

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
OMB Number:	3235-0287
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1. Name and Address of Reporting Person* <u>HEFFERNAN EDWARD J</u> (Last) (First) (Middle) <u>17655 WATERVIEW PARKWAY</u> (Street) <u>DALLAS TX 75252-8012</u> (City) (State) (Zip)	2. Issuer Name and Ticker or Trading Symbol <u>ALLIANCE DATA SYSTEMS CORP [ADS]</u>	5. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director 10% Owner <input checked="" type="checkbox"/> Officer (give title below) Other (specify below) <u>EVP, Chief Financial Officer</u>
	3. Date of Earliest Transaction (Month/Day/Year) <u>02/21/2007</u>	
4. If Amendment, Date of Original Filed (Month/Day/Year)		

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)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	02/21/2007		A ⁽¹⁾		6,471	A	(1)	53,568	D	
Common Stock	02/21/2007		A ⁽²⁾		6,471	A	(2)	60,039	D	
Common Stock	02/21/2007		A ⁽³⁾		20,966	A	(3)	81,005	D	

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 Securities Underlying Derivative Security (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date						Title
Employee Stock Option (Right to Buy)	\$63.35	02/21/2007		A ⁽⁴⁾		15,223		(4)	02/21/2017	Common Stock	15,223	(4)	119,476 ⁽⁵⁾	D	

Explanation of Responses:

- The new grant is for 6,471 shares of common stock represented by performance-based restricted stock units, which may be adjusted up or down at the time the restrictions lapse. The restrictions may lapse based on the Company's cash earnings per share growth for 2007.
- The new grant is for 6,471 shares of common stock represented by time-based restricted stock units. The restrictions will lapse on 2,135 shares on each of 2/21/08 and 2/21/09, and on 2,201 shares on 2/21/10.
- The new grant is for 20,966 shares of common stock represented by performance-based restricted stock units. The restrictions may lapse on 5,241 shares in February 2008, on 5,242 shares in February 2009, and on 10,483 shares in February 2010 contingent on meeting a 5% cash earnings per share growth hurdle for 2007.
- The new option is for 15,223 shares, of which 5,023 shares will vest on 2/21/08, 5,024 shares will vest on 2/21/09 and 5,176 shares will vest on 2/21/10.
- The total number of derivative securities beneficially owned includes: (a) an option for 28,699 out of an original 34,022 shares granted 6/24/03 which is fully vested; (b) an option for 34,735 shares granted 2/2/04 which is fully vested; (c) an option for 19,337 shares granted 2/3/05 of which 12,762 shares are fully vested and 6,575 shares will vest on 2/3/08; (d) an option for 21,482 shares granted 2/13/06, of which 7,089 shares vested on 2/13/07, 7,089 shares will vest on 2/13/08 and 7,304 shares will vest on 2/13/09; and (e) the new option for 15,223 shares.

Remarks:

Leigh Ann K. Epperson, 02/23/2007
Attorney in Fact

** Signature of Reporting Person Date

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

* 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).

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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