

Discover Financial Services
Form S-4
June 29, 2012
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As filed with the Securities and Exchange Commission on June 29, 2012

Registration Statement No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

DISCOVER FINANCIAL SERVICES

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of

6141
(Primary Standard Industrial

36-2517428
(I.R.S. Employer

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incorporation or organization)

Classification Code Number)

Identification No.)

2500 Lake Cook Road

Riverwoods, Illinois 60015

(224) 405-0900

(Address, including zip code, and telephone number, including area code, of registrant's principal executive officer)

Kathryn McNamara Corley, Esq.

Executive Vice President, General Counsel and Secretary

Discover Financial Services

2500 Lake Cook Road

Riverwoods, Illinois 60015

(224) 405-0900

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of all communications to:

Michael T. Kohler

Edward D. Ricchiuto

Sidley Austin LLP

787 Seventh Avenue

New York, New York 10019

(212) 839-5300

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

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If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller Reporting Company

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to Be Registered	Proposed Maximum Offering Price per Security	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(1)
5.200% Senior Notes due 2022	\$321,516,000	100%	\$321,516,000	\$36,845.74

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(f) under the Securities Act of 1933, as amended.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 29, 2012

PROSPECTUS

Offer to Exchange

\$321,516,000 aggregate principal amount of

5.200% Senior Notes due 2022

(that we refer to as the original notes)

(CUSIP Nos. 254709 AF5 and U25477 AC1)

for

\$321,516,000 aggregate principal amount of 5.200% Senior Notes due 2022

(that we refer to as the exchange notes)

(CUSIP No. 254709 AG3)

that have been registered under the Securities Act of 1933, as amended (the Securities Act)

The exchange offer will expire at 5:00 p.m.,

New York City time, on , 2012, unless extended.

We hereby offer, upon the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal (which together constitute the exchange offer), to exchange up to \$321,516,000 aggregate principal amount of our outstanding original notes (CUSIP Nos. 254709 AF5 and U25477 AC1) for a like principal amount of our exchange notes (CUSIP No. 254709 AG3) that have been registered under the Securities Act. When we use the term notes in this prospectus, the term includes the original notes and the exchange notes unless otherwise indicated or the context otherwise requires. The terms of the exchange offer are summarized below and are more fully described in this prospectus.

The terms of the exchange notes are substantially identical to the terms of the original notes in all material respects, except that the exchange notes are registered under the Securities Act and the transfer restrictions, registration rights and additional interest provisions applicable to the original notes do not apply to the exchange notes.

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We will accept for exchange any and all original notes validly tendered and not validly withdrawn prior to 5:00 p.m., New York City time, on _____, 2012, unless extended (the expiration date _____).

You may withdraw tenders of original notes at any time prior to the expiration of the exchange offer.

We will not receive any proceeds from the exchange offer.

The exchange of original notes for exchange notes should not be a taxable event for U.S. federal income tax purposes.

No public market currently exists for the original notes. We do not intend to list the exchange notes on any securities exchange and, therefore, no active public market is anticipated.

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for original securities where such original securities were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days after the expiration date, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

See Risk Factors beginning on page 7 to read about important factors you should consider before tendering your original notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2012

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This prospectus contains summaries of the material terms of certain documents and refers you to certain documents that we have filed with the Securities and Exchange Commission (the SEC). See Incorporation of Certain Documents by Reference. Copies of these documents, except for certain exhibits and schedules, will be made available to you without charge upon written or oral request to:

Discover Financial Services

Office of the Corporate Secretary

2500 Lake Cook Road

Riverwoods, Illinois 60015

(224) 405-0900

In order to obtain timely delivery of such materials, you must request information from us no later than five business days prior to the expiration of the exchange offer.

No information in this prospectus constitutes legal, business or tax advice, and you should not consider it as such. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding the exchange offer.

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FORWARD-LOOKING STATEMENTS

This prospectus, including the documents incorporated by reference herein, contains or will contain certain statements that are forward-looking. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements. Words such as expects, anticipates, believes, estimates and other similar expressions or future or conditional verbs such as will, should, would and could are intended to identify such forward-looking statements. You should not rely solely on the forward-looking statements, which are qualified in their entirety by reference to, and are accompanied by, the important factors described in our Annual Report on Form 10-K for the year ended November 30, 2011, including under the headings Risk Factors and Special Note Regarding Forward-Looking Statements, as updated by our other SEC filings filed after such Annual Report, including our Quarterly Reports on Form 10-Q for the quarters ended February 29, 2012 and May 31, 2012. You should consider all uncertainties and risks contained in or incorporated by reference into this prospectus. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any forward-looking statement.

Possible events or factors that could cause results or performance to differ materially from those expressed in our forward-looking statements include the following:

changes in economic variables, such as the availability of consumer credit, the housing market, energy costs, the number and size of personal bankruptcy filings, the rate of unemployment, the levels of consumer confidence and consumer debt, and investor sentiment;

the impact of current, pending and future legislation, regulation, supervisory guidance, and regulatory and legal actions, including those related to financial regulatory reform, consumer financial services practices, and funding, capital and liquidity;

the actions and initiatives of current and potential competitors;

our ability to manage our expenses;

our ability to successfully achieve card acceptance across our networks and maintain relationships with network participants;

our ability to sustain and grow our private student loan portfolio;

our ability to manage our credit risk, market risk, liquidity risk, operational risk, legal and compliance risk, and strategic risk;

the availability and cost of funding and capital;

access to deposit, securitization, equity, debt and credit markets;

the impact of rating agency actions;

the level and volatility of equity prices, commodity prices and interest rates, currency values, investments, other market fluctuations and other market indices;

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losses in our investment portfolio;

limits on our ability to pay dividends and repurchase our common stock;

fraudulent activities or material security breaches of key systems;

our ability to increase or sustain Discover card usage or attract new customers;

our ability to attract new merchants and maintain relationships with current merchants;

the effect of political, economic and market conditions, geopolitical events and unforeseen or catastrophic events;

our ability to introduce new products or services;

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our ability to manage our relationships with third-party vendors;

our ability to maintain current technology and integrate new and acquired systems;

our ability to collect amounts for disputed transactions from merchants and merchant acquirers;

our ability to attract and retain employees;

our ability to protect our reputation and our intellectual property;

difficulty obtaining regulatory approval for, financing, closing, transitioning, integrating or managing the expenses of acquisitions of or investments in new businesses, products or technologies; and

new lawsuits, investigations or similar matters or unanticipated developments related to current matters.

We routinely evaluate and may pursue acquisitions of or investments in businesses, products, technologies, loan portfolios or deposits, which may involve payment in cash or our debt or equity securities.

The foregoing review of important factors should not be construed as exclusive and should be read in conjunction with the other cautionary statements that are included in or incorporated by reference into this prospectus. These factors expressly qualify all subsequent oral and written forward-looking statements attributable to us or persons acting on our behalf. Except for any ongoing obligations to disclose material information as required under U.S. federal securities laws, we do not have any intention or obligation to update forward-looking statements after we distribute this prospectus, whether as a result of new information, future developments or otherwise.

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INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

We incorporate by reference into this prospectus documents we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus. Some information contained in this prospectus updates the information incorporated by reference, and information that we file subsequently with the SEC will automatically update this prospectus. In other words, in the case of a conflict or inconsistency between information set forth in this prospectus and information that we file later and incorporate by reference into this prospectus, you should rely on the information contained in the document that was filed later.

We incorporate by reference into this prospectus the documents listed below and any filings we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act (i) after the date of the initial registration statement and prior to effectiveness of the registration statement and (ii) after the date of this prospectus and before the consummation or termination of the exchange offer (other than, in each case, documents or information deemed to have been furnished and not filed in accordance with SEC rules):

our Annual Report on Form 10-K for the year ended November 30, 2011;

our Quarterly Reports on Form 10-Q for the quarters ended February 29, 2012 and May 31, 2012; and

our Current Reports on Form 8-K filed on December 16, 2011, April 9, 2012, April 19, 2012, April 20, 2012, April 24, 2012, May 3, 2012 and May 10, 2012.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC's website at <http://www.sec.gov> and on the investor relations page of our website at <http://www.discoverfinancial.com>. Information on our website does not constitute part of this prospectus. You may also read and copy any document we file with the SEC at the SEC's public reference facilities at 100 F Street N.E., Washington, D.C. 20549. You can also obtain copies of the documents upon the payment of a duplicating fee to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. You may also request a copy of our SEC filings, or the documents we incorporate by reference herein, at no cost, by writing or telephoning us at:

Discover Financial Services

2500 Lake Cook Road

Riverwoods, Illinois 60015

Attention: Investor Relations

Telephone: (224) 405-0900

Exhibits to the filings will not be sent, unless those exhibits have been specifically incorporated by reference in this prospectus.

In order to obtain timely delivery of such materials, you must request information from us no later than five business days prior to the expiration of the exchange offer.

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SUMMARY

The following summary highlights selected information included in or incorporated by reference into this prospectus and may not contain all of the information that is important to you. Before deciding whether you should participate in the exchange offer, you should read this prospectus in its entirety, including the documents incorporated by reference herein, especially the risks of participating in the exchange offer discussed under Risk Factors contained herein and under Risk Factors in our Annual Report on Form 10-K for the year ended November 30, 2011 and our Quarterly Reports on Form 10-Q for the quarters ended February 29, 2012 and May 31, 2012, all of which are incorporated by reference into this prospectus as well as the consolidated financial statements and notes to those consolidated financial statements incorporated by reference herein. Each reference in this prospectus to we, us, our, Discover or the Company means Discover Financial Services and its consolidated subsidiaries, unless the context requires otherwise.

The Company

Discover Financial Services is a direct banking and payment services company. We are a bank holding company under the Bank Holding Company Act of 1956 and a financial holding company under the Gramm-Leach-Bliley Act, subject to oversight, regulation and examination by the Board of Governors of the Federal Reserve System (the Federal Reserve). We offer credit cards, student loans, personal loans and deposit products through our Discover Bank subsidiary and home loans through our Discover Home Loans, Inc. subsidiary. We had \$57.1 billion in loan receivables and \$27.6 billion in deposits issued through direct-to-consumer channels and affinity relationships at May 31, 2012. We operate the Discover Network, our credit card payments network; the PULSE network (PULSE), our automated teller machine (ATM), debit and electronic funds transfer network; and Diners Club International (Diners Club), our global payments network.

Our principal executive offices are located at 2500 Lake Cook Road, Riverwoods, Illinois 60015, and our telephone number is (224) 405-0900.

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Summary of the Exchange Offer

On April 27, 2012 and May 8, 2012, in connection with private exchange offers, we issued \$321,516,000 aggregate principal amount of 5.200% Senior Notes due 2022. As part of that issuance, we entered into a registration rights agreement with the dealer managers of the private exchange offers, dated as of April 27, 2012, in which we agreed, among other things, to deliver this prospectus to you and to use all commercially reasonable efforts to complete an exchange offer for the original notes. Below is a summary of the exchange offer.

Securities offered	\$321,516,000 aggregate principal amount of 5.200% Senior Notes due 2022 that have been registered under the Securities Act (the exchange notes). The form and terms of the exchange notes are substantially identical in all material respects to those of the original notes except that the exchange notes are registered under the Securities Act and the transfer restrictions, registration rights and additional interest provisions applicable to the original notes do not apply to the exchange notes.
Exchange offer	We are offering to exchange up to \$321,516,000 principal amount of the outstanding original notes for a like principal amount of the exchange notes. You may tender original notes only in denominations of \$2,000 and any integral multiple of \$1,000 in excess thereof. We will issue exchange notes promptly after the expiration of the exchange offer. In order to be exchanged, an original note must be validly tendered, not validly withdrawn and accepted. Subject to the satisfaction or waiver of the conditions of the exchange offer, all original notes that are validly tendered and not validly withdrawn will be exchanged. As of the date of this prospectus, there is \$321,516,000 aggregate principal amount of original notes outstanding. The \$321,516,000 aggregate principal amount of original notes were issued under the senior indenture, dated as of June 12, 2007, between Discover Financial Services and U.S. Bank National Association, as trustee (the Trustee) (as supplemented to date, the Indenture). If all outstanding original notes are tendered for exchange, there will be \$321,516,000 principal amount of 5.200% Senior Notes due 2022 (that have been registered under the Securities Act) outstanding after this exchange offer.
Expiration date; Tenders	The exchange offer will expire at 5:00 p.m., New York City time, on , 2012, which is the twentieth business day of the offering period, unless we extend the period of time during which the exchange offer is open. In the event of any material change in the offer, we will extend the period of time during which the exchange offer is open if necessary so that at least five business days remain in the exchange offer period following notice of the material change. By signing or agreeing to be bound by the letter of transmittal, you will represent, among other things, that: <p style="margin-left: 40px;">you are not an affiliate of ours or if you are such an affiliate, you will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable;</p> <p style="margin-left: 40px;">you are acquiring the exchange notes in the ordinary course of your business;</p> <p style="margin-left: 40px;">at the time of the exchange offer, you have no arrangement with any person to participate in the distribution (within the meaning of the Securities Act) of the original notes or the exchange notes; and</p>

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if you are a broker-dealer that will receive exchange notes for its own account in exchange for original notes that were acquired as a result of market making or other trading activities, you will deliver a prospectus (or to the extent permitted by law, make available a prospectus to purchasers) in connection with any resale of such exchange notes. For further information regarding resales of the exchange notes by broker-dealers, see the discussion under the caption Plan of Distribution.

Accrued interest on the exchange notes and original notes

The exchange notes will bear interest from April 27, 2012. If your original notes are accepted for exchange, you will receive interest on the exchange notes and not on the original notes, provided that you will receive interest on the original notes and not the exchange notes if and to the extent the record date for such interest payment occurs prior to completion of the exchange offer. Any original notes not tendered will remain outstanding and continue to accrue interest according to their terms.

Conditions to the exchange offer

The exchange offer is subject to customary conditions. If we materially change the terms of the exchange offer, we will resolicit tenders of the original notes and extend the exchange offer period if necessary so that at least five business days remain in the exchange offer period following notice of any such material change. See The Exchange Offer Conditions to the Exchange Offer for more information regarding conditions to the exchange offer.

Procedures for tendering original notes

A tendering holder must, at or prior to the expiration date:

transmit a properly completed and duly executed letter of transmittal, including all other documents required by the letter of transmittal, to the exchange agent at the address listed in this prospectus; or

if original notes are tendered in accordance with the book-entry procedures described in this prospectus, the tendering holder must transmit an agent's message to the exchange agent at the address listed in this prospectus. See The Exchange Offer Procedures for Tendering.

Special procedures for beneficial holders

If you are a beneficial holder of original notes that are registered in the name of your broker, dealer, commercial bank, trust company or other nominee, and you wish to tender in the exchange offer, you should promptly contact the person in whose name your original notes are registered and instruct that nominee to tender on your behalf. See The Exchange Offer Procedures for Tendering.

Withdrawal rights

Tenders may be withdrawn at any time before 5:00 p.m., New York City time, on the expiration date. See The Exchange Offer Withdrawal Rights.

Acceptance of original notes and delivery of exchange notes

Subject to the conditions stated in the section The Exchange Offer Conditions to the Exchange Offer of this prospectus, we will accept for exchange any and all original notes which are properly tendered in

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the exchange offer and not validly withdrawn before 5:00 p.m., New York City time, on the expiration date. The exchange notes will be delivered promptly after the expiration date. See The Exchange Offer Terms of the Exchange Offer.

Material U.S. federal tax consequences Your exchange of original notes for exchange notes pursuant to the exchange offer should not be a taxable event for U.S. federal income tax purposes. See Material U.S. Federal Income Tax Consequences.

Regulatory requirements Following the effectiveness of the registration statement covering the exchange offer by the SEC, no other material federal regulatory requirement must be complied with in connection with this exchange offer.

Exchange agent U.S. Bank National Association is serving as exchange agent in connection with the exchange offer. The address and telephone number of the exchange agent are listed under the heading The Exchange Offer Exchange Agent.

Use of proceeds; expenses We will not receive any proceeds from the issuance of exchange notes in the exchange offer. We have agreed to pay all expenses incident to the exchange offer (including the expenses of one counsel for the holders of the original notes and the exchange notes) other than commissions or concessions of any brokers or dealers.

Resales Based on existing interpretations of the Securities Act by the SEC staff set forth in several no-action letters to third parties, and subject to the immediately following sentence, we believe that exchange notes issued under this exchange offer in exchange for original notes may be offered for resale, resold and otherwise transferred by the holders thereof (other than holders who are broker dealers) without further compliance with the registration and prospectus delivery provisions of the Securities Act. However, any purchaser of original notes who is an affiliate of ours or who intends to participate in the exchange offer for the purpose of distributing the exchange notes, or any broker dealer who purchased the original notes from us for resale pursuant to Rule 144A or any other available exemption under the Securities Act, (i) will not be able to rely on the interpretations of the SEC staff set forth in the above mentioned no action letters, (ii) will not be entitled to tender its original notes in the exchange offer, and (iii) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of the original notes unless such sale or transfer is made pursuant to an exemption from such requirements.

Consequences of not exchanging original notes If you do not exchange your original notes in the exchange offer, you will continue to be subject to the restrictions on transfer described in the legend on your original notes. In general, you may offer or sell your original notes only:

if they are registered under the Securities Act and applicable state securities laws;

if they are offered or sold under an exemption from registration under the Securities Act and applicable state securities laws; or

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if they are offered or sold in a transaction not subject to the Securities Act and applicable state securities laws.

Although your original notes will continue to accrue interest, they will generally retain no rights under the registration rights agreement. We currently do not intend to register the original notes under the Securities Act. Under some circumstances, holders of the original notes, including holders who are not permitted to participate in the exchange offer or who may not freely sell exchange notes received in the exchange offer, may require us to file, and to cause to become effective, a shelf registration statement covering resales of the original notes by these holders. For more information regarding the consequences of not tendering your original notes and our obligations to file a shelf registration statement, see [The Exchange Offer](#) [Consequences of Exchanging or Failing to Exchange the Original Notes](#) and [The Exchange Offer](#) [Registration Rights Agreement](#).

Risk factors

For a discussion of significant risk factors applicable to the exchange notes and the exchange offer, see [Risk Factors](#) beginning on page 7 of this prospectus for a discussion of factors you should consider carefully before deciding to participate in the exchange offer.

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*The following is a summary of the terms of the exchange notes. The form and terms of the exchange notes are identical in all material respects to those of the original notes except that the exchange notes are registered under the Securities Act and the transfer restrictions, registration rights and additional interest provisions applicable to the original notes do not apply to the exchange notes. The exchange notes will evidence the same debt as the original notes and will be governed by the same indenture. Certain of the terms and conditions described below are subject to important limitations and exceptions. For a more detailed description of the terms and conditions of the exchange notes, see the section of this prospectus entitled *Description of Exchange Notes*.*

Issuer	Discover Financial Services
Securities offered	\$321,516,000 aggregate principal amount of 5.200% Senior Notes due 2022
Maturity	April 27, 2022
Interest	Interest will accrue on the exchange notes from April 27, 2022, at the rate of 5.200% per annum, and will be payable in cash semi-annually in arrears on April 27 and October 27 of each year, beginning on October 29, 2012 (which is the next business day after October 27, 2012). Interest on the notes will be computed on the basis of a 360-day year comprised of twelve 30-day months.
Ranking	The exchange notes will be senior unsecured obligations of Discover Financial Services and will rank on parity with each other and with all of Discover Financial Services' other senior unsecured indebtedness. The exchange notes will be effectively subordinated to any existing and future indebtedness and other liabilities of our subsidiaries and to any of our existing and future secured indebtedness.
Optional Redemption	We may redeem some or all of the exchange notes, in whole or in part, at any time or from time to time, at the redemption prices set forth in the Indenture, as summarized in this prospectus. See <i>Description of Exchange Notes</i> <i>Optional Redemption of the Notes by the Company</i> .
Change of Control Triggering Event	Upon the occurrence of a Change of Control Triggering Event (as defined herein), each holder of exchange notes may require us to repurchase all or a portion of such holder's exchange notes at a purchase price equal to 101% of the aggregate principal amount thereof, plus accrued interest to the repurchase date. See <i>Description of Exchange Notes</i> <i>Repurchase at the Option of Holders</i> .
Certain covenants	Other than as described above under <i>Change of Control Triggering Event</i> , there are no covenants or other provisions in the Indenture that would afford holders of exchange notes additional protection in the event of a recapitalization transaction, a change of control of our company or a highly leveraged transaction. See <i>Description of Exchange Notes</i> <i>Certain Covenants</i> <i>Restrictions on Consolidations, Mergers and Sales of Assets</i> . In addition, the Indenture includes a restriction on our ability to secure indebtedness with the voting stock of Discover Bank or any subsidiary succeeding to any substantial part of

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the business now conducted by Discover Bank or holding voting securities of Discover Bank. See Description of Exchange Notes Certain Covenants Negative Pledge.

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RISK FACTORS

Investing in the notes involves risks. Before deciding whether to participate in the exchange offer, you should consider carefully the risks described below and all of the information contained in or incorporated by reference into this prospectus before making an investment decision. In addition, you should carefully consider, among other things, the matters discussed under Risk Factors in our Annual Report on Form 10-K for the year ended November 30, 2011 and our Quarterly Reports on Form 10-Q for the quarters ended February 29, 2012 and May 31, 2012 and in other documents that we subsequently file with the SEC, all of which are incorporated by reference into this prospectus. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The risks discussed below also include forward-looking statements and our actual results may differ substantially from those discussed in these forward-looking statements. See Forward-Looking Statements.

Risks Relating to the Exchange Notes

An active trading market for the exchange notes may not develop.

There is no existing trading market for the exchange notes. We do not intend to apply for listing of the exchange notes on the New York Stock Exchange or any other exchange. Even if a trading market for the exchange notes develops, the liquidity of any market for the exchange notes will depend upon the number of holders of the exchange notes, our performance, the market for similar securities, the interest of securities dealers in making a market in the exchange notes and other factors. Accordingly, no assurance can be given as to the liquidity of, or adequate trading markets for, the exchange notes.

Our credit ratings may not reflect all risks of an investment in the exchange notes.

The credit ratings of the exchange notes may not reflect the potential impact of all risks related to structure and other factors on any trading market for, or trading value of, the exchange notes. In addition, real or anticipated changes in our credit ratings will generally affect any trading market for, or trading value of, the exchange notes.

We are a holding company that conducts all of our business through subsidiaries. The debt and other liabilities of our subsidiaries will be effectively senior to the exchange notes.

We conduct all of our business through our subsidiaries, including Discover Bank, which represented 98% of our assets as of May 31, 2012. Our cash flow and, consequently, our ability to pay interest in cash and to service our debt, including the exchange notes, are dependent to a certain extent upon the cash flow of our subsidiaries and the payment of funds to us by those subsidiaries in the form of loans, dividends or otherwise. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due on the notes or to make cash available for that purpose. In addition, Discover Bank and many of our other operating subsidiaries are highly regulated and may be subject to restrictions on their ability to pay dividends to us. These subsidiaries may use the earnings they generate, as well as their existing assets, to fulfill their own direct debt service requirements.

The exchange notes will be our senior unsecured obligations and will rank equally with all of our existing and future senior unsecured indebtedness. To the extent that any of our subsidiaries have outstanding indebtedness, the exchange notes will effectively rank junior to such indebtedness and other liabilities, including deposits. As of May 31, 2012, excluding intercompany amounts, our subsidiaries had approximately \$62.3 billion of total indebtedness and other liabilities, including deposits. See Description of Exchange Notes Ranking in this prospectus.

The exchange notes will be effectively subordinated to all of our existing and future secured debt and to the existing and future debt of our subsidiaries.

The exchange notes are not secured by any of our assets or the assets of our subsidiaries. As a result, the indebtedness represented by the exchange notes will effectively be subordinated to any secured indebtedness we or our subsidiaries may incur, to the extent of the value of the assets securing such indebtedness. In the event of any

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distribution or payment of our assets in any foreclosure, dissolution, winding up, liquidation or reorganization, or other bankruptcy proceeding, any secured creditors would have a superior claim to the extent of their collateral. In the event of the dissolution, a winding up, liquidation or reorganization, or other bankruptcy proceeding of a subsidiary, creditors of that subsidiary would generally have the right to be paid in full before any distribution is made to us or the holders of the exchange notes. If any of the foregoing occur, we cannot assure you that there will be sufficient assets to pay amounts due on the exchange notes.

There are no covenants in the Indenture governing the exchange notes relating to our ability to incur future indebtedness or pay dividends and limited restrictions on our ability to engage in other activities, which could adversely affect our ability to pay our obligations under the exchange notes.

The Indenture does not contain any financial covenants. The Indenture permits us and our subsidiaries to incur additional debt, including secured debt. Because the exchange notes will be unsecured, in the event of any liquidation, dissolution, reorganization, bankruptcy or other similar proceeding regarding us, whether voluntary or involuntary, the holders of our secured debt will be entitled to receive payment to the extent of the assets securing that debt before we can make any payment with respect to the exchange notes. If any of the foregoing events occurs, we cannot assure you that we will have sufficient assets to pay amounts due on our debt and the exchange notes. As a result, you may receive less than you are entitled to receive or recover nothing if any liquidation, dissolution, reorganization, bankruptcy or other similar proceeding occurs.

The Indenture does not limit our subsidiaries' ability to issue or repurchase securities, pay dividends or engage in transactions with affiliates. Our ability to use our funds for numerous purposes may limit the funds available to pay our obligations under the exchange notes.

We may be unable to repurchase the exchange notes if we experience a change of control and a related downgrade in the credit rating of the exchange notes.

Under certain circumstances, we are required, under the terms of the exchange notes, to offer to purchase all of the outstanding exchange notes at 101% of their principal amount if we experience a change of control and a related downgrade in the credit rating of the exchange notes. Our failure to repay holders tendering exchange notes upon a change of control and related downgrade will result in an event of default under the exchange notes. If a change in control and a related downgrade were to occur, we cannot assure you that we would have sufficient funds to purchase the exchange notes, or any other securities that we would be required to offer to purchase. We may require additional financing from third parties to fund any such purchases, but we cannot assure you that we would be able to obtain such financing.

The change of control provision may not protect you in the event we consummate a highly leveraged transaction, reorganization, restructuring, merger or other similar transaction, unless such transaction constitutes a change of control triggering event. Such a transaction may not involve a change of the magnitude required under the definition of change of control or may not result in a ratings downgrade to trigger our obligation to repurchase the exchange notes. Except as described under **Description of Exchange Notes** **Repurchase at the Option of Holders**, the exchange notes do not contain provisions that permit the holders of the exchange notes to require us to repurchase or redeem the exchange notes in the event of a takeover, recapitalization or similar transaction.

Risks Relating to the Exchange Offer

The consummation of the exchange offer may not occur.

We will exchange up to the aggregate principal amount of original notes for exchange notes that are tendered in compliance with, and pursuant to, the terms and conditions of the exchange offer described in this prospectus. Accordingly, holders participating in the exchange offer may have to wait longer than expected to receive their exchange notes, during which time those holders of original notes will not be able to effect transfers of their original notes tendered in the exchange offer. We may, however, waive these conditions at our sole discretion prior to the expiration date. See **The Exchange Offer** **Conditions to the Exchange Offer**.

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You may have difficulty selling the original notes that you do not exchange.

If you do not exchange your original notes for exchange notes pursuant to the exchange offer, the original notes you hold will continue to be subject to the existing transfer restrictions. The original notes may not be offered, sold or otherwise transferred, except in compliance with the registration requirements of the Securities Act, pursuant to an exemption from registration under the Securities Act or in a transaction not subject to the registration requirements of the Securities Act, and in compliance with applicable state securities laws. We do not anticipate that we will register the original notes under the Securities Act. After the exchange offer is consummated, the trading market for the remaining untendered original notes may be small and inactive. Consequently, you may find it difficult to sell any original notes you continue to hold or to sell such original notes at the price you desire because there will be fewer original notes of such series outstanding.

Some noteholders may be required to comply with the registration and prospectus delivery requirements of the Securities Act.

If you exchange your original notes in the exchange offer for the purpose of participating in a distribution of the exchange notes, you may be deemed to have received restricted securities and, if so, you will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. In addition, a broker-dealer that purchased original notes for its own account as part of market-making or trading activities must deliver a prospectus when it sells the exchange notes it receives in exchange for original notes in the exchange offer. Our obligation to keep the registration statement of which this prospectus forms a part effective is limited. Accordingly, we cannot guarantee that a current prospectus will be available at all times to broker-dealers wishing to resell their exchange notes.

Late deliveries of original notes or any other failure to comply with the exchange offer procedures could prevent a holder from exchanging its original notes.

Noteholders are responsible for complying with all exchange offer procedures. The issuance of exchange notes in exchange for original notes will only occur upon proper completion of the procedures described in this prospectus under The Exchange Offer. Therefore, holders of original notes who wish to exchange them for exchange notes should allow sufficient time for timely completion of the exchange procedure. Neither we nor the exchange agent are obligated to extend the exchange offer or notify you of any failure to follow the proper procedure.

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THE EXCHANGE OFFER

Purpose of the Exchange Offer

When we completed the first issuance of the original notes in connection with private exchange offers on April 27, 2012, we entered into a registration rights agreement with the dealer managers of the private exchange offers. Under the registration rights agreement, we agreed to file a registration statement with the SEC relating to the exchange offer within 120 days of the final settlement date of the original notes. We also agreed to use our commercially reasonable efforts to cause the registration statement to become effective with the SEC within 180 days of the final settlement date of the original notes (unless such registration statement is reviewed by the SEC, in which case within 240 days of the final settlement date of the original notes) and to consummate this exchange offer within 60 days after the registration statement is declared effective. The registration rights agreement provides that we will be required to pay additional interest to the holders of the original notes if we fail to comply with such filing, effectiveness and offer consummation requirements. See [Registration Rights Agreement](#) below for more information on the additional interest we will owe if we do not complete the exchange offer within a specified timeline.

The exchange offer is not being made to holders of original notes in any jurisdiction where the exchange would not comply with the securities or blue sky laws of such jurisdiction. A copy of the registration rights agreement has been filed as an exhibit to the Current Report on Form 8-K we filed with the SEC on May 3, 2012, and is available from us upon request. See [Where You Can Find More Information](#).

Each broker-dealer that receives exchange notes for its own account in exchange for original notes, where such original notes were acquired by such broker-dealer as a result of market-making or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. See [Plan of Distribution](#).

Terms of the Exchange Offer

Upon the terms and subject to the conditions described in this prospectus and in the accompanying letter of transmittal, which together constitute the exchange offer, we will accept for exchange original notes that are properly tendered before 5:00 p.m., New York City time, on the expiration date and not validly withdrawn as permitted below. We will issue a like principal amount of exchange notes in exchange for the principal amount of the corresponding original notes tendered under the exchange offer. As used in this prospectus, the term [expiration date](#) means [May 15, 2012](#), which is the twentieth business day of the offering period. However, if we have extended the period of time for which the exchange offer is open, the term [expiration date](#) means the latest date to which we extend the exchange offer.

As of the date of this prospectus, \$321,516,000 aggregate principal amount of the original notes is outstanding. The original notes were issued under the Indenture. This prospectus, together with the letter of transmittal, is first being sent on or about [May 15, 2012](#), to all holders of original notes known to us. Our obligation to accept original notes for exchange in the exchange offer is subject to the conditions described below under

[Conditions to the Exchange Offer](#). We reserve the right to extend the period of time during which the exchange offer is open. We may elect to extend the exchange offer period if less than 100% of the original notes are tendered or if any condition to consummation of the exchange offer has not been satisfied as of the expiration date and it is likely that such condition will be satisfied after such date. In addition, in the event of any material change in the exchange offer, we will extend the period of time during which the exchange offer is open if necessary so that at least five business days remain in the offering period following notice of the material change. In the event of such extension, and only in such event, we may delay acceptance for exchange of any original notes by giving oral or written notice of the extension to the holders of original notes as described below. During any extension period, all original notes previously tendered will remain subject to the exchange offer and may be accepted for exchange by us. Any original notes not accepted for exchange will be returned to the tendering holder promptly after the expiration or termination of the exchange offer.

Original notes tendered in the exchange offer must be in denominations of \$2,000 and any integral multiple of \$1,000 in excess thereof. No dissenter's rights of appraisal exist with respect to the exchange offer.

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We reserve the right to amend or terminate the exchange offer, and not to accept for exchange any original notes not previously accepted for exchange, upon the occurrence of any of the conditions of the exchange offer specified below under Conditions to the Exchange Offer. We will give oral or written notice of any extension, amendment, non-acceptance or termination to the holders of the original notes as promptly as practicable. Such notice, in the case of any extension, will be issued by means of a press release or other public announcement no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date.