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SEC Reports First 'Fiduciary' Settlement Involving Municipal Adviser.

WASHINGTON—The Securities and Exchange Commission announced on Tuesday a settlement with a Kansas adviser to resolve allegations that the firm violated a provision of the 2010 Dodd-Frank financial overhaul law that requires municipal advisers to put the interests of municipal clients ahead of their own.

"A municipal adviser's first duty should be to its municipal client, not its own bottom line," SEC enforcement chief Andrew Ceresney said, in announcing the first-of-its-kind case.

The SEC said when the adviser, Central States Capital Markets, worked in 2011 on a municipal-bond deal for an unnamed city, two employees and its chief executive arranged for the offerings to be underwritten by a broker-dealer where the three men also worked, but didn't disclose the conflict of interest to the city.

The firm agreed to settle the claims and disgorge $290,000 in profits and a separate penalty. The three men also agreed to settle the case, the SEC said.

A lawyer for the firm didn't immediately respond to a request for comment.

The men were aware of the conflict posed, the SEC said. In April 2011, one emailed: "if we are going to charge an [advisory] fee and [the City's administrator] keeps calling us [municipal advisors], should we not resign as [municipal advisors] to [underwrite] this issue? Out of an abundance of caution I believe we should resign…."

The SEC said there was a draft resignation letter attached to the email, but said the men never sent the document to the city.

The case comes as the investment industry is bracing for new fiduciary rules that are expected to require retirement advisers to also put clients' interests ahead of their own.

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