenced an examination of the firm in January 2025 (2025 Exam). As alleged further below, NFA found several violations of NFA Compliance Rules. Moreover, NFA has been unable to complete its exam because the firm and Hidalgo have failed to cooperate fully and promptly with NFA.

## APPLICABLE RULES

10. NFA Compliance Rule 2-4 requires Members and Associates to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their commodity futures business.

11. NFA Compliance Rule 2-5 requires, in pertinent part, Members and Associates to cooperate promptly and fully with NFA in any investigation, inquiry, audit, examination or proceeding regarding compliance with NFA requirements or any NFA disciplinary or arbitration proceeding.

12. NFA Compliance Rule 2-13(a) incorporates by reference CFTC Regulations 4.1, 4.7, 4.12 and 4.16 through 4.41 and provides that any Member who violates these Regulations is deemed to have violated an NFA requirement.

13. CFTC Regulation 4.7(b) provides, in pertinent part, that CPOs of 4.7 exempt pools must sell participations in the 4.7 exempt pool only to QEPs. For a U.S. person to qualify as a QEP, that person must meet certain financial thresholds described in Regulation 4.7 involving the amount of securities and other investments the individual owns and the amount of funds on deposit with a futures commission merchant (FCM) in initial margin and option premiums, or a portfolio with some combination of the two.

14. CFTC Regulation 4.7(b) further provides, in pertinent part, that CPOs of 4.7 exempt pools must:

- Prepare and distribute statements to pool participants no less frequently than quarterly within 30 days after the end of the reporting period that include the NAV of the pool at the end of the reporting period and an oath or affirmation that the information is accurate and complete;
- File with NFA and distribute to each participant within 90 days after the end of the pool's fiscal year an Annual Report containing certain minimum financial information as set forth in the Regulation; and
- Include in any offering memorandum the CPO distributes in connection with soliciting prospective participants in an exempt pool all disclosures necessary to make the information contained therein not misleading.

15. NFA Compliance Rule 2-45 prohibits a CPO from permitting any of its commodity pools to make a direct or indirect loan or advance of pool assets to the CPO, the CPO's principals or any other affiliated person or entity.

## COUNT I

**VIOLATIONS OF NFA COMPLIANCE RULE 2-13(a): FAILURE TO ENSURE THAT VOLATILITY FUND QUALIFIED FOR THE CLAIMED CFTC EXEMPTION; USING A MISLEADING DISCLOSURE DOCUMENT; FAILURE TO COMPLY WITH POOL PARTICIPANT ACCOUNT STATEMENT REQUIREMENTS; AND FAILURE TO FILE A POOL FINANCIAL REPORT WITH NFA.**

16. The foregoing paragraphs are realleged as if fully stated herein.

17. Alggoritmica has claimed an exemption under CFTC Regulation 4.7 for Volatility Fund on the basis that each pool participant is a qualified eligible person (QEPs), as defined under Regulation 4.7(a). As an exempt CPO, the firm is obligated to ensure that all participants in the Fund are QEPs.

18. As alleged above, two participants in Volatility Fund are U.S. residents. They are a mother (Participant 1) and her daughter, who is a college student (Participant 2).

19. During an interview with NFA as part of the 2025 exam, Participant 1 indicated that her friend—who is also a friend of Hidalgo's and a participant in the Fund (Participant 3)—solicited her and her daughter to invest in the Fund.

20. Although NFA and CFTC Requirements provide that a person who solicits funds for participation in a commodity pool must be an AP and NFA Associate, Participant 3 has never been an AP of Alggoritmica or any other Member or an NFA Associate.

21. In addition, Participant 1 told NFA that Participant 3 filled out the documents for her to invest in the Fund, including the subscription documents that indicated Participant 1 was a QEP.

22. However, NFA learned during the interview that neither Participant 1 nor Participant 2 met the financial thresholds set forth in Regulation 4.7 to qualify as QEPs.

23. Based on the foregoing, Alggoritmica and Hidalgo failed to ensure that the Fund qualified for the claimed 4.7 exemption.

24. Even though Volatility Fund did not qualify for the exemption, the firm and Hidalgo operated the Fund as an exempt pool under Regulation 4.7.

25. Regulation 4.7 offers CPOs relief from certain compliance obligations, including disclosure requirements. However, if a CPO distributes an offering or private placement memorandum (hereafter referred to as a disclosure document or DD) in connection with soliciting prospective participants in an exempt pool, the DD must include all disclosures necessary to make the information contained in the DD not misleading.

26. Since becoming a Member in 2019, Alggoritmica has submitted several DDs to NFA. The firm's most recent DD submission occurred in August 2023.

27. The August 2023 DD contained several deficiencies (*e.g.*, inconsistencies with the break-even analysis, incomplete rates of return), which made the DD misleading. NFA informed Alggoritmica and Hidalgo of these deficiencies in an August 18, 2023 letter and indicated they needed to address them before using the DD to solicit participants.

28. NFA did not receive a response to its August 2023 letter or a revised DD.

29. As part of the 2025 exam, NFA requested a copy of the DD the firm used to solicit participants.

30. Hidalgo provided the exam team with two different versions of a May 2024 DD—one containing performance information through June 2023 and the other with no performance.

31. The May 2024 DD with performance appeared to be the deficient August 2023 DD revised to include a new date (*i.e.*, May 2024) and some other changes. However, the firm did not correct all the material deficiencies NFA noted in the August 2023 DD.

32. One Volatility Fund participant NFA interviewed confirmed he had received the May 2024 DD with performance.

33. NFA tested the performance information in the May 2024 DD and noted material omissions that made the document misleading.

34. To illustrate, the DD reflected performance information starting in July 2021 and displayed zero gains and losses for May through July 2022. However,

statements from the FCM where Volatility Fund traded showed the Fund incurred substantial trading losses from May through July 2022.

35. The DD did not contain any trading results for the Fund after June 2023. However, pool quarterly reports filed with NFA and other records the firm provided during the exam showed the Fund lost approximately 50% of its NAV from July 2023 through April 2024.

36. The omission of this material performance information from the DD made the document misleading.

37. As the CPO of a 4.7 exempt pool, Alggoritmica is also obligated to comply with financial reporting requirements. However, the 2025 exam found the firm failed to comply with its reporting obligations.

38. NFA's exam found that Alggoritmica failed to distribute account statements to participants within 30 days after the end of the reporting period as provided for in the DD.

39. Specifically, Alggoritmica failed to send pool participants the October and November 2024 account statements and sent participants the July and September 2024 account statements late.

40. The account statements sent to participants also failed to include required information, including the pool's NAV at the end of the reporting period or the required oath/affirmation.

41. In addition, Alggoritmica was required to file the Fund's annual report (also called a pool financial statement or PFS) with NFA and distribute it to each participant

within 90 days after the end of the pool's fiscal year by March 31, 2025. To date, Alggoritmica has not filed the required PFS.

42. By reason of the foregoing acts and omissions, Alggoritmica is charged with violating NFA Compliance Rule 2-13(a).

## COUNT II

## VIOLATION OF NFA COMPLIANCE RULE 2-45: PERMITTING A PROHIBITED LOAN OR ADVANCE OF VOLATILITY FUND ASSETS TO ALGGORITMICA AND HIDALGO.

43. The foregoing paragraphs are realleged as if fully stated herein.

44. As a CPO Member, Alggoritmica is prohibited under Compliance Rule 2-45 from permitting any of its commodity pools to make a direct or indirect loan or advance of pool assets to the CPO, the CPO's principals or any other affiliated person or entity.

45. During the 2025 exam, NFA noticed a receivable labeled as "Due from Manager" on the Fund's balance sheet.

46. The receivable totaled $7,000 on the April 2024 balance sheet and increased to about $9,400 as of the July 2024 balance sheet.

47. NFA contacted the third-party fund administrator about the receivable, who indicated that Alggoritmica and Hidalgo had redeemed their interests in the Fund in April 2024 and July 2024, before the month-end NAV had been calculated.

48. When the administrator calculated the month-end NAV for these periods, it determined the Fund had overpaid Alggoritmica and Hidalgo and, therefore, created the "Due from Manager" receivable to represent the overpayments.

49. The receivable amounts to a prohibited loan or advance of Fund assets to the firm and Hidalgo.

50. NFA notified Hidalgo several times that he and the firm must immediately repay the Fund, but they have not done so based on NFA's current information.

51. By reason of the foregoing acts and omissions, Alggoritmica is charged with violating NFA Compliance Rule 2-45.

## COUNT III

### VIOLATIONS OF NFA COMPLIANCE RULE 2-4: FAILING TO UPHOLD HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE BY FAILING TO ACT IN THE BEST INTERESTS OF THE VOLATILITY FUND AND ITS PARTICIPANTS.

52. The foregoing paragraphs are realleged as if fully stated herein.

53. The conduct alleged above in Counts I and II demonstrates that Alggoritmica and Hidalgo failed to act at all times in the best interests of the Volatility Fund and its participants.

54. As alleged in Count I, Alggoritmica and Hidalgo disregarded their obligations to comply with regulatory requirements by failing to ensure that all the Fund's participants were QEPs and by allowing an unregistered individual (Participant 3) to solicit Participants 1 and 2, neither of whom met the QEP requirements, to invest in the Fund.

55. Alggoritmica and Hidalgo also used a misleading DD to solicit Fund participants since the May 2024 DD that at least one participant received omitted material information about trading losses the Fund had incurred.

56. The firm and Hidalgo also failed to act in the best interest of pool participants by failing to distribute the October and November 2024 account statements to participants.

57. Hidalgo informed NFA that he did not distribute the October and November 2024 account statements because he contacted each participant personally to "brace" them for additional losses the Fund had suffered from April to December 2024.

58. NFA interviewed five participants, some of whom did not know about the trading losses.

59. NFA confronted Hidalgo with this inconsistency, and he indicated he only contacted four participants.

60. However, two of those participants told NFA that Hidalgo never contacted them about the losses.

61. As alleged in Count II, Alggoritmica and Hidalgo have failed to repay the "Due from Manager" receivable resulting from the overpayments when they redeemed their interests in the Fund. This conduct also contradicts the just and equitable principles required of Members and Associates.

62. By reason of the foregoing acts and omissions, Alggoritmica and Hidalgo are charged with violating NFA Compliance Rule 2-4.

## COUNT IV

## VIOLATIONS OF NFA COMPLIANCE RULE 2-5: FAILURE TO COOPERATE PROMPTLY AND FULLY WITH NFA.

63. The foregoing paragraphs are realleged as if fully stated herein.

64. Under NFA Compliance Rule 2-5, Alggoritmica and Hildalgo are required to cooperate promptly and fully with NFA in any inquiry, examination or other proceeding regarding compliance with NFA requirements.

65. However, Alggoritmica and Hidalgo failed to cooperate fully and promptly with NFA during the 2025 exam, which caused NFA to be unable to complete the exam.

66. For example, despite NFA's repeat requests, Alggoritmica and Hidalgo failed to provide NFA with all versions of the DD provided to participants.

67. Alggoritmica and Hidalgo also failed to provide emails and other electronic communications that the firm and Hidalgo had with participants, which communications NFA had requested to review, among other things, Hidalgo's communications with Participant 3 regarding their dealings with each other and Participant 3's activities on behalf of the firm.

68. In addition, despite NFA's repeat requests, Alggoritmica and Hidalgo failed to provide NFA with adequate information to explain a September 2024 reimbursement of $31,650 that the Fund paid to Alggoritmica for "organizational costs," including $10,250 that the Fund apparently paid in July 2021.

69. Hidalgo also failed to complete consent forms authorizing NFA to obtain confirmations for bank accounts of the firm and pools.

70. During the 2025 exam, NFA sent several requests where Alggoritmica and Hidalgo failed to meet the response deadline, often by more than a week, or responded with incomplete information.

71. NFA sent Alggoritmica and Hidalgo emails in March and April 2025 that reminded them of the obligation to cooperate under Compliance Rule 2-5 and required them to respond to NFA's outstanding requests.

72. When Alggoritmica and Hidalgo failed to respond to an April 15, 2025 deadline, NFA sent another email that emphasized the failure to cooperate violated Compliance Rule 2-5, required a response to all outstanding requests immediately, and warned of a potential disciplinary action for failing to comply.

73. Hidalgo sent a responding email on April 21, 2025, indicating that Alggoritmica intended to liquidate Volatility Fund and that he would provide NFA with "account statements," although it is unclear to what he was referring. His email was silent about other outstanding requests.

74. NFA responded with an email that informed Hidalgo NFA still needed to complete its exam (even though he and the firm planned to liquidate the Fund) and required a response to all outstanding requests.

75. Except for the April 21, 2025 email, Hidalgo and Alggoritmica have not responded to any of NFA's requests since March 31, 2025.

76. By reason of the foregoing acts and omissions, Alggoritmica and Hidalgo are charged with violating NFA Compliance Rule 2-5.

## PROCEDURAL REQUIREMENTS

## ANSWER

You must file a written Answer to the Complaint with NFA within thirty (30) days of the date of the Complaint. The Answer shall respond to each allegation in the Complaint by admitting, denying, or averring that you lack sufficient knowledge or information to admit or deny the allegation. An averment of insufficient knowledge or information may only be made after a diligent effort has been made to ascertain the relevant facts and shall be deemed to be a denial of the pertinent allegation.

The place for filing an Answer shall be:

National Futures Association
320 South Canal Street
Suite 2400
Chicago, Illinois 60606
Attn: Legal Department-Docketing

Email: Docketing@nfa.futures.org

Failure to file an Answer as provided above shall be deemed an admission of the facts and legal conclusions contained in the Complaint. Failure to respond to any allegation shall be deemed an admission of that allegation. Failure to file an Answer as provided above shall be deemed a waiver of hearing.

## POTENTIAL PENALTIES, DISQUALIFICATION, AND INELIGIBILITY

At the conclusion of the proceedings conducted in connection with the issuance of this Complaint, one or more of the following penalties may be imposed:

(a) expulsion or suspension for a specified period from NFA membership;

(b) bar or suspension for a specified period from association with an NFA Member;

(c) censure or reprimand;

(d) monetary fine not to exceed $500,000 for each violation found; and

(e) order to cease and desist or any other fitting penalty or remedial action not inconsistent with these penalties.

The allegations in this Complaint may constitute a statutory disqualification from registration under Section 8a(3)(M) of the Commodity Exchange Act. A Respondent in this matter who applies for registration in any new capacity, including as an associated person with a new sponsor, may, after opportunity for hearing, be denied registration or conditionally registered based on the pendency of this proceeding.

Pursuant to CFTC Regulation 1.63, penalties imposed in connection with this Complaint may temporarily or permanently render Respondents who are individuals ineligible to serve on disciplinary committees, arbitration panels and governing boards of a self-regulatory organization, as that term is defined in CFTC Regulation 1.63.

**NATIONAL FUTURES ASSOCIATION**
**BUSINESS CONDUCT COMMITTEE**

Dated: 06/17/2025

By: ______________________
Chair