

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

FAIR VALUE OF DERIVATIVE CONTRACTS

The fair value of our outstanding derivative instruments as of December 31, 2022 and 2021 was as follows:

	Balance Sheet Location	As of December 31,	
		2022	2021
Derivative Assets:		(In millions)	
Foreign currency exchange contracts designated as hedging instruments	Other current assets	\$ 167	\$ 205
Foreign currency exchange contracts designated as hedging instruments	Other assets (non-current)	15	21
Foreign currency exchange contracts not designated as hedging instruments	Other current assets	62	78
Total derivative assets		<u>\$ 244</u>	<u>\$ 304</u>
Derivative Liabilities:			
Foreign currency exchange contracts designated as hedging instruments	Other current liabilities	\$ 68	\$ 27
Foreign currency exchange contracts designated as hedging instruments	Other long-term liabilities	133	—
Foreign currency exchange contracts not designated as hedging instruments	Other current liabilities	97	103
Total derivative liabilities		<u>\$ 298</u>	<u>\$ 130</u>

MASTER NETTING AGREEMENTS - RIGHTS OF SET-OFF

Under master netting agreements with certain counterparties to our foreign currency exchange contracts, subject to applicable requirements, we are allowed to net settle transactions of the same type with a single net amount payable by one party to the other. However, we have elected to present the derivative assets and derivative liabilities on a gross basis on our consolidated balance sheets. Rights of set-off associated with our foreign currency exchange contracts represented a potential offset to both assets and liabilities of \$70 million as of December 31, 2022 and \$102 million as of December 31, 2021.

We have entered into collateral security arrangements that provide for collateral to be received or posted when the net fair value of certain financial instruments fluctuates from contractually established thresholds. The following table provides the collateral exchanged posted and received:

	December 31,	
	2022	2021
(In millions)		
Cash collateral posted ⁽¹⁾	\$ 24	\$ 5
Cash collateral received ⁽²⁾	\$ 203	\$ 209

⁽¹⁾ Right to reclaim cash collateral related to our derivative liabilities recognized in other current assets on our consolidated balance sheets.

⁽²⁾ Obligation to return counterparty cash collateral related to our derivative assets recognized in other current liabilities on our consolidated balance sheets.