



FROM THE LORD WILSON OF SEDGFIELD
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Dear Summ

Thank you for your valuable contribution during the Parliamentary debate on Monday 8th December, on the Financial Services and Markets Act 2023 (Prudential Regulation of Credit Institutions) (Consequential Amendments) Regulations 2025; and the Financial Services and Markets Act 2000 (Regulated Activities) (ESG Ratings) Order 2025.

I stated that I would provide a written response with further detail on a selection of the questions raised. Please find the response to your question and further detail set out below.

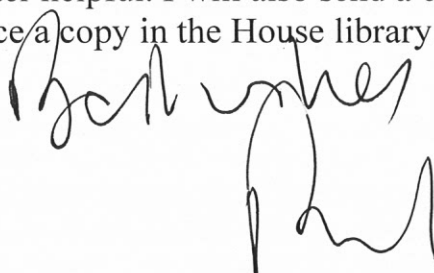
Firstly, as I noted in the debate, bringing environmental, social and governance (ESG) rating providers into regulation has received strong support from a wide range of stakeholders. The objective is to enhance the integrity of the market by fostering robust governance, effective management of conflicts of interest, and sound systems and controls, while also improving transparency. The consultation on this topic, launched in March 2023, received 94 responses, with 95% of respondents in favour of regulation. Respondents included users and providers of ESG ratings, trade bodies, consultancies, law firms, financial services firms, charities and wider civil society groups.

The regime will seek to improve the quality and reliability of ratings that are used in the market, but it will not mandate the use of ESG ratings or prescribe particular methodologies. This is intended to protect innovation and competition in the sector. It will not dictate the underlying methodologies used by different providers and will allow space for continued innovation in the market.

You asked how an UK overseas recognition regime would work, in relation to this regulatory regime. I can advise that HMT's mechanism for recognising an overseas jurisdiction's financial services regulatory framework is through Overseas Recognition Regimes (ORRs). Each ORR is tailored to fit the individual needs of the regime, with HMT's overall approach to this set out in the guidance document¹ which was published in July 2025. The government supports open, competitive and internationally connected financial markets and in that context, the government intends to give further consideration to market access arrangements for overseas ESG ratings providers. Parliament will have the opportunity to scrutinise any proposals in due course, including any ORR proposals relating to overseas ESG ratings providers.

I hope you find this letter helpful. I will also send a copy to Baroness Neville-Rolfe and Lord ~~Pater~~ and place a copy in the House library.

Jones



LORD WILSON OF SEDGEFIELD

Baroness Kramer
House of Lords

¹ https://assets.publishing.service.gov.uk/media/687527f655c4bd0544dcae12/Overseas_Recognition_Regimes_Guidance_Document_final_.pdf