Discover Financial Services
Form 4
July 05, 2007

FORM 4

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

OMB APPROVAL

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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

(Print or Type Responses)

1. Name and Address of Reporting Person *
Corley Kathryn McNamara

(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
__X__ Officer (give title below) _____ Other (specify below)
SVP,General Counsel&Secretary

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ 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 Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	07/02/2007		A		78,889 (1)	A	(2)	90,768.39 (3)	D	
Common Stock	07/02/2007		A		107,690 (1)	A	$ 0	198,458.39 (3)	D	
Common Stock								2,119.01 (4)	I	By ESOP

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

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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	$ 12.13	07/02/2007		A		4,001		(5)	01/02/2009	Common Stock	4,001
Employee Stock Option	$ 20.47	07/02/2007		A		11,293		(5)	01/02/2010	Common Stock	11,293
Employee Stock Option	$ 22.24	07/02/2007		A		13,015		(5)	01/02/2011	Common Stock	13,015
Employee Stock Option	$ 19.41	07/02/2007		A		11,011		(5)	01/02/2012	Common Stock	11,011
Employee Stock Option	$ 14.49	07/02/2007		A		25,886		(5)	01/02/2013	Common Stock	25,886
Employee Stock Option	$ 18.87	07/02/2007		A		21,459		(5)	01/02/2014	Common Stock	21,459
Employee Stock Option	$ 18.94	07/02/2007		A		30,043		(5)	01/02/2008	Common Stock	30,043
Employee Stock Option	$ 26.68	07/02/2007		A		6,537		(6)	12/12/2016	Common Stock	6,537

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other

Corley Kathryn McNamara
2500 LAKE COOK ROAD
RIVERWOODS, IL 60015

SVP,General
Counsel&Secretary

Signatures

/s/ Simon B. Halfin as Attorney-in-Fact for Kathryn McNamara Corley — 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 26,852 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 1,362 shares of common stock of Morgan Stanley at an exercise price of $35.65.
(8)	In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 3,844 shares of common stock of Morgan Stanley at an exercise price of $60.14.
(9)	In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 4,430 shares of common stock of Morgan Stanley at an exercise price of $65.34.
(10)	In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 3,748 shares of common stock of Morgan Stanley at an exercise price of $57.03.
(11)	In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 8,811 shares of common stock of Morgan Stanley at an exercise price of $42.56.
(12)	In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 7,304 shares of common stock of Morgan Stanley at an exercise price of $55.45.
(13)	In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 10,226 shares of common stock of Morgan Stanley at an exercise price of $55.64.
(14)	In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 2,225 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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