The market risk premium (MRP) remains one of the most debated issues in corporate finance. The MRP is a critical input when measuring a company’s cost of equity and weighted cost of capital. Thus, a company’s estimate of the MRP can have major effects on its capital budgeting decisions. This is especially true when estimating the MRP in emerging markets, where expected returns are widely understood to be affected by variables other than those specified by the capital asset pricing model (CAPM). The purpose of this chapter is to investigate the degree of integration or lack thereof (segmentation) between capital markets and to develop a modified CAPM for financial decision-making in emerging markets.