

Corley Kathryn McNamara
Form 4
September 27, 2011

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 *
Corley Kathryn McNamara

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

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

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

2500 LAKE COOK ROAD

09/26/2011

EVP, General Counsel & Secretary

(Street)

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

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

RIVERWOODS, IL 60015

(City) (State) (Zip)

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 Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|--|
| | | | Code | V | Amount or Price (A) or (D) | | |
| Common Stock | 09/26/2011 | | M | | 11,011 A \$ 19.41 | D | |
| Common Stock | 09/26/2011 | | S | | 11,011 D \$ 25.18 (1) | D | |
| Common Stock | 09/26/2011 | | M | | 25,886 A \$ 14.49 | D | |
| Common Stock | 09/26/2011 | | S | | 25,886 D \$ 25.24 (2) | D | |
| | | | | | 2,217.75 | I | By ESOP |

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The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from \$25.00 to \$25.45, inclusive. The reporting person undertakes to provide to Discover Financial Services, any security holder of Discover Financial Services, or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the ranges set forth in footnote 1 to this Form 4.

- (2) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from \$25.01 to \$25.53, inclusive. The reporting person undertakes to provide to Discover Financial Services, any security holder of Discover Financial Services, or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the ranges set forth in footnote 2 to this Form 4.
- (3) This option was fully exercisable at the time of Discover Financial Services' Spin-Off from Morgan Stanley.
- (4) In connection with Discover Financial Services' Spin-Off from Morgan Stanley, this option was granted by Discover Financial Services in replacement of an option to purchase 3,748 shares of common stock of Morgan Stanley at an exercise price of \$57.03.
- (5) In connection with Discover Financial Services' Spin-Off from Morgan Stanley, this option was granted by Discover Financial Services in replacement of an option to purchase 8,811 shares of common stock of Morgan Stanley at an exercise price of \$42.56.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.