

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.

have on financial markets for LIBOR-linked financial instruments. The replacement of LIBOR with a comparable or successor rate could cause the amount of interest payable on our long-term debt to be different or higher than expected.

(c) Foreign Currency Risk

We are exposed to the effect of foreign exchange rate fluctuations on the U.S. dollar value of foreign currency-denominated transactions. Our largest exposure comes from the British pound sterling, Euro, Canadian dollar and various Latin American currencies, primarily the Brazilian real. We do not currently have a foreign currency hedge program.

9. Fair Value Measurements and Other Investments

Assets Measured at Fair Value on a Recurring Basis

Fair value is defined as the price that would be received from the sale of an asset or paid to transfer a liability (i.e. an exit price) on the measurement date in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. Accounting standards include disclosure requirements around fair values used for certain financial instruments and establish a fair value hierarchy. The hierarchy prioritizes valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of three levels:

- Level 1 – Observable inputs such as quoted prices in active markets;
- Level 2 – Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

When available, we use quoted market prices to determine the fair value of our financial assets. If quoted market prices are not available, we measure fair value using valuation techniques that use, when possible, current market-based or independently-sourced market parameters, such as interest rates and currency rates.

We utilize the market approach to measure the fair value of our financial assets. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets. Our short-term investments classified as Level 2 primarily utilize broker quotes in a non-active market for valuation of these securities. No changes in valuation techniques or inputs occurred during the year ended December 31, 2020.

Assets measured at fair value on a recurring basis are summarized below (in millions):

	Fair Value Measurements as of December 31, 2020			
	Total	Level 1	Level 2	Level 3
Short-term investments ^{(1), (2)} :				
Money market funds	\$ 247	\$ 247	\$ —	\$ —
Corporate obligations	3,449	—	3,449	—
Bank notes/certificates of deposit/time deposits	2,168	—	2,168	—
Repurchase agreements	755	—	755	—
	6,619	247	6,372	—
Restricted cash and short-term investments ^{(1), (3)}	609	448	161	—
Long-term investments ⁽⁴⁾	161	161	—	—
Total	\$ 7,389	\$ 856	\$ 6,533	\$ —