

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 *
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
__X__ Officer (give title below) ____ Other (specify below)

SVP,Chief Credit Risk Officer

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 Ownership (Instr. 4)
Common Stock	07/02/2007		A	Amount (1) 88,836	A (2) 88,836	D	
Common Stock	07/02/2007		A	Amount (1) 71,793	A \$ 0 160,629	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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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	\$ 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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