Ponzi scheme — an investment fraud where the claimed returns are larger than the actual amount. As long as there is enough money to pay those investors who want to remove their money, it might not be detected. Examples: Charles Ponzi and Bernie Madoff.

Risk-free asset — a hypothetical asset whose return is known ahead of time (no randomness). For example, a loan/bond that will not default. US government bonds are a common proxy.

Risk-free rate — return of the risk-free asset. The yield of US government bonds is a common proxy.

Credit risk — risk that a loan, bond, or other investment won’t be paid back because the borrower defaults or goes bankrupt.

Borrowing short and lending long — generally, loans with longer maturities have higher interest rates because they have more credit risk. One definition of a bank is a company that borrows money at short maturities (with lower interest rates) and invests that money in loans with longer maturities (having higher interest rates).