

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 \*  
**HOCHSCHILD ROGER C**

(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)

President and COO

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)	
			Code	V	Amount or Price			
Common Stock	07/02/2007		A		496,649 (1)	A	(2) 497,774 (3)	D
Common Stock	07/02/2007		A		430,763 (1)	A	\$ 0 928,537 (3)	D
Common Stock							526.72 (4)	I By ESOP

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

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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 Number Shares
Employee Stock Option	\$ 20.47	07/02/2007		A	51,291	<u>(5)</u> 01/02/2010	Common Stock 51,291
Employee Stock Option	\$ 22.24	07/02/2007		A	60,702	<u>(5)</u> 01/02/2011	Common Stock 60,702
Employee Stock Option	\$ 19.41	07/02/2007		A	53,941	<u>(5)</u> 01/02/2012	Common Stock 53,941
Employee Stock Option	\$ 14.49	07/02/2007		A	92,990	<u>(5)</u> 01/02/2013	Common Stock 92,990
Employee Stock Option	\$ 18.05	07/02/2007		A	382,375	<u>(6)</u> 01/02/2014	Common Stock 382,375
Employee Stock Option	\$ 18.87	07/02/2007		A	87,746	<u>(5)</u> 01/02/2014	Common Stock 87,746
Employee Stock Option	\$ 26.68	07/02/2007		A	41,860	<u>(7)</u> 12/12/2016	Common Stock 41,860

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HOCHSCHILD ROGER C 2500 LAKE COOK ROAD RIVERWOODS, IL 60015			President and COO	

## Signatures

/s/ Simon B. Halfin as Attorney-in-Fact for Roger C.  
Hochschild

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 169,044 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 five equal annual installments beginning on November 20, 2004 and currently is exercisable with respect to 229,425 shares.
- (7) This option vests in two equal annual installments beginning on December 12, 2008.
- (8) In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 17,458 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 20,661 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 18,360 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 31,651 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 130,148 shares of common stock of Morgan Stanley at an exercise price of \$53.02.
- (13) In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 29,866 shares of common stock of Morgan Stanley at an exercise price of \$55.45.
- (14) In connection with the Spin-Off, this option was granted by the issuer in replacement of an option to purchase 14,248 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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