News Release

Toronto lawyer committed market manipulation, BCSC panel says

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Correction: An earlier version of this news release had the incorrect number of shares that were bought.

Vancouver – A panel of the BC Securities Commission (BCSC) has found that a Toronto law firm partner directed a wash trade to artificially lower the share price of a B.C.-based public company.

The lawyer, Shimshon Refoel (Shimmy) Posen, had Waraba Gold Limited as a client In January 2024. The company, which was listed on the Canadian Securities Exchange (CSE), wanted to sell 10 million shares in a private placement for $0.03 a share.

The CSE requires that if one of its listed companies wants to sell shares in a private placement below $0.05 a share, the price cannot be lower than its volume-weighted adjusted price (VWAP) over the prior 20 trading days. At the time, the 20-day VWAP of the company's shares was $0.078.

To drive down the share price, Posen placed an order to buy 70,000 shares at $0.005 per share in an online investment account in his name. He then directed a matching sell order for 50,000 shares at $0.005 per share, by instructing a registered representative to enter the sell order in an investment account in the name of a holding company owned by Posen's wife, over which Posen had trading authority.

This type of transaction is known as a "wash trade." In describing this type of transaction, the panel wrote that "the concept of a wash trade is that there is no substance to the trade."

A few days later, Posen's law firm, on behalf of the B.C. company, informed the CSE that the company's 20-day VWAP was now below $0.03.

The panel found that Posen violated B.C.'s *Securities Act* because he knew, or reasonably should have known, that his action would result in or contribute to a misleading appearance of trading activity in the company's shares, and an artificial price for those shares.

In describing Posen's actions, the panel wrote that "his conduct would naturally have the effect of diminishing the integrity of the market in the eyes of the investing public."

The panel directed the BCSC's Executive Director and Posen to make submissions on sanctions.

About the BC Securities Commission (bcsc.bc.ca)

The BC Securities Commission, an independent provincial government agency, strives to make the investment market benefit the public. We set rules, monitor compliance by industry, take action against misconduct, and provide guidance to investors and industry. As guardians of B.C.'s investment market, we're committed to maintaining a market that is honest, fair, competitive and dynamic, enabling British Columbians to thrive.

Media Contact:
Elise Palmer
604-899-6830

Public inquiries:
604-899-6854 or 1-800-373-6393 (toll free)
inquiries@bcsc.bc.ca

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Reception: 604-899-6500
Contact Centre: 604-899-6854 or
1-800-373-6393
Fax: 604-899-6506

701 West Georgia Street
P.O. Box 10142, Pacific Centre
Vancouver, BC V7Y 1L2

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