

Mandava Venkateswara Rao
 Form 4
 March 15, 2011

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
 Mandava Venkateswara Rao

2. Issuer Name and Ticker or Trading Symbol
 Flagstone Reinsurance Holdings, S.A. [FSR]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction (Month/Day/Year)
 03/10/2011

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
 Chief Information Officer

FLAGSTONE REINSURANCE HOLDINGS SA, 37, VAL ST ANDRE

(Street)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

LUXEMBOURG, N4 L-1128

(City) (State) (Zip)

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 Ownership (Instr. 4) | | | |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|--|--------|---|--|
| | | | | (A) or (D) | Price | | | | | |
| | | | | Code | V | Amount | | | | |
| Common Shares | 03/10/2011 | | M | | 81,743 | A | \$ 0 ⁽¹⁾ | 81,743 | D | |
| Common Shares | 03/10/2011 | | F | | 10,698 | D | \$ 11.33 | 70,775 | D | |

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

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SEC 1474 (9-02)

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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 Underlying Security (Instr. 3 and 4) |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|
| Performance Share Units | \$ 0 ⁽¹⁾ | 03/10/2011 | | M | 54,496 | 01/01/2011 ⁽²⁾ 04/01/2011 ⁽²⁾ | Common Shares |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|---------------------------|-------|
| | Director | 10% Owner | Officer | Other |
| Mandava Venkateswara Rao FLAGSTONE REINSURANCE HOLDINGS SA 37, VAL ST ANDRE LUXEMBOURG, N4 L-1128 | | | Chief Information Officer | |

Signatures

/s/ William F. Fawcett, by power of attorney
Date: 03/10/2011

__Signature of Reporting Person

Date

Explanation of Responses:

* 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).

Vesting of Performance Share Units ("PSUs") is contingent on the reporting person's continued employment with Flagstone Reinsurance Holdings SA (the "Company") and the Company meeting certain fully diluted return-on-equity ("FDROE") goals. Upon vesting, the PSU holder is entitled to receive a number of common shares of the Company (or the cash equivalent, at the election of the Company) equal to the product of the number of PSUs granted multiplied by a factor based on the Company's FDROE during the vesting period. The factor ranges between 0.5 and 1.5, depending on the FDROE achieved during the vesting period.

(1) The PSUs vested on January 1, 2011; however, settlement of any shares took place following the calculation of the factor described in footnote (1). The factor used to determine the number of common shares awarded was determined following the filing of the Company's annual report on Form 10-K on March 2, 2011. The expiration date assumes that the Company would settle these PSUs within three months of the vesting date.

(2) Based on the FDROE achieved during the relevant period, the number of common shares awarded was determined by multiplying the number of PSUs by a factor of 1.5.

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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