

Discover Financial Services
Form 4
July 05, 2007

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box
if no longer
subject to
Section 16.
Form 4 or
Form 5
obligations
may continue.
See Instruction
1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF
SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section
30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Offereins Diane E

(Last) (First) (Middle)

2500 LAKE COOK ROAD

(Street)

RIVERWOODS, IL 60015

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading
Symbol
Discover Financial Services [DFS]

3. Date of Earliest Transaction
(Month/Day/Year)
07/02/2007

4. If Amendment, Date Original
Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to
Issuer

(Check all applicable)

____ Director ____ 10% Owner
☒ Officer (give title below) ____ Other (specify below)

Executive Vice President

6. Individual or Joint/Group Filing(Check
Applicable Line)
☒ Form filed by One Reporting Person
____ Form filed by More than One Reporting
Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
Common Stock	07/02/2007		A	Amount 279,183 (1)	(A) or (D) Price A (2) 279,223 (3)	D	
Common Stock	07/02/2007		A	179,484 (1)	A \$ 0 458,707 (3)	D	
Common Stock					395.69 (4)	I	By ESOP

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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information contained in this form are not
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SEC 1474
(9-02)

number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)			
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Employee Stock Option	\$ 20.47	07/02/2007		A		47,630		<u>(5)</u>	01/02/2010	Common Stock	47,630
Employee Stock Option	\$ 22.24	07/02/2007		A		57,332		<u>(5)</u>	01/02/2011	Common Stock	57,332
Employee Stock Option	\$ 19.41	07/02/2007		A		46,367		<u>(5)</u>	01/02/2012	Common Stock	46,367
Employee Stock Option	\$ 14.49	07/02/2007		A		98,373		<u>(5)</u>	01/02/2013	Common Stock	98,373
Employee Stock Option	\$ 18.87	07/02/2007		A		67,159		<u>(5)</u>	01/02/2014	Common Stock	67,159
Employee Stock Option	\$ 26.68	07/02/2007		A		21,576		<u>(6)</u>	12/12/2016	Common Stock	21,576

Reporting Owners

Reporting Owner Name / Address	Relationships
	Director 10% Owner Officer Other
Offereins Diane E 2500 LAKE COOK ROAD RIVERWOODS, IL 60015	Executive Vice President

Signatures

/s/ Simon B. Halfin as Attorney-in-Fact for Diane E. Offereins

07/05/2007

Signature of Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Restricted stock units that are convertible into shares of common stock at a ratio of 1 to 1.
- (2) These restricted stock units were granted by the issuer in replacement of 95,026 restricted stock units of Morgan Stanley in connection with the spin-off of the issuer by Morgan Stanley (the "Spin-Off").
- (3) Includes shares of common stock acquired in the Spin-Off.
- (4) These shares of common stock were acquired in the Spin-Off.
- (5) This option is fully exercisable.
- (6) This option vests in two equal annual installments beginning on December 12, 2008.
- (7) In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 16,212 shares of common stock of Morgan Stanley at an exercise price of \$60.14.
- (8) In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 19,514 shares of common stock of Morgan Stanley at an exercise price of \$65.34.
- (9) In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 15,782 shares of common stock of Morgan Stanley at an exercise price of \$57.03.
- (10) In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 33,483 shares of common stock of Morgan Stanley at an exercise price of \$42.56.
- (11) In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 22,859 shares of common stock of Morgan Stanley at an exercise price of \$55.45.
- (12) In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 7,344 shares of common stock of Morgan Stanley at an exercise price of \$78.40.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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