

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>11/17/2006</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	11/17/2006		M		5,323	A	\$24.03	52,989	D	
Common Stock	11/17/2006		S		5,323	D	\$64.4128	47,666	D	
Common Stock	11/17/2006		M		17,967	A	\$15	65,633	D	
Common Stock	11/17/2006		S		17,967	D	\$64.3058	47,666	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 Options (Right to Buy)	\$24.03	11/17/2006		M			5,323	(1)	06/23/2013	Common Stock	5,323	(1)	122,220	D	
Employee Stock Options (Right to Buy)	\$15	11/17/2006		M			17,967	(1)	10/08/2010	Common Stock	17,967	(1)	104,253 ⁽²⁾	D	

Explanation of Responses:

- This is an employee stock option grant that is fully vested.
- 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 of which 22,926 shares are fully vested and 11,809 shares will vest on 2/2/07; (c) an option for 19,337 shares granted 2/3/05 of which 6,381 shares vested on 2/3/06, 6,381 shares will vest on 2/3/07 and 6,575 shares will vest on 2/3/08; and (d) an option for 21,482 shares granted 2/13/06, of which 7,089 shares will vest on each of 2/13/07 and 2/13/08 and 7,304 shares will vest on 2/13/09.

Remarks:

Leigh Ann K. Epperson, 11/21/2006
Attorney in Fact Date

** Signature of Reporting Person

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.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.