UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
CORPORATION FINANCE

February 16, 2018

Thomas J. Kim
Sidley Austin LLP
thomas.kim@sidley.com

Re: Discover Financial Services
Incoming letter dated December 20, 2017

Dear Mr. Kim:

This letter is in response to your correspondence dated December 20, 2017 concerning the shareholder proposal (the "Proposal") submitted to Discover Financial Services (the "Company") by Myra K. Young (the "Proponent") for inclusion in the Company's proxy materials for its upcoming annual meeting of security holders. We also have received correspondence on the Proponent's behalf dated December 26, 2017. Copies of all of the correspondence on which this response is based will be made available on our website at http://www.sec.gov/divisions/corpfin/cf-noaction/14a-8.shtml. For your reference, a brief discussion of the Division's informal procedures regarding shareholder proposals is also available at the same website address.

Sincerely,

Matt S. McNair
Senior Special Counsel

Enclosure

cc: John Chevedden
***

*** FISMA & OMB Memorandum M-07-16

February 16, 2018

Response of the Office of Chief Counsel
Division of Corporation Finance

Re: Discover Financial Services
Incoming letter dated December 20, 2017

The Proposal requests that the board take each step necessary so that each voting requirement in the Company's charter and bylaws that calls for a greater than simple majority vote be eliminated, and replaced by a requirement for a majority of the votes cast for and against applicable proposals, or a simple majority in compliance with applicable laws.

We are unable to concur in your view that the Company may exclude the Proposal under rule 14a-8(i)(3). We are unable to conclude that you have demonstrated objectively that the portions of the supporting statement you reference are materially false or misleading. Accordingly, we do not believe that the Company may omit the Proposal from its proxy materials in reliance on rule 14a-8(i)(3).

Sincerely,

M. Hughes Bates
Special Counsel

DIVISION OF CORPORATION FINANCE
INFORMAL PROCEDURES REGARDING SHAREHOLDER PROPOSALS

The Division of Corporation Finance believes that its responsibility with respect to matters arising under Rule 14a-8 [17 CFR 240.14a-8], as with other matters under the proxy rules, is to aid those who must comply with the rule by offering informal advice and suggestions and to determine, initially, whether or not it may be appropriate in a particular matter to recommend enforcement action to the Commission. In connection with a shareholder proposal under Rule 14a-8, the Division's staff considers the information furnished to it by the company in support of its intention to exclude the proposal from the company's proxy materials, as well as any information furnished by the proponent or the proponent's representative.

Although Rule 14a-8(k) does not require any communications from shareholders to the Commission's staff, the staff will always consider information concerning alleged violations of the statutes and rules administered by the Commission, including arguments as to whether or not activities proposed to be taken would violate the statute or rule involved. The receipt by the staff of such information, however, should not be construed as changing the staff's informal procedures and proxy review into a formal or adversarial procedure.

It is important to note that the staff's no-action responses to Rule 14a-8(j) submissions reflect only informal views. The determinations reached in these no-action letters do not and cannot adjudicate the merits of a company's position with respect to the proposal. Only a court such as a U.S. District Court can decide whether a company is obligated to include shareholder proposals in its proxy materials. Accordingly, a discretionary determination not to recommend or take Commission enforcement action does not preclude a proponent, or any shareholder of a company, from pursuing any rights he or she may have against the company in court, should the company's management omit the proposal from the company's proxy materials.

JOHN CHEVEDDEN
***

December 26, 2017

Office of Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

 # 1 Rule 14a-8 Proposal
Discover Financial Services (DFS)
Simple Majority Vote
Myra K. Young

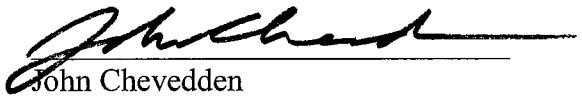
Ladies and Gentlemen:

This is in regard to the December 20, 2017 no-action request.

The company argument in effect claims that the proposal understates the negative impact of the company's current supermajority vote provision. The company argument in effect says that the ability of 1% of shares to frustrate a majority of shares is greater than the 66% mentioned in the rule 14a-8 proposal. The shareholder frustration impact is nonetheless extremely high regardless of which of the 2 numbers is used. The company does not claim that there is material difference between a 66% to one ratio and a larger 2-digit number to one ratio.

This is to request that the Securities and Exchange Commission allow this resolution to stand and be voted upon in the 2018 proxy.

Sincerely,



John Chevedden

cc: Myra K. Young

Jennifer Schott <JenniferSchott@discover.com>

[DFS: Rule 14a-8 Proposal, November 18, 2017]
[This line and any line above it – *Not* for publication.]

Proposal [4*] – Simple Majority Vote

RESOLVED, Discover Financial Services shareholders request that our board take each step necessary so that each voting requirement in our charter and bylaws that calls for a greater than simple majority vote be eliminated, and replaced by a requirement for a majority of the votes cast for and against applicable proposals, or a simple majority in compliance with applicable laws. This means the closest standard to a majority of the votes cast for and against such proposals consistent with applicable laws. It is important that our company take each step necessary to adopt this proposal topic. It is also important that our company take each step necessary to avoid a failed vote on this proposal topic.

Supporting Statement: Shareowners are willing to pay a premium for shares of companies that have excellent corporate governance. Supermajority voting requirements have been found to be one of six entrenching mechanisms that are negatively related to company performance according to "What Matters in Corporate Governance" by Lucien Bebchuk, Alma Cohen and Allen Ferrell of the Harvard Law School (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=593423).

Supermajority requirements are used to block initiatives supported by most shareowners but opposed by a status quo management. The majority of S&P 500 and S&P 1500 companies have no supermajority voting requirements. Additionally, unlike the majority of S&P 500 and S&P 1500 companies, our company prohibits shareholders from calling special meetings.

This proposal topic won from 74% to 99% support at Weyerhaeuser, Alcoa, Waste Management, Goldman Sachs, FirstEnergy, McGraw-Hill, Macy's, Ferro Arconic, and Cognizant Technology Solutions. Currently a 1%-minority can frustrate the will of our 66%-shareholder majority. In other words a 1%-minority could have the power to prevent shareholders from improving our corporate governance.

Please vote to enhance shareholder value:

Simple Majority Vote – Proposal [4*]
[This line and any below are *not* for publication]
Number 4* to be assigned by PEP

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THOMAS.KIM@SIDLEY.COM
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December 20, 2017

By email to shareholderproposals@sec.gov

U.S. Securities and Exchange Commission
Division of Corporation Finance
Office of Chief Counsel
100 F Street NE
Washington, DC 20549

Re: Discover Financial Services – Shareholder Proposal submitted by Myra K. Young

Ladies and Gentlemen:

Pursuant to Exchange Act Rule 14a-8(j), Discover Financial Services ("Discover" or the "Company") hereby notifies the Division of Corporation Finance of its intention to exclude a shareholder proposal (the "Proposal") submitted by Myra K. Young (the "Proponent") from Discover's proxy materials for its 2018 Annual Meeting of Shareholders (the "2018 Proxy Statement"), for the reasons stated below.

This letter, together with the Proposal and the related correspondence, are being submitted to the Staff of the Division of Corporation Finance (the "Staff") via email in lieu of mailing paper copies. A copy of this letter and the attachments are being sent on this date to the Proponent, with a copy to John Chevedden, her agent. We respectfully remind the Proponent that if she elects to submit additional correspondence to the U.S. Securities and Exchange Commission or the Staff with respect to the Proposal, a copy of that correspondence should be furnished concurrently to the undersigned pursuant to Rule 14a-8(k).

The Proposal

The Proposal sets forth the following resolution and supporting statement to be voted on at the 2018 Annual Meeting of Shareholders:

> RESOLVED, Discover Financial Services shareholders request that our board take each step necessary so that each voting requirement in our charter and bylaws that calls for a greater than simple majority vote be eliminated, and replaced by a requirement for a majority of the votes cast for and against applicable proposals, or a simple majority in compliance with applicable laws. This means the closest standard to a majority of the votes cast for and against such proposals consistent

with applicable laws. It is important that our company take each step necessary to adopt this proposal topic. It is also important that our company take each step necessary to avoid a failed vote on this proposal topic.

Supporting Statement: Shareowners are willing to pay a premium for shares of companies that have excellent corporate governance. Supermajority voting requirements have been found to be one of six entrenching mechanisms that are negatively related to company performance according to "What Matters in Corporate Governance" by Lucien Bebchuk, Alma Cohen and Allen Ferrell of the Harvard Law School (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=593423).

Supermajority requirements are used to block initiatives supported by most shareowners but opposed by a status quo management. The majority of S&P 500 and S&P 1500 companies have no supermajority voting requirements. Additionally, unlike the majority of S&P 500 and S&P 1500 companies, our company prohibits shareholders from calling special meetings.

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Please vote to enhance shareholder value:

A copy of the full Proposal and related correspondence with the Proponent is attached to this letter as Exhibit A.

Analysis

The Proposal May Be Excluded Pursuant to 14a-8(i)(3) Because the Proposal is Materially False and Misleading.

Rule 14a-8(i)(3) provides that a company may exclude a shareholder proposal from its proxy materials if "the proposal or supporting statement is contrary to any of the Commission's proxy rules, including Rule 14a-9, which prohibits materially false or misleading statements in proxy solicitation materials." Rule 14a-9 provides that no solicitation may be made by means of any proxy statement containing "any statement, which, at the time and in light of the circumstances under which it is made, is false or misleading with respect to any material fact, or which omits to state any material fact necessary in order to make the statements therein not false or misleading." In Staff Legal Bulletin No. 14B, the Staff stated that exclusion under Rule 14a-8(i)(3) is appropriate where the "company demonstrates objectively that a factual statement is materially false or misleading." Staff Legal Bulletin No. 14B (Sept. 15, 2004). *See, e.g.*, *JPMorgan Chase & Co.* (Mar. 11, 2014, *reconsid. denied* Mar. 28, 2014) (concurring in the

exclusion of a proposal as false and misleading because, among other things, it misrepresented the company's vote counting standard for electing directors, misrepresented the company's practices in following Staff guidance under Rule 14a-8(i)(12), and mischaracterized the company's treatment of abstentions); *General Electric Co.* (Jan. 6, 2009) (concurring in the exclusion of a proposal as false and misleading because it, among other things, made false and misleading statements regarding the company's vote counting standard for director elections); *Johnson & Johnson* (Jan. 31, 2007) (concurring in the exclusion of a proposal as false and misleading where the proposal concerned an advisory vote to approve the compensation committee report but contained misleading implications about SEC rules concerning the contents of the report).

As in *JP Morgan*, *General Electric* and *Johnson & Johnson*, the Proposal contains statements that are materially false and misleading to shareholders. The Proposal's supporting statement concludes with this argument: "Currently a 1%-minority can frustrate the will of our 66%-shareholder majority. In other words a 1%-minority could have the power to prevent shareholders from improving our corporate governance."

In referring to "our 66%-shareholder majority," the Proposal indirectly states that the Company's supermajority vote threshold is two-thirds (or 67%), which is patently false. The Company has a supermajority vote threshold of 80% of outstanding shares to amend its Amended and Restated Bylaws, as well as to amend two provisions in its Amended and Restated Certificate of Incorporation that reinforce the 80% vote requirement to amend the bylaws.[1] As a result, this argument will make no sense to our shareholders. The Company's supermajority voting threshold is a material fact for a proposal regarding whether or not to eliminate such a voting threshold. The Proposal's mischaracterization of the voting threshold—the entire basis for the proposal—is an error that is objectively and materially false and misleading.

In addition, regardless of the Company's particular supermajority voting provisions, the sentence – "In other words a 1%-minority could have the power to prevent shareholders from improving our corporate governance" – is materially false and misleading. The "power" of 1% applies with equal force to a simple majority voting threshold. Whenever there is a voting threshold, it is possible that the threshold will not be reached due to a single vote or a "1%-minority." By saying, "*[c]urrently* a 1%-minority can frustrate the will…" (emphasis added), the Proposal implies that this would not be the case for the Company once the supermajority threshold is changed to a simple majority threshold. This statement is materially false and misleading.

Finally, there is no action that the holders of 1% of the Company's outstanding shares could cause the Company to take or prevent the Company from taking. The only scenario in which this argument would be factually correct is one where a company had a supermajority threshold in its charter or bylaws of more-than-99%. Discover has no such more-than-99%

[1] See Amended and Restated Bylaws of Discover Financial Services (Article 8, Section 8.01). See also Amended and Restated Certificate of Incorporation of Discover Financial Services (Article 5, paragraph 1; Article 10) (referring to amendments to the Company's Bylaws).

supermajority, and any implication that it does – here, stating that a 1%-minority has the power to frustrate the majority – is materially false and misleading.

Accordingly, we believe that the Proposal is defective in its entirety and in violation of Rule 14a-9 as materially false and misleading. On that basis, we believe the Proposal may be properly excluded from the Company's 2018 Proxy Statement pursuant to Rule 14a-8(i)(3).

Conclusion

Based upon the foregoing analysis, we respectfully request that the Staff concur that it will take no action if the Company excludes the Proposal from its 2018 Proxy Statement. If you have any questions regarding this request or desire additional information, please contact the undersigned by phone at (202) 736-8615 or by email at thomas.kim@sidley.com.

Sincerely yours,

Thomas J. Kim

Attachments:
Exhibit A – Proposal

cc: Myra K. Young
John Chevedden

SIDLEY

Exhibit A

The Proposal

James McRitchie & Myra K. Young
***

Kathryn McNamara Corley, EVP
General Counsel and Secretary
Discover Financial Services
2500 Lake Cook Road
Riverwoods, Illinois 60015
kellymcnamaracorley@discoverfinancial.com

Dear Corporate Secretary,

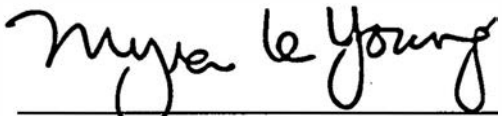
I am pleased to be a shareholder in Discover Financial Services (DFS) and appreciate the leadership our company has shown in several areas. However, our company also has unrealized potential that can be unlocked through low or no cost corporate governance reform, such as moving to a simple majority standard.

I am submitting the attached shareholder proposal for a vote at the next annual shareholder meeting. The proposal meets all Rule 14a-8 requirements, including the continuous ownership of the required stock value for over a year and I pledge to continue to hold the required amount of stock until after the date of the next shareholder meeting. My submitted format, with the shareholder-supplied emphasis, is intended to be used for definitive proxy publication.

This letter confirms that I am delegating John Chevedden to act as my agent regarding this Rule 14a-8 proposal, including its submission, negotiations and/or modification, and presentation at the forthcoming shareholder meeting. Please direct all future communications regarding my rule 14a-8 proposal to John Chevedden *** to facilitate prompt communication. Please identify me as the proponent of the proposal exclusively.

Your consideration and the consideration of the Board of Directors is appreciated in responding to this proposal. Please acknowledge receipt of my proposal promptly by email to ***

Sincerely,



Myra K. Young

November 18, 2017
Date

cc: Jennifer Schott, Assistant Secretary JenniferSchott@discover.com

*** FISMA & OMB Memorandum M-07-16

[DFS: Rule 14a-8 Proposal, November 18, 2017]
[This line and any line above it – *Not* for publication.]

Proposal [4*] – Simple Majority Vote

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Please vote to enhance shareholder value:

Simple Majority Vote – Proposal [4*]
[This line and any below are *not* for publication]
Number 4* to be assigned by PEP

Myra K. Young, *** sponsored this proposal.

Notes:
This proposal is believed to conform with Staff Legal Bulletin No. 14B (CF), September 15, 2004 including (emphasis added):

Accordingly, going forward, we believe that it would not be appropriate for companies to exclude supporting statement language and/or an entire proposal in reliance on rule 14a-8(I)(3) in the following circumstances:

- the company objects to factual assertions because they are not supported;
- the company objects to factual assertions that, while not materially false or misleading, may be disputed or countered;
- the company objects to factual assertions because those assertions may be interpreted by shareholders in a manner that is unfavorable to the company, its directors, or its officers; and/or
- the company objects to statements because they represent the opinion of the shareholder proponent or a referenced source, but the statements are not identified specifically as such.

We believe that it is appropriate under rule 14a-8 for companies to address these objections in their statements of opposition.

See also: Sun Microsystems, Inc. (July 21, 2005).

The stock supporting this proposal will be held until after the annual meeting and the proposal will be presented at the annual meeting. Please acknowledge this proposal promptly by email
***

*** FISMA & OMB Memorandum M-07-16