Pillar 3 Disclosure

for the year ended 31 December 2019

William Blair International Limited

Registration No: 03619027

Overview

William Blair International Limited ("WBIL") is authorised and regulated by the Financial Conduct Authority ('FCA') and is prudentially categorised as a 50k BIPRU limited license firm.

The capital requirements for firms such as WBIL have been enacted in the United Kingdom through the FCA Handbook and particularly within the FCA Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU'). The following disclosures are prepared and have been reviewed and approved by the WBIL Board, in accordance with the Capital Requirements Directive (CRD IV), which is the framework for implementing Basel III in the European Union. CRD IV rules are set out under three pillars:

Pillar 1 is a variable capital requirement based on the greater of (i) the sum of market and credit risks or (ii) the fixed overhead requirement. WBIL must maintain at all times capital resources equal to or in excess of the amount specified.

Pillar 2 requires all firms and supervisors to review whether additional capital should be held against risks not covered in Pillar 1, to instigate additional controls to mitigate such risks or a combination of these two approaches. WBIL undertakes an Internal Capital Adequacy Assessment Process (ICAAP) in order to assist in this process.

Pillar 3 requires firms to publish certain details of capital and risk management and to review and update this information at least annually.

Under the rules a firm may omit one or more disclosures where the information provided by such disclosure is not regarded as material.

The disclosures below are the required Pillar 3 disclosures and apply solely to WBIL. The disclosures do not apply to the funds managed by the Firm, which are exposed to different risks. The disclosures are not subject to audit and do not constitute any form of audited financial statement. The disclosures have been produced solely for the purpose of fulfilling our obligation with respect to Pillar 3 regulatory requirements and have been reviewed and approved by the Board.

Frequency and Aim of Disclosure Report

This report will be reviewed on an annual basis in conjunction with the publication of the Financial Statements.
The report shall provide an overview of the risk profile and risk management of the WBIL.

Means of Disclosure

The disclosure is made available as required on the William Blair Website at https://www.williamblair.com/ under UK Disclosures.

The Company

WBIL was incorporated in 1998 and is authorised and regulated by the Financial Conduct Authority to conduct investment business, without permission to hold and control client money. WBIL's principal activities are the provision of investment management services, investment advisory services, mergers and acquisitions assistance, and the sale of research. The sale of research is made to institutional clients that pay for the research by executing trades through William Blair & Company's trading desk in Chicago.

The Board

List of Directors	Internal	External
John Ettelson (CEO)	1	0
Arthur Simon	1	0
Jon Zindel	1	0
Thomas Ross	1	0
Brent Gledhill	1	0
John Moore	1	0
Stephanie Braming	1	0
James Bennett	1	0
Anu Sharma	1	0

Note: the Directorships held within the same group are counted as a single directorship, and those in organisations with non-commercial objectives are disregarded.

When assessing the current and future business needs of WBIL, equality and diversity are considered as part of WBIL's recruitment process. There are a range of criteria for assessing Board membership including relevant skills, suitability for the role, relevant expertise and knowledge, all of which help for a balanced approach to challenge and decision making. The Directors collectively bring a broad range of business experience to the Board which is considered essential for the effective management of the firm. Executive summaries and biographies on each director can be found on the William Blair Website. https://www.williamblair.com/

In addition to the management committee, the firm also has a Risk Committee which meets quarterly to discuss risk requirements and high level risk events that impact the firm.

The Board Statement of Risk

The Board has assessed the adequacy of the risk management arrangements and believe they are adequate with regard to WBIL profile and strategy.

Risk Evaluation

WBIL has assessed business and operational risks in its ICAAP and set out appropriate actions to manage them. The ICAAP process seeks to ensure that the risk profile of the firm is assessed for all known material exposures faced by WBIL, taking into account all relevant controls in place. Stress and scenario testing is also undertaken as part of the ICAAP which assesses the potential impact on capital of a series of combined risk events. The ICAAP assessment is reviewed by the Board of Directors and amended where necessary or at a minimum annually.

The principal risk areas which we seek to manage are as follows:

Pillar 1 risks:	Pillar 2 risks:
• Credit	• Concentration
• Market	• Liquidity
	• Business
	• Operational

Pillar 1 risk evaluation

- Credit risk is minimal. The corporate finance activity does not record fee income and related receivables until the transaction is completed. The fee is usually collected at the closing, so rarely, if ever, are fee receivables on the books. Expenses are incurred while working on transactions, which are reimbursed by the client. In some cases, these expenses may not be totally reimbursed; however, a reserve is maintained to offset the risk of non-reimbursed deal expenses. The institutional sales activity has no receivables. The trade execution and clearance is performed by William Blair & Company LLC ("WBC") and all trades are done on a DVP basis. There are no margin accounts.

- Market risk relates to trading activity and there is no trading activity at WBIL so market risk, from the trading perspective is non-existent. Foreign exchange risk, however, does exist. The foreign exchange risk is generated from the business activity. Fixed expenses are denominated in £'s but most of the revenues are denominated in $'s or €'s. The mitigating factor is that the most significant expense is employee compensation, which is based on revenues generated in $'s, calculated in $'s and only converted to £'s when paid.

Pillar 2 risk evaluation

- Concentration risk is minimal. No one client represents a significant portion of WBIL's business.

- Liquidity risk is minimal. WBIL has a very liquid balance sheet with few long term assets other than furniture, equipment and leaseholds. In addition, it has the financial backing of WBC to meet any short-term liquidity issues. In the event that WBC is unable to provide WBIL with sufficient funding to enable it to meet any short term liquidity issues, the WBIL Board of Directors will determine the course of remedial action, which may include cost reduction strategies. The nature of WBC and WBIL's business activities is such that a funding issue is not likely to occur without some advance warning. As a result, remedial action, quickly implemented, could significantly reduce the negative impact on WBIL.

- Business risk is minimal given the products and operational model of WBIL. WBIL regularly monitors the performance of all business units against the strategic plan approved by the Board. Any significant deviation from the agreed plan will lead to management actions to improve performance via increased revenues or reduced costs. Impacts on the business of external events are appropriately captured via the Pillar 2b scenario analysis in the ICAAP.

- Operational risk would, for the most part, relate to trade error. While the possibility exists that an input error could be made by employees of William Blair International Limited, it is much more likely they would be caused by William Blair & Company LLC employees where most of the trade processing occurs, and would therefore be recognized in that company. As a result, operational risk is also minimal.

Capital Resources and Requirements

WBIL calculates and reports its capital resources and requirements in accordance with the current FCA regulations as per BIPRU.

WBIL maintains sufficient capital to meet its regulatory requirements and takes a prudent approach to the management of its capital base. WBIL's tier 1 capital as of 31 December 2019 is set forth in the table below. Common Tier 1 Capital (CET 1) comprises share capital, share premium, and audited reserves. WBIL does not hold any tier 2 or 3 capital or instruments.

Capital (£'000)	31 December 2019
Total Tier 1 Capital	20,664
Deductions for Material Holdings	250
Total Tier 1 Capital After Deductions	20,414

As a BIPRU 50k limited license firm, WBIL's Pillar 1 capital requirement at 31 December 2019 is the highest of:

- Base capital requirement of €50,000
- The sum of the credit risk and market risk requirements
- The fixed overhead requirement

Risk (£'000)	31 December 2019
Credit Risk	1,659
Market Risk	498
Fixed Overhead Requirement	9,412

WBIL's Pillar 1 capital requirement is £ 9,412. The Pillar 1 capital requirements for WBIL do not require an operational risk capital requirement. This is considered as part of the Pillar 2 capital requirement.

The firm's calculation of its surplus of own funds under Pillar 1 capital requirements is set forth in the table below:

		(£'000)
Regulatory Capital		20,414
Pillar 1 Requirement		
Credit Risk	1,659	
Market Risk	498	
Fixed Overhead Requirement	9,412	
Regulatory Requirement*		9,412
Surplus of own Funds		11,002

*Fixed overhead requirement only.

The firm’s calculation of excess net capital under Pillar 2 capital requirements is set forth in the table below:

		(£'000)
Regulatory Capital		20,414
Pillar 2 Requirement		
Fixed Overhead Requirement	9,412	
Internal Capital Guidance Requirement	4,236	
Capital Planning Buffer	2,540	
Regulatory Requirement		16,188
Excess Net Capital		4,226