

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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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)
 2500 LAKE COOK ROAD
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)
 09/26/2011

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
 EVP, General Counsel & Secretary

RIVERWOODS, IL 60015

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

(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 Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|---|
| | | | | (A) or (D) | Price | | |
| Common Stock | 09/26/2011 | | M | 11,011 | A \$ 19.41 | 315,675.39 | D |
| Common Stock | 09/26/2011 | | S | 11,011 | D \$ 25.18 (1) | 304,664.39 | D |
| Common Stock | 09/26/2011 | | M | 25,886 | A \$ 14.49 | 330,550.39 | D |
| Common Stock | 09/26/2011 | | S | 25,886 | D \$ 25.24 (2) | 304,664.39 | D |
| | | | | | | 2,217.75 | I By ESOP |

Common
Stock

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

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(9-02)

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 | \$ 19.41 | 09/26/2011 | | M | 11,011 | ⁽³⁾ | 01/02/2012 | Common Stock | 11,011 |
| Employee Stock Option | \$ 14.49 | 09/26/2011 | | M | 25,886 | ⁽³⁾ | 01/02/2013 | Common Stock | 25,886 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|----------------------------------|-------|
| | Director | 10% Owner | Officer | Other |
| Corley Kathryn McNamara 2500 LAKE COOK ROAD RIVERWOODS, IL 60015 | | | EVP, General Counsel & Secretary | |

Signatures

Simon Halfin as Attorney-in-Fact for Kathryn McNamara
Corley
09/27/2011

**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)

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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.