

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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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

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
**Panzarino James V**

(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)  
 SVP,Chief Credit Risk Officer

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	(A) Amount 88,836 (1)	(D) Price 88,836	D	
Common Stock	07/02/2007		A	(A) Amount 71,793 (1)	(D) Price \$ 0	D	
Common Stock					181.3 (3)	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)	Amount or Number of Shares
				Code V	(A) (D)	Date Exercisable Expiration Date	Title	
Employee Stock Option	\$ 18.05	07/02/2007		A	95,593	<u>(4)</u> 01/02/2014	Common Stock	95,593
Employee Stock Option	\$ 18.87	07/02/2007		A	14,305	<u>(5)</u> 01/02/2014	Common Stock	14,305
Employee Stock Option	\$ 26.68	07/02/2007		A	4,903	<u>(6)</u> 12/12/2016	Common Stock	4,903

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Panzarino James V 2500 LAKE COOK ROAD RIVERWOODS, IL 60015			SVP, Chief Credit Risk Officer	

## Signatures

/s/ Simon B. Halfin as Attorney-in-Fact for James V.  
Panzarino 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 30,238 restricted stock units of Morgan Stanley in connection with the spin-off of the issuer by Morgan Stanley (the "Spin-Off").
- (3) These shares of common stock were acquired in the Spin-Off.
- (4)

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This option vests in five equal annual installments beginning on November 20, 2004 and currently is exercisable with respect to 57,355.8 shares.

- (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 32,537 shares of common stock of Morgan Stanley at an exercise price of \$53.02.
- (8) In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 4,869 shares of common stock of Morgan Stanley at an exercise price of \$55.45.
- (9) In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 1,669 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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