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Discover Financial Services Breaks into Signature Debit Market with Introduction of Discover® Debit

Debut marks first signature debit program offering for financial institutions since ruling on DOJ anti-trust case; paves way for Discover's growth

Riverwoods, Ill. – February 13, 2006 – Discover Financial Services LLC, a business unit of Morgan Stanley (NYSE:MS), today becomes the first credit card services company to compete directly with Visa® and MasterCard® in the rapidly growing signature debit market. With the launch of Discover® Debit, Discover Financial Services further positions itself for growth as it continues its expansion as a broad-based payments company offering a full range of products, including credit, PIN and signature debit, as well as stored value.

Discover Debit is the first new signature debit program to be offered to financial institutions since the ruling in the Department of Justice anti-trust case in October of 2004. This ruling enables financial institutions that already issue credit or debit cards from the bankcard associations to issue additional cards from other brands. The launch of Discover Debit also follows Discover Financial Services' acquisition of the PULSE ATM/debit network in January 2005, its strategic alliance with China UnionPay and multiple agreements with third-party credit and stored value issuers announced in 2005.

“Discover Debit is the first new entrant into the signature debit market in more than 10 years,” said David W. Nelms, chairman and chief executive officer of Discover Financial Services. “Discover’s assets, experience and brand strength offer significant competitive advantages and a highly appealing alternative for financial institutions, merchants and consumers. The launch of Discover Debit builds on this with a new, uncomplicated approach to signature debit that provides convenience and broad acceptance to cardholders as well as security and competitive program features to financial institutions.”

The Discover® Network will support two forms of signature debit card programs: the Discover Debit Card for individuals and the Discover Debit Business Card.

Discover Debit breaks the traditional debit card mold by offering issuers:

- Increased profitability that results from lower network expenses
- Simplicity in the form of clear, fully disclosed pricing, less complicated billing and straight-forward operating regulations and dispute rules
- A 100 percent online transaction authorization standard (no “floor limits”)

Discover Debit cards also will offer proactive fraud prevention tools and stringent network security features, as well as zero liability on Discover Debit Cards for individuals. They will be accepted at any of the more than 4 million merchant and cash access locations that accept Discover Network cards.

Discover Debit cards may support both signature-authorized and PIN-authorized transactions. Depending on the issuing institution's program choices, cardholders can use their Discover Debit cards to purchase goods and services either by signing a receipt or by entering their PIN at a point-of-sale terminal. Discover Debit also can be used to withdraw cash at ATMs across the U.S. Discover Debit issuers will have the option of participating in the Discover Financial Services-owned PULSE ATM/debit network for PIN debit services.

“Discover Debit capitalizes on the potential created by Discover Financial Services' acquisition of PULSE, as well as on current growth trends for debit transaction volumes, which are expected to surpass credit transactions by the end of this year,” said Stan Paur, PULSE president and chief executive officer. “The combination of PULSE's debit experience and Discover's signature capabilities has enabled us to create a compelling new choice for financial institutions, merchants and consumers in the important and rapidly growing debit market. We believe Discover Debit will be very appealing to many of the more than 4,100 financial institutions that currently participate in PULSE.”

Several key payment processors have agreed to support Discover Debit, including NetSpend Corp., Elan Financial Services, Central National Bank & Trust Company of Enid (Oklahoma) and Jack Henry & Associates.

Financial institutions may elect to offer Discover Debit in addition to one of the other two signature debit products currently available; participation does not require discontinuation of any existing relationship with other signature debit programs.

About Discover Financial Services

Discover Financial Services LLC, a business unit of Morgan Stanley (NYSE:MS), operates the Discover Card with more than 50 million cardmembers, the Discover Network, which is the largest proprietary credit card network in the U.S. with more than 4 million merchant and cash access locations, and the PULSE ATM/debit network which serves more than 4,100 financial institutions and includes more than 3.2 million merchant terminals and 250,000 ATMs. For more information, visit www.discovercard.com, www.discovernetwork.com or www.pulse-eft.com.

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