

Discover Financial Services  
 Form 4  
 October 03, 2012

**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 \*  
**NELMS DAVID W**

(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)  
 10/01/2012

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)  
 Chairman and CEO

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	(A) or (D)	Price
Common Stock	10/01/2012		M		113,856	A	\$ 18.87
Common Stock	10/01/2012		S		113,856	D	\$ 39.97 (1)
Common Stock	10/01/2012		M		91,421	A	\$ 27.6
Common Stock	10/01/2012		S		91,421	D	\$ 39.74 (4)
	10/01/2012		M		32,603	A	\$ 27.6
							1,997,088

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Common Stock									
Common Stock	10/01/2012		S	32,603	D	\$ 39.58 <u>(7)</u>	1,964,485	D	
Common Stock	10/02/2012		G V	25,000	D	\$ 0	1,939,485	D	
Common Stock							955.53	I	By ESOP
Common Stock							7,814.69	I	ESPP

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 Number Shares
Employee Stock Option	\$ 18.87	10/01/2012		M	113,856	<u>(2)</u> 01/02/2014	Common Stock	113,856	
Employee Stock Option	\$ 27.6	10/01/2012		M	91,421	<u>(5)</u> 01/02/2013	Common Stock	91,421	
Employee Stock Option	\$ 27.6	10/01/2012		M	32,603	<u>(8)</u> 01/02/2013	Common Stock	32,603	

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
	X		Chairman and CEO	

NELMS DAVID W  
2500 LAKE COOK ROAD  
RIVERWOODS, IL 60015

## Signatures

/s/ Simon Halfin as Attorney-in-Fact for David W.  
Nelms

10/03/2012

\*\*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) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from \$39.75 to \$40.06, 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 this footnote.

(2) This option fully vested on January 2, 2007.

(3) 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 38,753 shares of common stock of Morgan Stanley at an exercise price of \$55.45.

(4) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from \$39.66 to \$39.85, 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 this footnote.

(5) This option fully vested on November 30, 2007.

(6) 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 31,117 shares of common stock of Morgan Stanley at an exercise price of \$81.10.

(7) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from \$39.52 to \$39.67, 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 this footnote.

(8) This option fully vested on March 27, 2007.

(9) 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 11,097 shares of common stock of Morgan Stanley at an exercise price of \$81.10.

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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